Annual Report 2006

Munters

Contents

The Board of Directors' report comprises pages 1, 4–5, 8–31, 38–42 and 65.

Financial reporting dates 2007

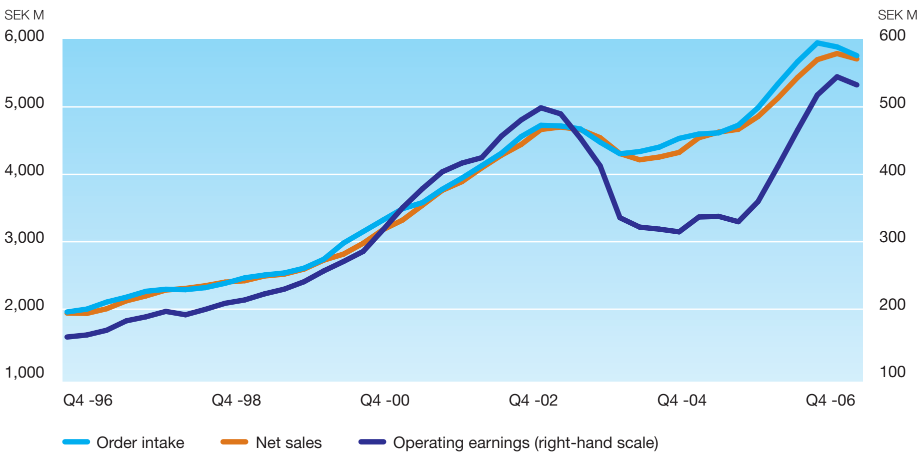
Interim Report January–March	24 April
Annual General Meeting	24 April
Interim Report January–June	7 August
Interim Report January–September	18 October
Year-End Report	February 2008
Annual Report 2007	April 2008

The annual report is sent to all shareholders registered with VPC, the Swedish Securities Register Center.

The year in brief

- **Order intake increased by 10 percent adjusted[1] to SEK 5,761 M (5,340). Excluding orders received in MCS related to the hurricanes in 2005, order intake increased by 15 percent.**
- **Net sales increased by 12 percent adjusted[1] to SEK 5,712 M (5,130). Excluding sales in MCS related to the hurricanes in 2005 and 2006, sales increased by 14 percent.**
- **Net earnings amounted to SEK 328 M (252).**
- **Earnings per share amounted to SEK 13.21 (10.17).**
- **Strong operating cash flow of SEK 375 M (181).**
- **The Board of Directors proposes an increase in dividend of SEK 1.25 to SEK 6.75 per share.**
- **The Board of Directors proposes an extra distribution of capital corresponding to SEK 20 per share, a total of SEK 492 M, through an automatic redemption program in conjunction with a 4:1 share split.**

Earnings Trend (rolling four-quarter figures)



Key data	2006	2005	Change, %	Adjusted[1] change, %
Order intake, SEK M	5,761	5,340	8	10
Net sales, SEK M	5,712	5,130	11	12
EBIT, SEK M	529	405	31	32
EBIT margin, %	9.3	7.9		
Earnings after financial items, SEK M	514	391	31	32
Net earnings, SEK M	328	252	30	31
Net margin, %	5.7	4.9		
Earnings per share, SEK	13.21	10.17	30	
Operating cash flow, SEK M	375	181	108	
Return on equity, %	22.5	19.3		
Return on capital employed, %	28.0	22.8		
Return on operating capital, %	32.7	26.2		
Capital turnover rate, times	3.0	2.8		
Net debt, SEK M	257	315		
Equity ratio, %	48	49		
Number of employees at year-end	3,552	3,245	9	

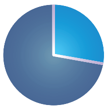
[1] Adjusted for currency and acquisitions and sale of operations.

Divisions

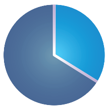
Dehumidification

Products and solutions for controlling humidity. Customer manufacturing and storage processes are made more efficient. Product quality and hygiene are improved. Dehumidification in combination with cooling creates an ideal indoor climate.

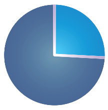
Dehumidification Division, share of Group:



28%
Net sales:
SEK 1,635 M



34%
Operating earnings:
SEK 194 M

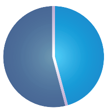


26%
Employees:
900

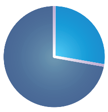
MCS (Moisture Control Services)

Services for water and fire damage restoration and temporary climate control. A complete service offering for the insurance industry that lowers costs through drying and renovating rather than rebuilding.

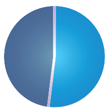
MCS Division, share of Group:



46%
Net sales:
SEK 2,618 M



28%
Operating earnings:
SEK 159 M

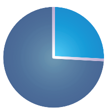


52%
Employees:
1,845

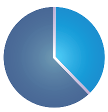
HumiCool

Products and systems for evaporative cooling and humidification. Cooling systems for the livestock and horticulture industries in warm and dry climates. Technology and products for mist elimination including flue-gas cleaning.

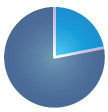
HumiCool Division, share of Group:



26%
Net sales:
SEK 1,514 M



38%
Operating earnings:
SEK 213 M



22%
Employees:
789

From everyday life to high sustainable performance

Munters is the world leader in humidity control, with services and products for water and fire damage restoration and dehumidification, humidification and cooling of air.

Munters' business concept is to be a global service and application-driven niche company in air treatment with a focus on environmentally friendly and energy-efficient solutions.

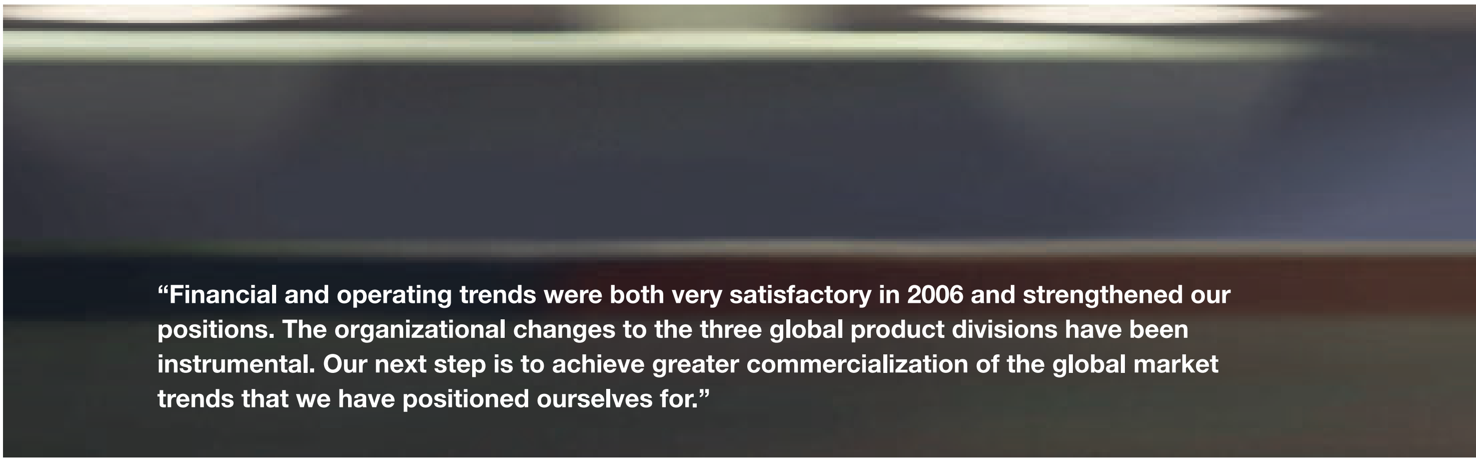
Munters is focused on market segments in which the company can attain strong global positions. Organic growth is in large part generated by working closely with customers on new applications and through increasing sales of services and systems solutions.

An important aspect of this strategic effort is to further reinforce the company's position in order to benefit from the following global trends:

- **Greater environmental awareness and the need for more efficient energy consumption.**
- **Better indoor air quality requirements.**
- **Increased demands for extended shelf life and natural quality in the food industry.**
- **Consolidation within the insurance industry.**

Operations are organized into three divisions – Dehumidification, MCS (Moisture Control Services) and HumiCool. Manufacturing, sales and service operations are performed by more than 3,500 full-time employees at companies in 30 countries. Munters shares are listed on the Nordic Mid Cap list.

Sustainable, consistent and profitable growth



"Financial and operating trends were both very satisfactory in 2006 and strengthened our positions. The organizational changes to the three global product divisions have been instrumental. Our next step is to achieve greater commercialization of the global market trends that we have positioned ourselves for."

Sales and profitability trends at Munters during 2006 continued along the very positive trajectory embarked upon during the second half of 2005. This has enabled the company to place a strong focus on efficiency improvements, and to position itself so that it can benefit from several global market trends.

If we were to categorize in accordance with the three phases – stability, profitability and growth – it is apparent that the Dehumidification and HumiCool Divisions, after several years of weaker growth, were able to make major steps towards the growth phase, while MCS remains primarily focused on profitability improvements.

Strong entrepreneurship

Following my first six months at Munters and a large number of visits to our production facilities, and in my daily interaction with the Group's employees, I am positively surprised by a number of factors. For one, our production facilities and processes worldwide maintain a very high level of quality and have contributed strongly to our competitiveness. Also, our Group's employees have a high degree of applications know-how and a strong sense of entrepreneurship – characteristics that are complemented by responsibility and vision, important factors in a global and highly decentralized organization like Munters. The factors above are very important for continued profitable growth. We estimate the underlying annual growth in Munters market areas to be between 4 and 6 percent. That should be analyzed in relation to our financial goal of annual growth of 10 percent.

Employees with solid applications skills, drive and vision, are a prerequisite for success in achieving high organic growth developing new solutions, expanding our offerings and capturing market share. We will also continue to complement our operations with strategically appropriate acquisitions. One such example is the acquisition of the italian company SIAL – a leading European manufacturer of portable heaters – which was completed in November. The operation had sales of SEK 236 M in 2006, and is located less than 100 km from our Italian HumiCool facilities, paving the way for synergies in terms of distribution, administration and manufacturing. Most important, however, is that we gain an even better position as a supplier of energy- and cost-efficient climate control solutions.

Global product divisions

Since the 1970s, Munters has, in many ways, created its own growth by continually expanding its offerings, developing new application areas and through the forward integration of operations. This has made us a global market leader in a number of select niches, and is a journey that we intend to continue.

An important prerequisite for maintaining sustainable, persistent and profitable growth is the organizational changes to the three global product divisions that we have implemented. Financial year 2006 was the first full year of this evolution that will incrementally strengthen the company. The structure provides a global view of both our customer and product portfolios, which among other things results in sales across borders, facilitating the introduction of successful applications into new geographic markets.

We are also better prepared to expand our focus on gross margin improvements since purchasing, manufacturing and product development can be coordinated from a global perspective.

Focus on product development and growth in Asia

Product development in particular is high on the agenda. In order to secure our future growth, we will be focusing on and strengthening our product development operations. We are planning to invest more money, both structurally and on specific projects, a process that was launched in 2006. A key focus is to continue to strengthen our position as a leader within energy-efficient and environmentally friendly solutions. We will be concentrating product development within each division to "Centers of Excellence" with the purpose of gaining more efficient allocation of resources and strong returns. The catchwords in this effort are global product families, modular thinking, development of existing and introduction of new application areas through energy-efficient, environmentally friendly solutions.

Another prioritized goal is to strengthen manufacturing and sales in the Asian market. We are doubling the capacity of our existing facility – Dehumidification and HumiCool – in Beijing, China. In addition, we intend to strengthen our sales resources for the purpose of obtaining improved geographic coverage and more efficient management of domestic and international customers in the Asian market.

At MCS, we foresee a steady increase in the number of framework agreements. Our broadened offerings generated strong sales growth and improved market share in Europe during 2006. To date, however, margin improvements have been insufficient. Implementation of strategic initiatives, such as mobile IT, to improve operational efficiency and margins will continue.

Favorable market trends

Our strategic plan for the coming three-year period is based largely on positioning Munters to best commercialize the following global market trends:

- Increased environmental awareness and the need for more efficient energy consumption.
- Better indoor air quality requirements.
- Stricter rules on handling food products.
- Consolidation of the insurance industry and long-term forms of cooperation, such as framework agreements for damage restoration.

Profitable growth

We experienced good financial growth during 2006 and further strengthened our brand and, in many instances, our leading market positions. We are in a strong financial position, which gives us the freedom to act. I am looking forward to leading Munters with the aim of creating globally sustainable, consistent and profitable growth, together with our motivated employees, thereby creating additional value for you as a shareholder.

Sollentuna, 7 March 2007

Lars Engström
President and CEO

Strategic focus

Munters is a world leader in the field of humidity control. The company has established a strong position in energy efficiency and environmentally friendly air treatment based on its strong key competencies within thermodynamics. Growth is primarily created by working closely with customers on new applications and an increasing proportion of complete systems and service solutions. Munters is focused on market segments where the Group can create a strong global position and good profitability. By successively broadening and integrating the product and services portfolio, Munters is playing an increasing role in the value chain within selected niches, at the same time as its market potential increases. The annual value of the potential market is estimated by Munters to be worth approximately SEK 60 billion.

Business concept

Munters' business concept is to be a global service and applications-oriented niche company for air treatment from a solid base within dehumidification and humidification.

Financial targets

- Sales growth of 10 percent per year over a period of several years.
- EBIT margin of 10 percent.
- Capital turnover rate of 3 times.

Each division and business unit has individual targets for these key figures that have been adapted to suit their special conditions. Shareholder value is created through high growth combined with strong margins and a high capital turnover rate.

Dividend policy

The intent of the Board of Directors is to apply a dividend policy that results in the dividend level being adapted to Munters' earnings level, financial position and other factors deemed relevant by the Board. In accordance with this, the Board has decided that the annual dividend shall comprise approximately half of the Group's average net earnings measured over a period of several years.

Operative targets

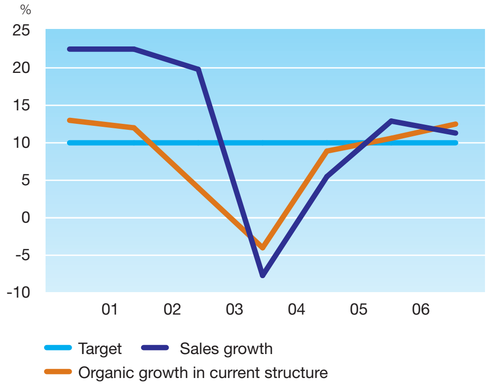
- Strengthen Munters' position in environmentally friendly and energy-efficient solutions for long-term sustainable growth.
- Products and services shall be based primarily on global product platforms.
- Steadily improve gross margin.
- Strengthen presence in the Asian market.
- Open new application areas and expand offerings.
- Efficient utilization of resources, low employee turnover and good career opportunities.

Strategy

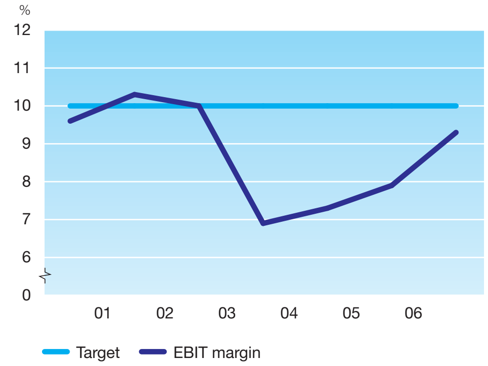
The Group's strategy for achieving its goals can be summarized as follows:

- Position operations in order to best capitalize on global market trends.
- Regularly identify and utilize the advantages of the global organizational structure.
- Increase resources to develop product platforms that are based on modules and flexibility.
- Expand offerings, forward integrate and implement complementary strategic acquisitions.
- Coordinate purchasing, manufacturing and product development globally.
- Increase quality and productivity through the Munters Efficiency Program.
- Expand manufacturing and sales resources in the Asian market.
- Shared and individual training programs that result in competent and motivated employees.
- Develop integrated IT systems to increase the company's efficiency through rapid transfer of information, efficient resource utilization and shorter lead times.

Sales growth



EBIT margin



Munters develops a strategic plan for each business unit with a plan period of three years. The plans are revised annually. A number of strategic initiatives are established at the division level and specify the direction and focus for the business. For the upcoming three-year period, the three divisions will focus on the following areas:

- The Dehumidification Division will focus on continued profitable growth in commercial dehumidification operations, development of global product families based on modular concepts and energy-efficient solutions, continued gross margin improvements and growth in Asia.
- The MCS Division will focus on the growth opportunities that consolidation within the insurance and damage restoration industries will result in through national and regional contracts and professional Key Account Management, raising the profitability of its German operations, increased efficiency of operations through personnel development and leadership, improved project management and productivity, and global mobile IT solutions with automated documentation.
- The HumiCool Division will focus on streamlining its core operations, profitable growth through an expansion of the existing product offerings to achieve a higher share of total solutions, shared product development projects and standardization of product programs and a global spread of the division's product applications.

Selected niches

Munters is a world leader in thermodynamics, an area in which technology can be applied in a large number of customer applications. To prioritize among various niches, the following criteria have been established:

- Energy-efficient or environmentally friendly solutions.
- Market potential exceeding SEK 500 M annually.
- Underlying growth.
- Relatively insensitive to economic cycles.
- Global customers.
- Opportunities for good margins.
- Low degree of tied-up capital.
- Potential for service operations.

Market forces and trends

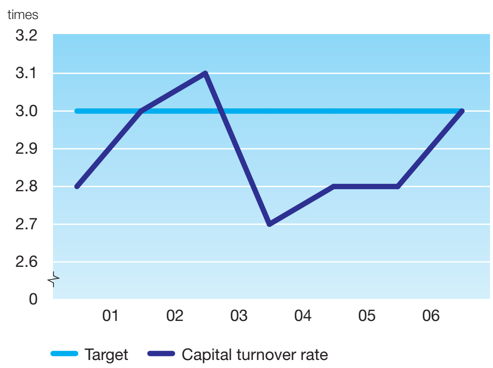
Increased environmental awareness and the need for more efficient energy utilization. Munters strives to provide customers the opportunity to reduce their resource consumption and impact on the environment. Compared with alternative solutions, technology from Munters can result in lower energy consumption and a reduction in wasted resources. Several of the Group's products are used to reduce emissions of harmful substances, such as sulfur dioxide and nitrogen oxide, which contribute to the greenhouse effect. Higher energy prices, combined with greater environmental awareness, increase demand for environmentally friendly and energy-saving products and production processes. Munters contributes to a better environment, primarily through very energy-efficient climate control solutions. Munters' technology also helps to avoid demolition and rebuilding by instead renovating and reusing damaged materials.

Demands for improved indoor air quality. Demands for energy savings are increasing. These are often achieved through tighter insulation and reduced ventilation. That may in turn, however, result in problems with mold, moisture and allergies. Munters can reduce such problems in two different ways, through fixed installations that prevent problems from occurring or through MCS services that can be quickly deployed to handle affected environments.

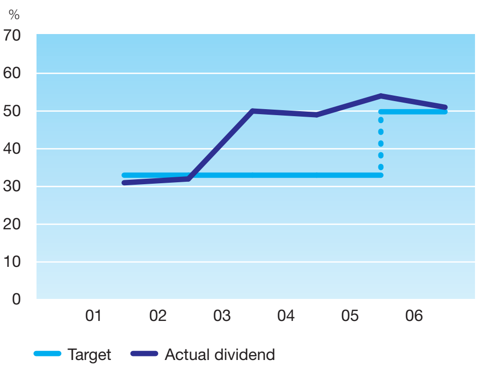
Higher demands for freshness and natural quality in food products sector. Correct humidity prevents the growth of bacteria and mold, reduces the risk of poisoning and extends the shelf life of food products. In addition, the products' freshness, taste and consistency are maintained. Munters has solutions for all phases of the food industry, from production and manufacturing to transport, storage and retail sales.

Consolidation in the insurance industry. Water damage accounts for a significant portion of insurance company costs. Using technology from Munters, construction material and inventory waste can be reduced. The Group is a technology leader and its services are known for their high quality, broad geographic coverage and quick service, and are based largely on Munters' dehumidifiers. With its broad geographic coverage, Munters is an ideal partner for the increasingly large international insurance companies. The company offers long-term national or regional cooperative agreements at fixed price levels, solutions that customers in the insurance industry are increasingly seeking. Many insurance companies prefer to work with just a few national or international suppliers. Munters is uniquely positioned to benefit from that trend.

Capital turnover rate



Dividend policy



Munters yesterday, today, tomorrow

The humidity that exists in the air around us is at the heart of Munters' operations. Carl Munters' knowledge of thermodynamics resulted, by the mid-1950s, in innovations where air humidity could be regulated using methods that were based on the laws of nature. This innovation proved to be of significant commercial value, and has made Munters one of the world's leading suppliers in the humidity control field. By continually developing new energy-saving, environmentally friendly solutions, Munters has created its own sustainable, consistent, and profitable growth.

Different climates create different prerequisites. The relationship between the components of dry air is constant in all parts of the world. The amount of water in outdoor air, varies significantly however. The higher the temperature, the more water vapor the air can contain. This means that the relative humidity indoors is lower than the outside air when premises are heated and higher when they are cooled.

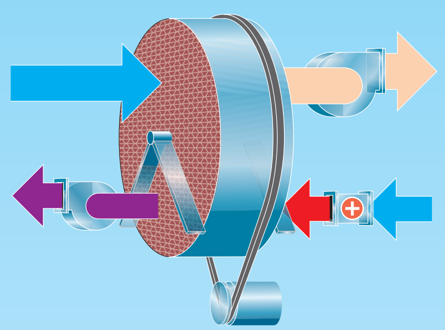
Because humidity can increase when a room is cooled, air conditioning, contrary to what many people believe, create humidity problems in many situations. In warm climates, air conditioning and dehumidification are therefore required, while cold climates need heating and humidification. What every climate has in common is the need to regulate both temperature and air humidity. For companies with business operations in different climates, it is important to ensure that products maintain the same quality, regardless of where they are manufactured.

Based on these everyday requirements Munters continually refines its product and system offerings.

Munters sets the standard

Munters realized, at an early stage, that moisture causes rust and mold and affects various industrial processes. Later it was discovered that buildings are also affected by the amount of moisture in the air. Experiments were conducted in Sweden and Germany as early as the 1960s to install dehumidifiers to dry out buildings that had suffered water damage. Floors, walls and wallpaper could be saved if dehumidifiers were installed directly after the water damage. The spread of mold and other deterioration could be stopped and fragile furniture could be saved if dry air was provided quickly. The method of installing equipment so that the dry air also reached inaccessible areas of the building came to be called the Munters'

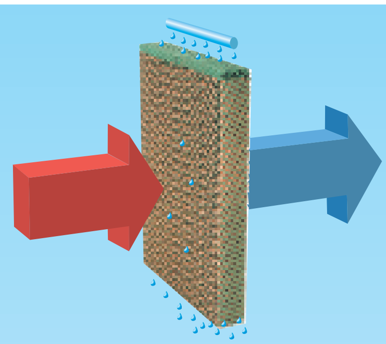
THE MUNTERS DEHUMIDFIER



The Munters dehumidifier

The Munters dehumidifier, invented by Carl Munters in the 1950s, is still the core product in Munters' Dehumidification division and the foundation for the operations in the MCS division. The adsorption dehumidifier's rotor contains small air ducts with a very large surface area. The rotor is treated with substances that retain moisture or other particles in the air that passes through the rotor. When the dehumidifier is in operation, two streams of air pass through two sections simultaneously. One is the air that will be dehumidified. The other is hot air used to dry the rotor so that it will be able to remove moisture again. The moisture is taken away by the hot and very humid air stream.

CELDEK®



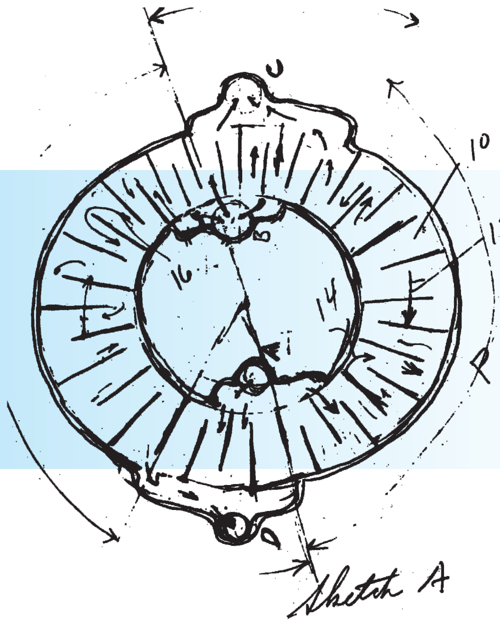
Evaporative cooling and humidification

When water is added to air, the temperature decreases. This is the principle used in what is called evaporative cooling. The human body works on the same principle when we perspire. Adding four grams of water to a cubic meter of air lowers the temperature by 10°C. This is a natural cooling method that does not consume any energy. It sounds simple, but it is difficult to realize in practice. We call it nature's own cooling method.

This method is employed in Munters' evaporative cooling systems in which warm and dry air passes over a moist surface shaped like a pad. This pad, which is the key component in CELdek® and GLASdek®, is composed of special materials in the form of cellulose or glass fibers with a geometry that maximizes the surface area over which the air passes. Together with our fans, these products comprise the foundation for Munters' evaporative cooling systems. Munters' system for climate control is primarily used to create a favorable indoor climate for people, animals, food and plants.

Carl Munters' first sketch of a rotor

Inventor Carl Munters' (1897–1989) skills in thermodynamics, specifically the interaction between air, water and energy, helped lay the foundation for Munters operations in 1955. His original idea was a cooling system based on evaporative cooling and dehumidification. His work resulted in the development of a dehumidification rotor and a cooling pad – CELdek® – two innovations that have continued to be refined, resulting in a number of commercial successes and forming the basis for current Munters operations.



method. The benefits of dehumidification instead of demolition and removal of damaged equipment and building materials later became the industry standard.

Incentive acquired Munters during the 1970s, expanding its operations internationally through a network of agents. During the 1980s, the agency business was acquired and MCS operations were established in a number of countries where Munters had previously been active – the modern Munters was taking shape.

Munters became a listed company in 1997 and its operational focus has shifted from components to products and lately to complete systems and service solutions. By incrementally expanding its offerings and through forward integration, Munters will acquire a larger portion of the value chain within select niches, while simultaneously increasing market potential.

New organizational structure

Up until 2005, Munters was organized into three regions – Americas, Europe and Asia. Those regions were in turn divided into three product areas. Since mid-2005, the Group has been managed via three global product divisions – Dehumidification, MCS and HumiCool. That change was successful and has resulted in higher gross margins and enabled a more coordinated sales process to be achieved, aimed at international customers. In addition, the new organizational structure has contributed to a more concentrated product portfolio and stronger service offerings.

Today, Munters is a world leader, holding a global market share of more than 50 percent in select niches. The company has operations in 30 countries and cooperates with strategic partners for marketing, sales and service in several additional countries. Munters' production strategy is to focus on manufacturing of key components and final assembly of products and systems, quality control and distribution. With production in 11 countries, Munters has a flexible, global production structure.

Since becoming listed in 1997, the number of employees has grown from 1,871 to 3,552, while Munters has generated average annual growth of more than 13 percent, resulting in an annual average return to shareholders, including dividends, of more than 21 percent.

Trends that favor Munters

The ongoing global structural transformation has resulted in greater demand from companies for larger suppliers with a global presence. To ensure high product quality, production environments must be identical, even if the production plants are located in different climate zones.

This trend will continue, benefiting Munters, which has a strong corporate brand and an organization to support its strategy to be global, customer-oriented and highly specialized.

In addition, Munters is benefiting from the following four general trends:

- Increased environmental awareness and the need for more efficient energy usage.
- Better indoor air quality requirements.
- Higher demands on freshness and natural quality in the food processing sector.
- Consolidation in the insurance industry.

Munters is responding to the above trends by continually reviewing and adapting its product and service offerings and developing new, energy-saving and environmentally friendly solutions, creating the conditions for sustainable, consistent and profitable growth, benefiting customers, shareholders and employees as well as society at large.

Environment and quality

Munters' viewpoint with regard to ethics and environmental work is crystal-clear. There is no conflict between modern technology and work towards a brighter future. Through continuous improvement of the quality of products and services, the company contributes to economically and environmentally sustainable development of industries and operations around the world. Within our own walls, intensive effort is directed toward developing the Group's corporate social responsibility program. This work will come to be seen as a role model for operations in all countries.

Munters is a company with a deeply rooted sense of social responsibility. During 2006, guidelines for Munters global responsibility policy were drawn up. The policy is based on the UN's Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. It also addresses such themes as business ethics, company culture, health, safety, corruption and regard for the environment, and provides a code of conduct that applies to employees of Munters and to the entire value chain of suppliers, partners and customers. (The policy in its entirety can be found at www.munters.com.)

CASE

Munters Italy a leader in environmental efforts

The province of Imperia, 70 km from the French border in the beautiful Liguria region, is the location of Munters Italian facilities – two modern factories where fans and cooling pads, respectively, are manufactured. Here, thinking in terms of the environment and quality is a well-established and natural part of the work process, both with regard to long-term planning and daily operations. Efforts carried out during 2006 included:

- Installation of a system for recovery of heat from the factories' smokestacks. The system contributed to a considerable reduction in heating costs at the facilities.
- Sorting and recycling of materials such as glass, plastic and metal from the production stream.
- Reduction of the level of waste material from the manufacture of cooling pads from 4.0 percent to 1.7 percent since 2005.
- A halving of consumption of glues during 2006, by switching glues and employing a new process that increased the efficiency of this part of the manufacturing process.
- Modification of several workstations along the assembly line at the fan factory, resulting in a marked increase in productivity. Today, 25 people do a job that previously required 40 people.
- Elimination of two environmentally challenging manufacturing steps by purchasing brackets for 50-inch fans from a supplier with special equipment – at no additional cost – instead of producing them in-house.

Munters is both a technology and an environmental company

Munters is not only a technology company, but also, in all essential respects, an environmental company. The company's products and services help customers to reduce their impact on the environment and, thereby, to take definite steps in the direction of sustainable development. A focus on the environment also characterizes our own operations. Munters is engaged in continuous improvement on the basis of an explicit environmental policy. Our main environmental arguments include:

- Technologies to minimize consumption of water and energy.
- Increased control of waste levels at all stages.
- Increased reuse of material from damage restoration.
- Environmentally oriented work processes.
- Technology for treatment of flue-gas emissions and environmentally hazardous substances.

Quality throughout the value chain

Munters' position as the world leader for humidity control places high demands on continuous efforts aimed at ensuring quality within all operational areas. Munters has a quality-assurance policy to guide these efforts, which can be found at www.munters.com. Munters' ambition is to offer products, systems and services with a high level of performance and a consistently high level of quality. "The right product to the right customer" is a motto at Munters. This can only be achieved via a complete chain of coordinated and well-planned work processes throughout the Group.

In order to achieve constant improvement and definite results, quality-assurance work is organized around measurable goals in accordance with Munters' Efficiency Program (MEP) – the Group's work model for efficiency enhancement. MEP encompasses some 30 different areas of focus in the quality-improvement area and aims to contribute to increasing participation and gain greater benefit from the talent and resources contained in the organization. Munters' goal with respect to delivery performance is that 95 percent of all deliveries are made on-time.

During 2006, for example, a number of investments were made at the Tobo factory to raise and secure the level of operational quality, including recertification in accordance with ISO 9001:2000, which involves parameters relating to strategy, processes, project management, quality-assurance, the environment and the work-environment. A new computerized system for quality and environmental management was introduced during the year, entailing that all documents and pictures are collected in one place. At a stroke, it became easier for everyone in the organization to find the right information. The system is easy to update and news can be sent out electronically.

PRODUCTS AND SERVICES CONTRIBUTING TO SUSTAINABLE DEVELOPMENT

A large percentage of Munters' product and service offerings actively contribute to a reduction in environmental loads for our customers. Listed below are a number of examples.

Product	**Customer segments** (examples)	**Environmental aspects**
Dehumidification Division		
Dehumidifier	Storage premises	Creates optimal storage conditions without having to heat the premises, which reduces energy consumption.
Dehumidifier	Production processes	Munters' patented technology, PowerPurge™, reduces energy consumption by up to 40 percent compared with competing absorption-based solutions.
DesiCool™	Process and manufacturing industries	Energy-saving technology for control of temperature and humidity. Transforms waste heat into environmentally friendly cooling. Cooled air is created in the summer from the surplus heat in the premises. In the winter, DesiCool™ delivers very high heat recovery.
HomeDry	Suspended foundations, cellars, attics, garages, summer cottages and boats	Used for dehumidification and to ventilate stale air and radon gas. The technology is energy-efficient and as a result inexpensive and environmentally sound to use. The dehumidifier provides warm, dry air that automatically benefits the property.
Zeol	Electronics and semiconductor industries	The product cleans emissions of solvents in various industrial processes.
HCU	Department stores and commercial premises	HCU is a patent-protected product that uses the waste heat from air-conditioning equipment for highly effective dehumidification of ventilating air in warm, damp climates.
MCS Division		
Dehumidifier	Services for water and fire damage. Insurance industry	The technology makes possible dehumidification and repair instead of demolition and new construction, which reduces consumption of building materials.
Dry ice	Services for water and fire damage. Insurance industry	Cleaning of surfaces and technical and electronic equipment of soot, greases and oils without the use of environmentally hazardous chemicals.
HumiCool Division		
Evaporative cooling system	Agricultural industries and commercial applications	Environmentally friendly and energy effective cooling and ventilation.
Mist eliminator (flue gas cleaning)	Coal-fired power plants	Reduces the amount of environmentally hazardous flue-gas emissions by approximately 90 percent.
Precooler for gas turbines	Gas-turbine-driven power plants, particularly in countries with warm climates	The technique is to cool the combustion air, which increases the output of the gas turbine by up to 20 percent, while simultaneously reducing damaging emissions of NOx.

Social responsibility

Within the framework of Munters' Corporate Social Responsibility (CSR) program, special efforts are made to promote sustainable development. Munters wishes to make an overall contribution towards shifting the trend within society toward reduced energy consumption and decreased emissions. Guidelines for the program were produced during 2006. Work during 2007 will focus on fundamental efforts involving, for example, providing training for all personnel involved with environmental responsibilities and formulating a needs analysis with regard to environmental and sustainability issues for every business area. Environmental work will subsequently be coordinated with Munters' quality-assurance work.

The practical consequences of all of this will include the development of locally-tailored activity plans within the framework of the overall quality-assurance and environmental policy and ongoing reporting with regard to progress made on environmental issues to Munters' key customers. An overall goal is that work conducted in the ethics and environment areas shall be, and shall be perceived to be, a fully integrated part of the core activities of the company as a whole.

Personnel
– a strong and boundless company culture

How do you create a successful global company in which people can develop and enjoy working together? At Munters, the objective of our human resources operations is to make use of the power and potential inherent in every employee. With entrepreneurial spirit as our guiding principle, we have fostered a strong and vital company culture from one country to the next, creating, in turn, the best conditions for maintaining an effective supply of skilled personnel for the company.

Munters is a global, decentralized company comprising small, dynamic entities that are allowed to grow and develop in their local markets within a Group-wide managerial framework. This entails that goals and guidelines are made explicit at the same time as employees within each entity are allowed to pursue and develop their business on the basis of their unique abilities and in response to local conditions. Managers are responsible for motivating and developing their employees, but receive strong support from the Munters Management Manual, a site on the intranet that presents the company's guidelines in addition to useful tips and advice for day-to-day work.

Recruitment and development of competence

The culture of the company also provides opportunities for employees to develop in their career roles and advance to new positions within the company. For this reason, Munters strives, in the first instance, to recruit internally when new positions are introduced. Munters Continuity Planning, the Group's model for succession and development planning provides strong guidance in connection with finding people with the right skills to fill various posts. All managers are expected to analyze their different needs in terms of competence at an early stage, and identify talented employees who, with the right support and opportunities for development, have the potential to eventually become candidates for key positions within the company.

The task of making use of abilities is based in part on the personal development interviews that take place every year with the individual employees. By discussing results, ambitions, expectations, and personal objectives, the groundwork is laid for an individual development plan. Evaluations also provide a basis for judgment with regard to promotion and remuneration.

Cooperation without boundaries

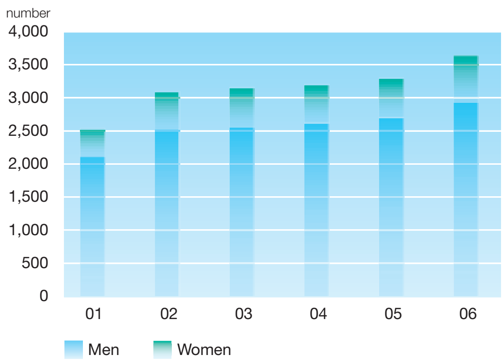
From a wider perspective, competence development involves addressing the company's needs as a whole. To this end, it is important to create arenas for the exchange of knowledge and experience among employees. For example, Munters regularly arranges international meetings for managers and key employees to take stock of new ideas that can contribute to better business or enhanced competitiveness in local markets. Division-wide and local training programs are held on an ongoing basis. Within MCS, a training program for certification of project leaders was implemented during 2006 with the goal of ensuring long-term quality of customer supply lines. During the year, a comprehensive training program for salespeople in Europe was carried out by the Dehumidification Division. The central theme of the program has been the building of long-term customer relationships. The program extends to price-negotiation and margin-development techniques.

As a way of assessing the work environment, Munters carries out annual attitude surveys encompassing all of the company's employees. The results are reported internally and provide a basis for development within the different divisions. It is a testimonial to the effectiveness of our programs that Munters UK was ranked among the 100 most popular companies to work for in a 2006 survey carried out by an independant survey company.

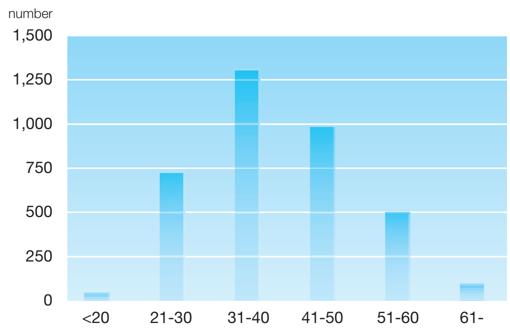
Variable remuneration with explicit goals

At Munters, there is a strong connection between individual performance and growth in company profits. The company has instituted various programs for variable remuneration, including a standardized reward system for sales and service personnel

Average number of employees



Age distribution



and a bonus program aimed at upper management and key employees of the Group. The program takes into account the trend of profit, sales, the rate of capital turnover and individual goals. In order to increase employees' engagement in the company, the opportunity to invest in a call-option program is afforded. Current programs are described in Note 28.

Employees in figures

During the year, the number of employees, including temporary employees, was average 3,644, up 10 percent compared with a year earlier. The increase was largely due to personnel reinforcements within MCS Europe and the acquisition of SIAL. The percentage of women was 19 percent (18). Personnel turnover is defined as the number of permanent employees who left the company during the year divided by the average number of employees for the year. Personnel turnover in 2006 was 14 percent (16) for the Group as a whole. There are several explanations for the continued relatively high turnover. Europe has a large amount of MCS personnel, which traditionally is a personnel category with high turnover. Asia comprises a number of young companies, with a larger portion of production, in which the personnel turnover is still relatively high. To a large extent, Munters is a young company, which is reflected in the age distribution. The age group from 31 to 40 years was the largest, accounting for approximately 35 percent of the Group's employees. The average age was 39, unchanged from a year earlier.

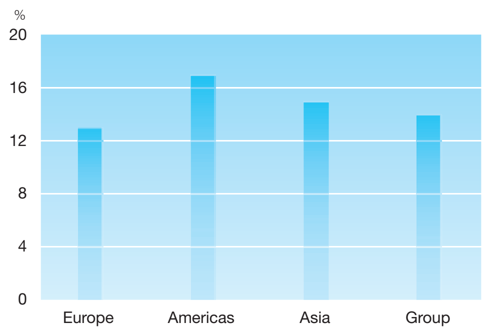
CASE

Karin Sjöström, Global Technical Product Manager

Individual development

"I started at Munters eight years ago and feel that I have really been able to develop and continue to develop in the direction I want to go. After initially working on rotor materials, I have been given the opportunity to broaden my horizons and am today responsible for development of our global product platform for the Dehumidification Division. An open-door policy and a continuing dialogue with my superiors together with training in, for example, project management, has paved the way forward. My job is exciting and provides a great deal of opportunity for contact with other cultures. There are a number of different disciplines involved in developing a product from the mechanical and electrical design-engineering stage to procurement and marketing. I work in close cooperation with those responsible for quality control and environmental performance at our production plants."

Personnel turnover



Dehumidification Division

Today's lesson: appropriate humidity levels are important for both people and machinery to feel well and be able to perform at their best. Munters products for dehumidification and cooling create ideal indoor climates for schoolchildren in warm and humid climates.

Many production processes require precise control of temperature and humidity. Munters provides the most energy-efficient solutions in the market.

Increased demand for environmentally friendly solutions

The Dehumidification Division offers products and complete solutions for controlling humidity in the air and improving the quality of indoor air. A strong customer focus, combined with Munters' internationally recognized brand, advanced technological expertise and global presence, gives the Division a strong competitive advantage. Western Europe and the US are its largest geographic markets. Manufacturing is conducted at plants in Sweden, US, Brazil, Japan and China.

Services and offerings

The Dehumidification Division consists of three business areas: Industrial Dehumidification, Commercial Dehumidification and Zeol. The common denominator for all three business areas is that they provide customers with products and solutions to improve indoor air quality using the most energy-efficient technology available. The main technology used is based on the Munters dehumidifier rotor, which is designed to absorb humidity.

In many industries, indoor climate control is fundamental to the entire manufacturing process. It involves increasing the safety and quality of manufactured products and is also about health and productivity in the workplace. In warm climates, small changes in humidity and temperature can lead to the growth of mold and bacteria. Precise control of humidity levels is therefore critical. In commercial premises, the solution is often to cool down the air with the help of an air-conditioning system, which requires large amounts of energy. Munters' solution benefits from the fact that less cooling is required when the humidity level is simultaneously reduced, resulting in lower energy consumption.

Rising energy prices, along with demands from both the general public and regulatory institutions for more environmentally friendly processes, have made energy conservation the highest priority. Munters Dehumidification Division has the most energy-efficient products on the market and, as the technology leader, it continually strives to improve the environmental sustainability features of all its products. Part of this focus involves a new patented technology called Power Purge™, which achieved a breakthrough during 2006. The technology can reduce the energy consumption of a dehumidification system by up to 40 percent.

CUSTOMER CASE

DesiCool™ saves energy using nature's own method

Nature's own method for dehumidification and cooling air is through the evaporation of water. Munters' system for cooling air, DesiCool™, is based on the same principle, although cooling is done more efficiently by using waste heat from the cooling system as energy for the dehumidifier function. DesiCool™ therefore has significantly lower energy consumption and environmental impact than competing systems.

When Sandvik Wernshausen, a world-leading manufacturer of tools and machines evaluated various air conditioning systems for their new facility in Germany, they found that Munters offered the most reliable, economic and environmentally friendly solution. An analysis by independent consultants showed that, among other things, annual energy costs for the DesiCool system were 45 percent lower than for competing systems. Munters has now installed six DesiCool systems there, with each system providing air conditioning for a 10,000 m^2 production facility.

Customers and market

The global market value for Munters dehumidification products and systems is estimated at approximately SEK 11 billion. Munters total market share is approximately 15 percent. Within rotor-based dehumidification, it holds a 50 percent market share.

Industrial Dehumidification is the largest business area and accounts for approximately 70 percent of the Division's sales. The business area offers air treatment and control for industrial processes. Key market segments are the food and pharmaceutical industries, while the aftermarket accounts for 20 percent of sales.

Humidity can have a very adverse effect on food quality in the production, handling and storage phases. The Munters dehumidification system enables producers to control humidity at the desired levels, making it possible to control the formation of frost and ice during the production process.

Customers are increasingly adopting a life cycle cost perspective when investing in new systems, and therefore appreciate the energy conservation benefits of Industrial Dehumidification products. Moreover, the globalization trend has led to customers demanding global partners, of which

"In many instances, Munters has the most energy-efficient products on the market and, as the technology leader, it continuously strives to improve the environmental sustainability features of all its products."

Munters is one of very few in a fragmented industry. The competition primarily consists of small companies that operate in their own local market or in specific customer segments. Customers include global companies such as Pfizer, Nestlé and General Electric.

Operations at Industrial Dehumidification during the year focused on further developing the modular product platforms that serve as the foundation of the Munters dehumidifier range. Based on these platforms, cost-efficient products are developed, providing economies of scale and the ability to adapt to the particular requirements of customers. The most important modular products are the Integrated Custom Airhandler (ICA) platform, which consists of large industrial systems, and which accounts for one-third of the sales volume among industrial customers in the American market.

Commercial Dehumidification specializes in humidity and temperature controls for commercial spaces such as supermarkets, schools, restaurants and hospitals. Supermarkets are the single largest segment, of which Wal-Mart is the largest customer. Traditional air-conditioning systems do not reduce the relative humidity of the supplied air. On the contrary: when the air is cooled, the relative humidity increases. This results in a humid indoor climate, which in turn leads to mold and bacteria growth.

As in Industrial's operations, customers in this segment focus increasingly on energy conservation and life cycle costs. Traditional HVAC suppliers compete primarily on low initial investment costs, but with higher operating cost solutions than Munters' systems. The new third generation Munters Humidity Control Unit (HCU) allows for separate controls of temperature and humidity, with market-leading energy efficiency.

CUSTOMER CASE

Cleaner environment and reduced energy consumption with PowerPurge™

Townsends, Inc. is one of the largest producers of chicken meat in the United States. The requirement for a dry, bacteria-free work environment is very important, with frequent inspections by regulatory agencies. The company had been experiencing problems with condensation buildup in their facilities. The condensation was formed by excess fluids from the daily disinfections as well as moist air from air intakes and vents. Up to 20 employees spent every night drying down ceilings, walls and equipment.

The solution was to install Munters Condensation Control System (CCS). The system was equipped with Munters latest innovation, PowerPurge™, which recovers waste heat from dehumidification. Using PowerPurge™, energy consumption is reduced by as much as 40 percent, while retaining the same efficiency.

For Townsends, Inc. the plant's condensation problem has been significantly reduced. Ceilings stay dry and the little condensation that needs to be dried off manually is handled by just a few employees. As a result, the work environment is cleaner, productivity has improved, and energy costs are lower.

> **"Customers are increasingly adopting a life cycle cost perspective when investing in new systems, and therefore appreciate the energy conservation benefits of Munters products."**

To date, the highest sales figures for these systems have been reported in the US, a country that has significant areas with hot climates and high humidity, and where the highest levels of awareness and financial conditions to address these fundamental problems exist. Munters is focusing on expanding its sales into these markets. The largest competitors in commercial dehumidification are traditional air-conditioning companies such as Trane and Carrier.

Zeol operates in a much smaller market than the other two business areas, but is highly profitable in its selective pollution control niches. The Zeol systems are similar to the dehumidification systems. The main customer segment is the semiconductor industry and automotive paint shops. The semiconductor business has cyclical characteristics, which also affects Zeol's earnings pattern. Exhaust air regulatory changes, as well as growing requirements for improved indoor air quality, is driving demand for Zeol's products.

Developments during 2006

The Division reported favourable profitability development, particularly in prioritized market segments. All business areas achieved major improvements within the global purchasing area. Successes within Commercial Dehumidification resulted in the need to double capacity at the San Antonio, Texas plant. The increased business focus on Asia led to the decision to build a new factory adjacent to the present one in China, effectively doubling the production capabilities there.

Strategy

- Increase energy efficiency of products.
- Stronger focus on Industrial AC with HCU and DesiCool™.
- Expand Zeol operations into additional segments and geographical areas.
- Expand in Asia.
- Margin improvements through global sourcing and relocation of manufacturing, as well as globalization of the product range.
- Acquisitions that will benefit from Munters energy efficiency know-how and leadership in dehumidification.

Focus 2007

Having achieved a global organization, with the entailing scale benefits to purchasing and production, the next long-term strategic step is to concentrate the product offering to a lesser number of global modular-format product ranges. Product development is focused on energy-efficient solutions. The Division is also closely monitoring a select number of companies, where acquisitions could broaden the existing product portfolio and fit in with the Division's general strategy. Margin improvement work within the Munters Efficiency Program will continue, as will accelerated expansion in the Asian region. The new Chinese facility will have a broad product range, and act as the manufacturing base for Asia and a hub for low-cost global sourcing needs.

CUSTOMER CASE

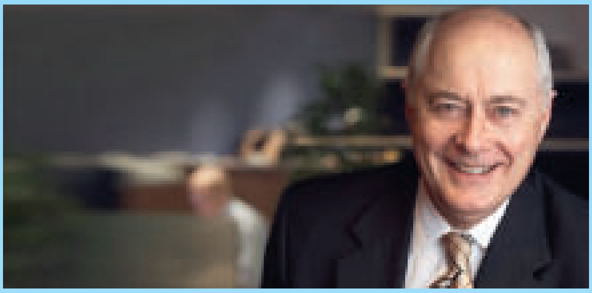
Students living better with Munters

In premises where many people live or work, fresh air needs to be supplied from outside. In humid and warm climates, this often results in excessive indoor air humidity. Humidity leads to mold and bacteria growth, with allergies and bronchial problems as a result.

At Fairfield University in Connecticut, in the US, some 2,600 students live in several large student dormitories on the university campus. The dormitories were experiencing serious problems with high humidity and condensation. The existing ventilation system was insufficient, especially during the summer months, when many opened windows to allow fresh air in.

Munters was commissioned to solve the problem, first by installing mobile equipment for temporary dehumidification. The dormitory was closed for two weeks, during which time it was completely dehumidified. Thereafter a permanent HCU system was installed and integrated with the university's own system for energy-conservation, which means the dehumidification system is only activated when outdoor temperatures and humidity make it necessary. Today, the students have a much better living environment with lower overall energy costs for the university.

Facts – Dehumidification Division



"Development during 2006 was very satisfactory. All of our business areas and geographic regions generated positive growth, which together with mix and efficiency improvements, increased margins. During 2007, the focus will be on concentrating our product portfolio and expansion in Asia."

Mike McDonald, Division President

Developments during 2006

- **Stable orders and sales growth within all business areas.**
- **Continued strong increase in demand for commercial products.**
- **A doubling in manufacturing capacity for products to the commercial sector.**
- **Focus on strengthening the Division's presence in Asia.**

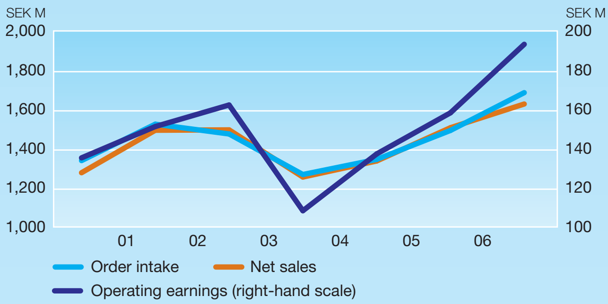
The Dehumidification Division accounts for 28 (29) percent of Munters' sales volume. In 2006, the Division's sales rose 8 percent compared with the preceding year (9 percent, currency adjusted). Operating earnings amounted to SEK 194 M (159) and the Division's operating margin was 11.9 percent (10.5).

The Dehumidification Division reported continued strong sales during 2006. An ongoing focus on purchasing, improved lead times and the continued implementation of Munters Efficiency Program, had a positive effect on the margin. An increased focus on Asia has started to yield results within both the industrial and commercial sectors. The successful development of energy-efficient products continued within the commercial business area, partly the result of strong cooperation with Wal-Mart, the single largest customer. The division continued its expansion outside the US. Demand for Zeol systems improved, following an extended period of weak development.

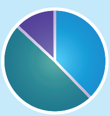
Key figures 2006

	2006	2005	Growth, %	Adjusted growth, %[1]
Order intake, SEK M	1,693	1,500	13	14
Net sales, SEK M	1,635	1,514	8	9
Operating earnings, SEK M	194	159	22	23
Operating margin, %	11.9	10.5		
Return on operating capital, %	50.4	40.9		
Capital turnover rate	4.2	3.9		
No. of employees, 31 Dec.	900	853	6	

[1] Preceding year restated at 2006 exchange rates.

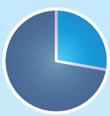


Net sales per geographic region



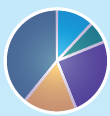
38% Europe
49% Americas
13% Asia

Share of consolidated net sales



28%

Market segments



12% Food
7% Pharmaceuticals
25% Commercial premises
17% Aftermarket
39% Other

Moisture Control Services (MCS) Division

Don't worry, things are not as bad as they look. By thinking in an environmentally friendly manner and choosing dehumidification and restoration, you can reduce the need for renovation, saving time, money and materials.

For insurance companies and construction firms, the services offered by MCS contribute to streamlining work through time- and cost-saving efforts in the areas of damage and humidity control.

World leader in damage restoration

Munters' MCS Division offers services in damage restoration following water or fire damages for primarily insurance companies, and humidity and temperature control for the construction industry and other sectors. Operations are conducted on a global basis with a strong local presence through approximately 300 service depots. MCS has quick response times and efficient, environmentally friendly technology. MCS generates value for insurance companies by primarily minimizing costs related to scope of the damage and its management, but also by dealing with the damage professionally on behalf of the insurance holder. With temporary humidity and temperature control, value is created mainly through high quality services and by shorting the time of a customer's project.

Services and offerings

Munters has a long and proven record of dealing with damage caused by water, humidity or fire. The division has a strong local presence in many geographic markets through its 300 service depots and 1,845 employees, and is therefore able to offer a high degree of availability.

MCS offers services in the areas of dehumidification, restoration, technical reconditioning, odor control and smaller refurbishment projects. Insurance damages are often much less expensive using dehumidification and restoration, rather than resorting to demolition and rebuilding. For water damage, time is a critical factor and the flexibility of MCS technology enables a rapid response, limiting the scope of the damage. There are also major environmental gains compared with rebuilding, since the amount of both materials and waste is reduced. MCS offers a comprehensive solution and often serves as a project manager for the insurance company, coordinating other subcontractors involved at the damage site.

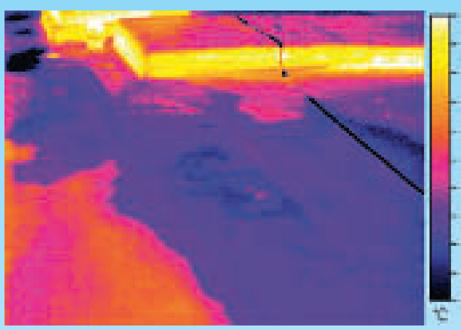
MCS also offers services for temporary humidity and temperature control for the construction industry and other sectors. Efficient drying of concrete and other construction materials make projects faster and less weather-dependent. MCS also offers climate-control products for preventing corrosion on cleaned steel surfaces, in shipyards, for example, thereby ensuring quality, which will reduce the risk of damage and associated warranty problems.

Customers and market

The global market for damage restoration after water and fire damage is estimated to be worth approximately SEK 40 billion. Underlying growth is stable and estimated to be in line with GDP trends. Demand has, however, varied sharply from one year to the next due to the need for major efforts in conjunction with natural disasters of various kinds.

Both the insurance industry and the market for suppliers of water and fire restoration have traditionally been very fragmented, with over half of the contracts going to small, local companies. The current consolidation within the insurance industry has resulted in large insurance companies, such as AXA, Norwich Union, If, Zurich and FM Global, seeking, to a greater extent, framework agreements at centrally negotiated terms and fixed prices with national, and in some cases international companies. These customers also want to purchase a comprehensive range of services, which smaller damage restoration companies are seldom able to provide. The development of framework agreements has progressed the farthest in the UK, and is predicted to spread to additional markets. This trend will benefit Munters since the MCS Division is one of only a few damage control-firms that operate globally. With a well-developed system of professional key account management, Munters is well-equipped to meet this trend. Munters estimates that framework agreements will eventually account for about 40 percent of MCS Division's sales, up from approximately 25 percent currently. During the year, MCS reached a global framework agreement with AXA and several national agreements, including with the Swedish insurance company Trygg-Hansa. Munters' methods for damage control instead

CUSTOMER CASE



Detecting humidity using thermography

The UK's Companies House was having problems with moisture that was creeping into the building from the roof. A Munters damage restoration expert was hired to localize the source and suggest a course of action. The 3,500 m² flat roof was investigated using the latest infrared thermography technology. The test revealed several moisture penetration locations, including damaged seams and cracks in the cement. Following completion of the renovation, the customer has entered into an agreement with Munters for annual inspections and testing.

“The development of framework agreements has progressed the farthest in the UK, and is predicted to spread to additional markets. This trend will benefit Munters since the MCS Division is one of only a few damage restoration firms that operate globally.”

of demolition and rebuilding, results in both environmental gains as well as cost-savings for insurance companies. The two largest competitors are Belfor and ISS.

Developments during the year

During 2006, both earnings and market share improved within the European operations, despite difficulties in Germany. The German operation has been turbulent for several years and measures to break the negative trend were in focus during 2006. The cost basis has been reduced and the organization strengthened, resulting in profitable operations during the second half of 2006. Work to further improve margins at the German operation remains a high priority.

Acceptance measures and advances were made during 2006 in regard to all strategic initiatives, with the aim of improving competitiveness and margins. Among other measures, MCS implemented a project leadership training program, whereby approximately 80 people received proficiency certificates. The training program will continue to be developed in 2007.

Another high-priority strategic initiative at MCS is the new mobile IT platform. The ambition of MCS is to greatly simplify and improve everyday communications, both internally and between technicians and administration, as well as externally with customers in regard to insurance matters. The development of a mobile IT system has been started in order to reduce the amount of time used to administer various projects, such as the completion of forms, damage reports and action plans. Munters service technicians in the field will be able to more efficiently report and communicate both internally and with insurance customers. Experience from the UK market, where the system has been in use for more than two years, has shown significant reduction of costs, while simultaneously increasing service to all customers, especially through more straightforward on-line information flow and faster handling and service of key accounts. The mobile IT platform will be launched widely within the Division in 2007.

Projects resulting from larger natural disasters have been a recurring part of operations in recent years. Between 2000–2005, such projects accounted for roughly 5 percent

CASE

Project manager training

Within the framework of the MCS Growth Academy, Munters initiated a global training program for project managers in 2006. The goal is for participants to develop their ability to oversee increasingly large and complex damage projects, resulting in higher project profitability. More than 80 people participated during 2006, and another 200 project managers will receive training during 2007. Many of these will also complete the program’s supplementary courses 2 and 3.

According to one project manager: “We recently completed a damage restoration assignment following a fire in a 20-storey building, where large portions of the building were damaged by fire, smoke and water. With my recently concluded training, I felt more secure and had a better overview of the situation, which enabled me to quickly make the right decisions in the right order. I also believe that I have become better at dealing with the expectations and opinions of various interest groups.”

Moisture Control Services (MCS) Division

of MCS' sales. No new large-scale disasters occurred during 2006. These efforts, especially in the US, have historically been very important to our operations. Accordingly, the Division's strategy is to reduce the relative significance of catastrophe-related damage in the US by instead concentrating on growth of base business in the region. During the year, a program was launched to increase growth in the US, which resulted in increased initial costs and a temporary reduction in profitability.

Strategy

- Improve competitiveness and margins by focusing on productivity, project management and purchasing, and the implementation of the mobile IT platform.
- Increase market share through innovative customer solutions and professional key account management.
- Rapid expansion in key markets such as the US, both organically and through selective acquisitions.
- Expand temporary temperature and climate-control operations.
- Find solutions that support the sustainable development of community and climate.
- Continue to strengthen leadership and organization with a focus on earnings and employee development.

Focus 2007

Efforts will continue during 2007 to improve the Division's profitability and to deliver results within the strategic initiatives. MCS intends to create a scalable business model based on successful and cost-efficient routines and implement standardized and automated work routines throughout the operation. The division will also place significant emphasis on developing and strengthening work on key accounts within the insurance industry. Work on key account sales is expected to result in framework agreements accounting for a higher percentage of total sales and increased market share. MCS is also planning to significantly expand in the US by both growing its workforce and through actively seeking out acquisition candidates. The division is also continuing to build a stable platform for operations in Germany, with increased profitability as the goal. The Division is currently underrepresented in the Asian market, but is well-prepared to increase its presence in the region, with a focus on the Japanese market.

MCS continues to focus on delivering high-quality, cost-efficient services, especially for more minor insurance damage, but will also continue to expand its expertise and capacity to handle more types of large losses.

For 2007, MCS would like to expand its operations within the area of temporary humidity and temperature controls. Currently, these operations account for 13 percent of MCS sales. During the year, MCS will develop a plan for increased growth and further cooperation with its sister divisions, Dehumidification and HumiCool.

CUSTOMER CASE

Global agreement for property damage restoration

One of the larger customers within Munters division MCS is AXA Group, an international insurance and wealth management provider. Since some time Munters has a global frame agreement with AXA for property damage restoration. AXA strives to make its claims handling process more efficient with a differentiated customer experience. Munters was the supplier that could best meet AXA's demand for a global presence, modern technique and uniform work routines. The cooperation has developed very favorably during 2006, with several local agreements and increased volume. Munters has also made a strategic commitment to sustainable development and will work closely with AXA to move that process forward.

Facts – Moisture Control Services (MCS) Division

"MCS continues to work on delivering results to improve competitiveness, capture market share and improve margins. Our strategy from 2005 holds firm, with continued successive implementation of professional key account management, improved processes and work routines for increased productivity and implementation of a mobile IT solution. We are continuing our work to build a global division based on a common strategy and leadership."

Johan Söderström, Division President

Developments during 2006

- **Continued strong growth and increased market share.**
- **Division profitability still insufficient despite improved profitability in Europe.**
- **Firm acceptance measures and advances were made during 2006 in regard to all strategic initiatives with the goal of improving competitiveness and margins. The organization and leadership has been reinforced with the goal of achieving increased stability and reduced weather dependence. Among its initiatives, MCS implemented a project manager training program in 2006, resulting in around 80 personnel receiving certification.**
- **Restructuring program and development of employees completed in Germany, with improved profitability by the end of the year.**
- **Program launched to strengthen and expand basic operations in the US.**
- **Global framework agreement reached with AXA and several national insurance companies, including Trygg-Hansa in Sweden. Increased customer shares through development of professional relationships with key accounts.**

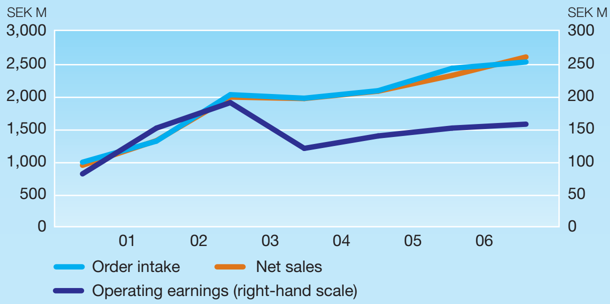
The MCS Division accounts for approximately 46 percent of Munters sales. Operating earnings amounted to SEK 159 M (153), with an operating margin of 6.1 percent (6.5). A lack of projects related to natural disasters during 2006 affected comparisons with the previous year by a net amount of approximately SEK 70 M. The operating margin, excluding jobs in conjunction with natural disasters, was slightly better in 2006, compared with 2005, despite earnings being negatively affected by launch costs for an expansion project for basic operations in the US.

That initiative is aimed at reducing the operation's dependence on larger, individual damages and to significantly expand sales in the US over the long term. The restructuring program that was started in Germany during 2005 intensified during the year, with improved earnings during the second half of the year as a result.

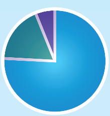
Key figures 2006

	2006	2005	Growth, %	Adjusted growth, %[1]
Order intake, SEK M	2,541	2,444	4	5
Net sales, SEK M	2,618	2,335	12	13
Operating earnings, SEK M	159	153	4	5
Operating margin, %	6.1	6.5		
Return on operating capital, %	19.7	21.8		
Capital turnover rate	3.3	3.3		
No. of employees, 31 Dec.	1,845	1,706	8	
No. of service depots	302	300		

[1] Preceding year restated at 2006 exchange rates.

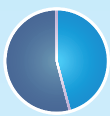


Net sales per geographical region



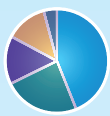
76% Europe
18% Americas
6% Asia

Share of consolidated net sales



46%

Market segments



44% Water damage restoration
24% Fire damage restoration
15% Reconstruction
13% Humidity and temperature control
4% Other

HumiCool Division

The environmentally friendly expertise contained in HumiCool's evaporative cooling systems creates the necessary conditions for managing indoor climates for people, animals, plants and industrial processes.

In Mist Elimination, we develop efficient solutions to reduce hazardous emissions, particularly in the rapidly expanding coal-based power industry.

Cost-efficient and environmentally friendly cooling, heating and cleaning

HumiCool creates the right indoor climate for people, animals and industrial processes. The technical solutions are primarily based on evaporative cooling, nature's own method of cooling. This makes Munters' solutions energy-saving and environmentally friendly, which is an important prerequisite, and also guarantees sustainable development. Munters has a strong position through its role as a pioneer in evaporative cooling. HumiCool's competitive advantages include a broad product portfolio, substantial application expertise and a global presence.

Services and offerings

The Division is divided into four business areas, AgHort (Agriculture & Horticulture), ME (Mist Elimination), HVAC (Heating, Ventilation and Air Conditioning) and GTEC (Gas Turbine Evaporative Cooling). AgHort supplies systems for cooling, humidification and ventilation of buildings for livestock breeding and for greenhouses. ME manufactures components called mist eliminators primarily for flue-gas cleaning systems for coal-fired power plants. HVAC supplies products for the control of indoor climates. GTEC manufactures air cooling products for gas turbines. The Division has production facilities in the US, Germany, Italy, Japan, Thailand, Australia, China, South Africa, Brazil and Mexico.

CUSTOMER CASE

More efficient energy production with cooling

In 2006, Munters delivered six large Gas Turbine Evaporative Cooling systems as part of an upgrade project at one of the largest power plants in the Philippines. The assignment included project management and installation and testing of the cooling system. With more efficient and stable cooling of the intake air in the gas turbines, plant capacity has now increased by 5 percent. For the end user, First Gas Power Corporation, this will translate into increased revenue, with the investment in the cooling system having paid for itself in less than a year.

Munters' technology in the AgHort, HVAC and GTEC business areas is based on evaporative cooling. Put simply, this means that air is cooled by evaporating water. Warm, dry air passes through Munters' special CELdek® or GLASdek® cooling pads, which are sprayed with water. As the air passes over the pads, the water evaporates, making the air cool and moist. This cooling technology, which is based on Munters' own inventions, offers low operating costs and is environmentally friendly. Within ME, the technology is based on mechanical separation of water droplets. This technology is used for flue-gas cleaning to remove water droplets created during the cleaning process.

Customers and market

The total market for HumiCool is estimated to have an annual value of SEK 11 billion. Munters' current market share is approximately 15 percent. However, in the cooling pad and livestock enclosure fans product areas and flue-gas cleaning, its market share is significantly higher.

AgHort accounted for almost half of sales at HumiCool in 2006. Poultry and livestock breeding customers dominate in this segment. In warm climates, cooling of indoor air is required in livestock breeding to achieve satisfactory productivity, and for customers in the AgHort sector, cost-efficiency is decisive. Munters' evaporative cooling systems provide the most cost-efficient cooling, compared with alternative technologies. The largest markets are the US, the Middle East, Italy and Thailand. The other major segment within AgHort is cooling systems for greenhouses, with the countries of Southern Europe as the largest markets.

Munters supplies its systems to manufacturers of breeding houses, and also directly to breeders, as well as selling components to system integrators. Demand is determined by consumption patterns for poultry, as well as global technical development in breeding, with developing countries increasingly moving toward more advanced production. Larger customers include such companies as GSI and Big Dutchman. Competitors are primarily local players with small-scale production.

Mist Elimination, accounted for one-third of HumiCool's sales in 2006. The dominant customer segment consists of coal-fired power plants, where Munters droplet separators are

"The increasingly stringent environmental requirements in China mean that the fast-growing coal-based power industry needs efficient solutions for reducing harmful emissions. Munters is the global market leader in this technology, and customers are primarily systems integrators for coal-fired power plants."

used in the cleaning of emissions. Within the power industry, increasing prices for natural gas and oil will probably result in a long-term increase in demand for coal-fired power plants. The increasingly stringent environmental requirements in China mean that the fast-growing coal-based power industry needs efficient solutions for reducing harmful emissions. Also in the US, more stringent environmental demands and the desire to reduce dependency on oil imports are contributing to increased demand. Munters is the global market leader in this technology, and customers are primarily systems integrators for coal-fired power plants. Process industries are another important segment. Competitors include Koch and Peerless.

The ***HVAC*** business area consists primarily of component manufacturing for the manufacture of evaporative cooling systems for homes and commercial and industrial premises in warm and dry climates, such as Australia and the southeastern US. Munters is also the market leader in this segment, while competitors are mostly smaller, local manufacturers. The largest customer in 2006 was Adobe Air in the US.

GTEC manufactures air-intake cooling systems for gas turbines. Air cooling results in higher efficiency in the turbine, producing more energy per cubic meter of natural gas. Demand for Munters' cooling systems is expected to increase in pace with rising energy prices and increased utilization of gas as an energy source. End customers are primarily suppliers of gas turbines, such as General Electric and Siemens. Competitors include Mee Industries in the US.

Developments during the year

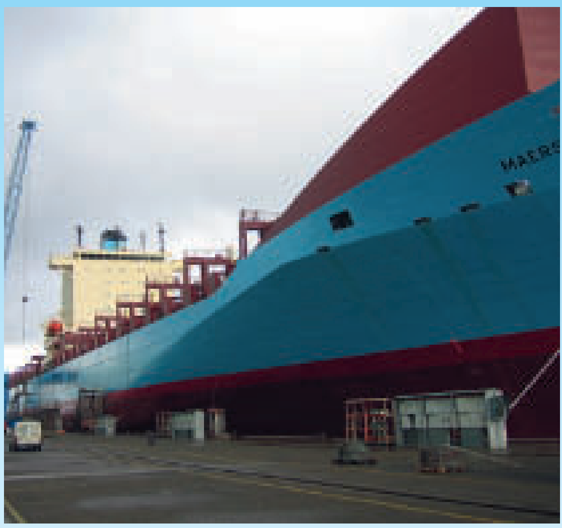
Avian flu continued to have an impact on the global poultry industry in 2006, although with diminished effect. For the AgHort business area, this had both positive and negative implications. Demand for chicken meat declined in certain countries, primarily in southern Europe, with reduced investment as a result. At the same time, import restrictions were introduced in many countries, leading to increased demand for locally produced chicken meat. That, combined with greater awareness of the need for closed poultry houses

CUSTOMER CASE

Munters protects shipping against humidity

While it might sound strange, one of the worst enemies of large ships is humidity. A hull that is continuously exposed to seawater, salt and rain, slowly but surely corrodes if nothing is done. If water and salt are allowed to spread via the vents into the ship interior, there is a risk that engines, navigation instruments and other vital components can be damaged. Even the health of crew and passengers can be jeopardized by mold and bacteria.

By equipping ships with Munters' mist elimination systems, such problems can be reduced considerably. When German shipyard Volkswerft Stralsund GmbH built a PANMAX class container ship for the AP Moeller shipping line, a Munters mist elimination system was installed, with very good results. Unlike previously constructed ships, the ventilation system in the newly-built vessel kept the ship dry, even after operating in very harsh weather conditions.



– instead of open poultry houses that are still commonplace in Asia and Latin America – to reduce the risk of spreading infections, has resulted in continued good demand for Munters' cooling systems.

The increased global demand for "clean" coal power had a very strong positive affect on the Mist Elimination business area during the year.

At HVAC, overall demand was more restrained, although the business area did show growth during the year. During the fourth quarter the Italian firm SIAL was acquired, the European market leader in mobile heaters for industry, agriculture and commercial premises and evaporative cooling products. The acquisition strengthens Munters' position since SIAL offers complementary offerings for HVAC customers. At the same time, Munters gains additional distribution channels and expertise within the HVAC area.

Demand for gas turbine cooling systems at GTEC increased during the year, albeit from a previously low level.

For the HumiCool Division as a whole, the recent adjustments and production relocations have contributed to strong margin growth during the year, especially as a result of increased global purchasing, improved productivity and greater coordination in manufacturing and distribution. During the year, all manufacturing of cooling pads in the US was shifted to an existing facility in Mexico. Sales to the American market of those components is now occurring through a new distribution center in Andrews, NC in the US. The decision was made during the year to double the capacity of the existing plant in Beijing, a facility that is used by both the HumiCool and Dehumidification Divisions.

Efforts to cultivate and focus operations continued during the year, and as part of that effort the Water business area, with water treatment operations, was sold during the first quarter. In January 2007, the DEC (Diesel Emission Control) business area was also sold. Both of these operations experienced few synergies with Munters' core operations.

Strategy

- Expand energy-efficient climate control product offerings.
- Expand geographically, primarily in Asia.
- Growth through acquisitions.
- Improve gross margins.
- Utilize the global organizational structure to achieve cost savings and efficiency gains.
- Increase product development resources.

Focus 2007

Work will continue during 2007 in accordance with the well-defined plan that is aimed at strengthening competitiveness, creating additional growth and increasing profitability within the division. This plan includes actively seeking out new acquisitions that will broaden existing product offerings in the area of energy-efficient climate control, to move towards more solutions-oriented offerings, and to expand the geographic area of operations. Expansion of production facilities in Beijing is expected to be completed during the third quarter of 2007.

Munters will also continue to focus on measures aimed at strengthening gross margins and benefit from the advantages that the global organizational structure provides. An increased exchange of knowledge and a high degree of coordination within product development, manufacturing and purchasing will result in additional savings and efficiency gains. In marketing, customer offerings, products and distribution will be coordinated and enhanced, yielding positive effects on sales and profitability.

CUSTOMER CASE

Climate controls yield more Turkish bananas

Banana, grapefruit and cherry tree seedlings are cultivated at the Toros Agripark in Turkey, which was formerly experiencing problems with its greenhouse climate. The existing cooling system, which was based on water mist from high-pressure sprinklers, was insufficient to achieve the stable environment the plants thrive in, namely a consistent temperature of between 25–28°C, with a relative humidity of 85 percent. The biggest problem was during the summer months when an outdoor temperature in excess of 40°C made it practically impossible to cultivate plants.

It took two weeks for Munters to install a cooling system that has created an optimal greenhouse climate year round. As a result, production of plants has increased by 25 percent. In addition, overall production costs have dropped and the ability to manage cultivation during the most beneficial planting period has increased.

Facts – HumiCool Division

"Our energy-efficient and environmentally friendly solutions, primarily within evaporative cooling and mist elimination, gained additional ground during the year, with favorable trends in both sales and earnings. We are actively seeking out new acquisitions, such as SIAL, that will broaden our existing product portfolio and contribute to even more solutions-oriented offerings."

Per Segerström, Division President

Developments during 2006

- **Strong sales- and earnings trends, driven by completed efficiency improvements and increased global demand for "clean" coal power.**
- **Acquisitions in the areas of mobile heaters and evaporative cooling products will complement offerings and result in new distribution channels.**
- **Continued cultivation and focusing of the business through divestment of water treatment operations.**
- **Strong growth in AgHort.**

In 2006, HumiCool accounted for 26 percent (26) of Munters' total sales. During 2006, the division's sales increased by 13 percent, compared with the preceding year (15 percent after currency adjustment). Operating earnings amounted to SEK 213 M (135), and the division's operating margin was 14.1 percent (10.1).

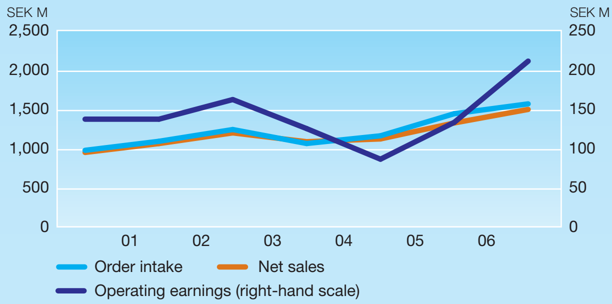
Order intake, sales and earnings developed very favorably during the year. Development was particularly strong in mist elimination, where a significant increase in demand for "clean" coal power is driving growth and profitability. Growth was also strong in the largest business area, AgHort, where a robust US market compensated for a slightly lower investment pace in Europe.

Previous efficiency-enhancement measures in the form of production structure reviews and ongoing efforts to increase global coordination of purchasing and manufacturing, also contributed to the margin improvement. The Water business unit was sold during the first quarter as part of a greater focus on core operations. During the fourth quarter, the Italian firm SIAL was acquired, which is the European market leader in mobile heaters. This expands the division's product offerings and market potential.

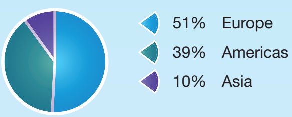
Key figures 2006

	2006	2005	Growth, %	Adjusted growth, %[1]
Order intake, SEK M	1,585	1,460	9	14
Net sales, SEK M	1,514	1,342	13	15
Operating earnings, SEK M	213	135	57	59
Operating margin, %	14.1	10.1		
Return on operating capital, %	51.1	29.2		
Capital turnover rate	3.6	2.9		
No. of employees, 31 Dec.	789	668	18	

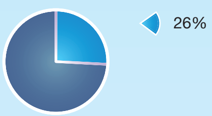
[1] Preceding year restated at 2006 exchange rates and adjusted for acquisitions and sales of operations.



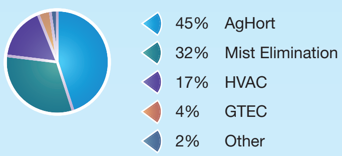
Net sales per geographical region



Share of consolidated net sales



Market segments



Risk management

Risk management is an important process in the operational management of the Munters Group. In addition to analyzing the risks that Munters faces and evaluating them, it is important to reduce the significant risks through continuous preventive measures. This involves the type of risks that could cause serious disturbances in production or jeopardize the Company's financial position.

Operational risks

Munters is an entrepreneurial company with many small organizational units. The dependency on key persons is relatively great, and employee resignations may therefore be a threat. This applies particularly within MCS and product development within Dehumidification and HumiCool.

A portion of Munters sales consists of components, products and equipment that are used in complex customer processes. Quality and contract obligations can result in warranty claims.

Munters' expansion within MCS increases its exposure to the insurance industry. Changes in insurance products, new supplier relationships and financial problems in the insurance industry could pose a threat to Munters. Alternative technologies may constitute a risk. Companies currently active in air conditioning could establish operations in Munters' niches.

Strengths and weaknesses

The Group's primary strength is its unique application and service expertise in a global organization with a strong entrepreneurial spirit. Its weakness is a relatively diversified business that results in high costs.

Strengths and weaknesses for Munters' three divisions are described below under each division.

Dehumidification Division

Competition consists of smaller local companies. Munters is the leading manufacturer of adsorption rotors, which are one of the company's core components, and has a broad product portfolio in dehumidification. The combination of cooling and dehumidification is considered to have substantial future potential.

A strong brand, long market experience, a global marketing organization with leading application expertise and an established service organization are other strengths.

High indirect costs for creating market growth, a somewhat unstructured product portfolio and many small organizational units are the division's weaknesses.

Moisture Control Services Division (MCS)

Competition comes from both international players, such as Belfor and ISS Damage Control, and small local contractors. MCS is the quality and technology leader with a strong brand and a complete service offering. Broad local presence in geographically diverse markets is a strength.

The division's weaknesses consist of volatile revenues and a relatively fixed cost structure combined with low barriers to entry for competitors. Excessively high dependency on fixed contracts with the insurance industry may also constitute a weakness.

HumiCool Division

Competitors are local companies with small-scale production. Munters has high market shares in selected segments. The division is characterized by strong brands, technical leadership and broad application expertise.

Weaknesses can be considered to be the many small organizational units and dependency on few OEM customers.

Financial risk management

The Group is exposed to risks related to financial instruments, such as liquid funds, accounts receivable, accounts payable, loans and derivative instruments.

Munters' management and control of financial risks are regulated by a policy established by the Board of Directors. Risk management and financing activities are primarily concentrated to the Parent Company in Sweden.

Details regarding financial instruments are provided in Note 17.

Currency risk

Munters' financial reporting is in SEK, but the Group has operations worldwide and is thus exposed to currency risks due to changes in exchange rates that can have a negative effect on earnings and equity.

A significant share of Munters' sales and costs are generated in foreign currencies. The geographic distribution of Munters' production plants results in significant matching of revenues and costs in local currencies, which limits currency exposure. The shares of net sales and costs for the most significant currencies during the year are shown below.

Currency	Share of net sales, %	Share of costs, %
EUR	34.3	34.1
USD	33.1	31.5
NOK	6.8	7.0
GBP	6.8	6.4
SEK	4.9	9.6
AUD	4.2	3.8
JPY	1.9	1.9
DKK	2.2	1.8
Other currencies	5.8	3.9
Total	**100.0**	**100.0**

Transaction exposure

Transaction exposure consists of the net of operative (export/import) and financial (interest/amortization) incoming and outgoing flows in various currencies.

Munters' policy is that currency hedging and trading shall be concentrated to the subsidiaries with Group internal sales. The goal of the currency hedging policy is to hedge 100 percent of contracted net flows in foreign currency.

Translation exposure

Exchange-rate movements also affect the Group's translation of the income statements and balance sheets of foreign subsidiaries, as well as any goodwill in conjunction with acquisitions.

Munters' sensitivity to variations in certain currencies in translating EBIT is presented in the table below. The analysis is based on EBIT for 2006 and assumes that all other factors (such as changes in competition) that could affect earnings are unchanged.

	Estimated effect on EBIT	
SEK +1% compared with	SEK M	%
EUR	–2.0	–0.4
USD	–2.6	–0.5
NOK	–0.3	–0.1
GBP	–0.6	–0.1
AUD	–0.4	–0.1
JPY	–0.1	–0.0
DKK	–0.4	–0.4

The total translation effect on EBIT during 2006 compared with the preceding year's exchange rates amounted to a loss of SEK 3 M (gain: 9), corresponding to 0.5 percent (2) of the year's EBIT. The effect on Munters' equity in translating the net assets of foreign subsidiaries to SEK amounted to a loss of SEK 132 M (gain: 140) for the year.

Interest risk

Munters' sources of funding are primarily equity, cash flow from current operations and borrowing. Borrowing, which is interest-bearing, means that the Group is exposed to interest risk.

Interest risk is the risk that changes in interest rates will negatively affect consolidated interest net and/or cash flow. Munters' finance policy establishes guidelines for fixed interest for borrowing and the average maturity periods. The Group's policy is that the interest periods for debt should normally be between 3 and 9 months. Interest-bearing debt is presented in Note 19.

Interest exposure

Munters' profitability is affected by interest-rate fluctuations. The expected effect on earnings after financial items of a change in interest rates of one percentage point is about SEK 3 M (3).

Financing risk

Munters' borrowing from banks consists in part of general credit facilities and in part of individually approved bank loans to subsidiaries, of which the latter are generally in conjunction with acquisitions. Borrowing is mainly in SEK. The average period for which capital is tied up in loans is normally between 3 and 9 months. When surplus liquidity arises, it is primarily used to pay down loans.

Counterparty risk

Munters only accepts creditworthy counterparties for financial transactions, such as currency swaps and other derivative transactions.

With respect to accounts receivable, counterparty risk is distributed among a large number of customers, primarily companies in various industries. Within MCS, large insurance companies account for a major share of the counterparties.

Insurable risks

Insurance protection is regulated by central guidelines. Several insurance policies are managed at the global level and handled annually by the Parent Company.

Legal processes

Munters' subsidiary in the US, Munters Corporation, was cited as of 31 December 2006 as a co-defendant in 38 asbestos-related processes. To date, none of the plaintiffs has stated that they were exposed to any specific Munters product. In recent years, Munters Corporation has won in two cases through summary judgments, cases that are in other words no longer pending, and a total of 36 plaintiffs have been dismissed out of the 38 asbestos-related processes mentioned above. Munters Corporation firmly believes that the charges are groundless and intends to contend each case vigorously. Munters Corporation has insurance protections for the asbestos-related claims through several insurance policies. With reservations for certain provisions, the insurance companies have confirmed that until further notice they will cover a significant portion of the defense costs.

Munters does not consider that the stated claims will to any significant extent have an adverse effect on the Company's financial position or operating results.

The share and shareholders

The final share price paid on 31 December 2006 was SEK 317 (219), which was an increase of 45 percent (10) during the year. OMX Stockholm rose by 24 percent (32) during the same period. The market capitalization amounted to SEK 7.9 billion, compared with SEK 5.5 billion the same period in the preceding year.

Share capital and number of shares

On 31 December 2006, Munters' share capital amounted to SEK 125 M distributed among 25,000,000 shares, each with a quota value of SEK 5.00. The company has one class of stock. Each share carries one vote. All shares carry equal rights to the Company's assets and earnings. A round lot comprises 50 shares.

Ownership structure

The Munters share is listed on the OMX Nordic Exchange Mid-Cap list and has been quoted since 21 October 1997. As of year-end, Munters had 5,267 shareholders (5,913). The ten largest shareholders control 60 percent (59) of the votes. 47 percent (41) of the shares are owned by Swedish institutional investors, while foreign investors hold 28 percent (27) of the capital.

Shareholders as of 31 Dec. 2006	No. of shares	Share of capital, %	Share of votes, %
Latour	3,650,000	14.6	14.8
AB Industrivärden	3,638,000	14.6	14.8
AFA Försäkring	1,648,340	6.6	6.7
Swedbank Robur funds	1,386,222	5.5	5.6
State of New Jersey, USA	1,200,000	4.8	4.9
First AP fund	1,020,150	4.1	4.1
AMF Pension	700,000	2.8	2.8
Nordea funds	673,549	2.7	2.7
Enter funds	603,300	2.4	2.5
Lannebo funds	370,500	1.5	1.5
Total, ten largest shareholders	**14,890,061**	**59.6**	**60.4**
Other	9,704,689	38.8	39.6
Shares outstanding	**24,594,750**	**98.4**	**100.0**
Shares held by Munters (treasury stock)	405,250	1.6	–
Total	**25,000,000**	**100.0**	**–**

Distribution of shares as of 31 December 2006

Shareholding	No. of owners	No. of shares	Shares in %
1–500	4,278	813,004	3.3
501–5,000	814	1,149,091	4.6
5,001–50,000	113	1,978,417	7.9
50,001–	62	21,059,488	84.2
Total	**5,267**	**25,000,000**	**100.0**

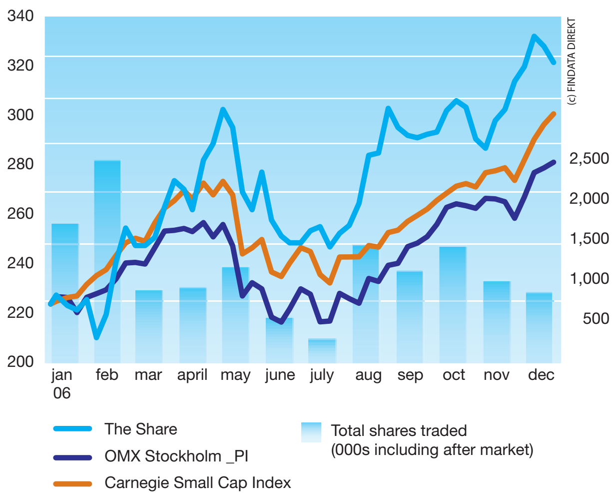
Total return

At year-end, the Munters share traded at SEK 317, which was an increase of 296 percent since the exchange listing at SEK 80 in October 1997. The annual average total return (the share's value including reinvested dividends) since the exchange listing amounted to 21 percent. The average growth for the SIX Return Index for the same period was 15.7 percent. An investment in Munters' shares thus gave a return that was approximately 6 percentage points better per year, compared with an average investment on the Stockholm Stock Exchange.

Trading volume

During 2006, 14.0 million Munters shares (14.7) were traded with a total value of SEK 3,615 M (2,726). This means that 56 percent (59) of the total shares changed owners. The average share price during the year was SEK 257.71 (185.79). The highest price paid during the period was SEK 338 on 18 December. The lowest price paid was SEK 205.50 on 3 February. The beta value is a relative measure of the risk in the share measured as its correlation with the market index over the past 48 months. On 31 December 2006, the Munters share had a beta value of 0.24 (0.28), meaning that it had moved 24 percent (28) relative to the index.

Performance 2006



Performance since listing in 1997

Dividend

For the 2006 fiscal year, the Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 6.75 (5.50) per share. The dividend corresponds to 51 percent (54) of net earnings for the year. The Board has also proposed that the Annual General Meeting decide on the automatic redemption of shares including the 4:1 share split, of which one share will be redeemed for SEK 20. Consequently, a total of approximately SEK 492 M will be refunded to shareholders in addition to the proposed cash dividend.

Own shares (treasury stock)

Buy-back, divestments and holdings are reported in Note 18.

Incentive programs

The outstanding programs are described in Note 28.

Relation to the capital market

Munters' goal is to continuously supply objective and fair accounting of the Company's operations to shareholders, the capital market and the media through financial reports and press releases in conjunction with significant business events.

Analysts who continually monitor Munters

The market analysts listed below monitor Munters continuously. It should be noted that the opinions and forecasts regarding Munters that they express are their own and thus not Munters' own or the opinions and forecasts of its management.

Firm, analyst, telephone
ABG Sundal Collier, Tobias Ottosson, +46 8 566 286 49
Carnegie, Björn Enarsson, +46 8 676 86 82
Danske Bank, Patrik Setterberg, +45 33 44 08 74
Enskilda Securities, Anders Eriksson, +46 8 522 269 39
Handelsbanken Markets, Markus Almerud, +46 8 701 34 01
Kaupthing Bank Sverige, Carl-Johan Blomqvist, +46 8 791 48 55
Redeye, Henrik Alveskog, +46 8 545 013 45
Swedbank Capital Markets & Securities, Mats Larsson, +46 8 585 925 42

Key figures per share[1]	2006	2005	2004	2003	2002
Earnings per share, SEK	13.21	10.17	8.20	7.04	10.83
Earnings per share after dilution, SEK	13.21	10.17	8.18	7.03	10.80
Average no. of outstanding shares, 000s	24,582	24,538	24,378	24,420	24,518
No. of outstanding shares on closing date, 000s	24,595	24,581	24,378	24,378	24,438
Treasury stock, 000s	405	419	622	622	562
Operating cash flow per share, SEK	15.24	7.38	4.98	5.10	9.40
Equity per share, SEK[4]	60.99	58.26	46.96	44.53	45.59
Equity per share after dilution, SEK	61.00	58.36	46.88	44.38	45.31
Dividend per share, SEK	6.75[2]	5.50	4.00	3.50	3.50
Share price on closing date, SEK	317.00	219.00	200.00	174.00	193.00
Market capitalization on closing date, SEK M[3]	7,925	5,475	5,000	4,350	4,825
P/E ratio, times	24.0	21.5	24.3	24.7	17.8
Return on equity, %[4]	22.5	19.3	17.8	15.8	25.6

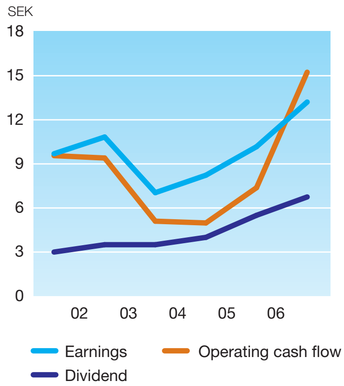
[1] As of 2004, the amounts are in accordance with IFRS accounting principles, which mainly means that goodwill is no longer amortized. Years prior to 2004 are in accordance with prevailing accounting principles.

[2] According to the Board of Directors' proposal.

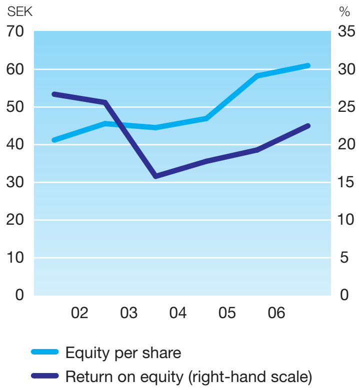
[3] The market capitalization is based on all shares, including treasury stock.

[4] Effective 1 January 2006, Munters accounting is in accordance with the changes implemented in IAS 19 (refer to Note 2, item 2.4 for further details). The key figures for 2005 have been recalculated in accordance with the changes.

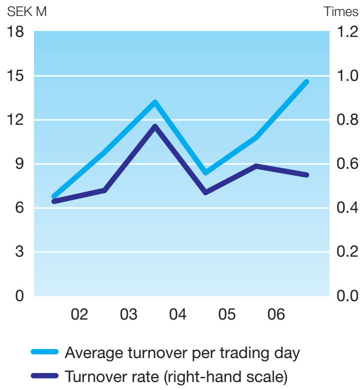
Per-share data



Equity



Liquidity



Corporate Governance Report

Munters AB (publ) applies the applicable rules contained in the Swedish Code of Corporate Governance ("the Code"). In accordance therewith, the Company has prepared this corporate governance report.

Division of responsibility

Responsibility for management and control of the Group is divided among the shareholders at the Annual General Meeting, the Board of Directors and its appointed committees and the President, in accordance with the Swedish Companies Act, other legislation and regulations, prevailing rules for exchange-listed companies, the Company's Articles of Association and the Board of Directors' internal control instruments.

Shareholders

At 31 December 2006, the Company had 5,267 shareholders. The proportion of the share capital owned by Swedish institutions amounted to 47 percent. Foreign investors owned 28 percent of the share capital. The ten largest owners together had holdings corresponding to 60 percent of the share capital. For further information on ownership at 31 December 2006, see page 32 of the Annual Report.

Annual General Meeting 2006

The Annual General Meeting is the Group's highest governing body. The Annual General Meeting is normally held in April in Stockholm. The 2006 Annual General Meeting was held on 26 April 2006. Sven Unger was elected Chairman of the Meeting.

The following decisions were taken:

- The Annual General Meeting adopted the Parent Company income statement and balance sheet, the consolidated income statement and balance sheet, decided to dispose of earnings in accordance with the proposed distribution of earnings resulting in a dividend of SEK 5.50 per share for the 2005 fiscal year, and discharged the Board of Directors and the President from liability.
- The Annual General Meeting approved decisions in accordance with the Nominating Committee's proposal
  - that the number of members of the Board of Directors elected by the Annual General Meeting shall be seven and that no deputy members shall be elected;
  - that fees to the Board of Directors shall be paid in a total amount of SEK 1,450,000 of which (i) SEK 400,000 to the Chairman, (ii) SEK 175,000 to each of the Board members elected by the Annual General Meeting who is not an employee of the Company and (iii) SEK 50,000 to the Chairman of the Audit Committee and SEK 25,000 to each of the other members. It was also noted that the 2004 Annual General Meeting decided that fees shall be paid to the auditors on account;
  - that Berthold Lindqvist, Anders Ilstam, Bengt Kjell, Eva-Lotta Kraft, Sören Mellstig, Sven Ohlsson and Jan Svensson were to be re-elected. It was noted that Lennart Evrell declined re-election.
- The Annual General Meeting decided to appoint a Nominating Committee each year that shall consist of the Chairman of the Board of Directors and representatives for the four largest owners in the Company in terms of voting rights, with replacement rules if any of these members resign from the Committee before its work is completed.
- In accordance with the Board of Directors' proposal, the Annual General Meeting decided to authorize the Board of Directors to decide on the acquisition of treasury stock.
- In accordance with the Board of Directors' proposal, the Annual General Meeting decided to issue call options on repurchased shares and to transfer repurchased shares when call options are redeemed.
- The Annual General Meeting decided to change the Articles of Association to conform with the applicable Swedish Companies Act (2005:551).

Nominating Committee

In accordance with the 2006 Annual General Meeting, the Nominating Committee is to be elected annually through the Chairman of the Board contacting the Company's four largest shareholders, in terms of voting rights, who will each elect a representative to jointly with the Chairman, comprise the Nominating Committee for the period up until the end of the next Annual General Meeting or, if applicable, until a new Nominating Committee has been elected. If a member resigns from the Nominating Committee before completion of his/her duties, if applicable, a replacement shall be elected by the same shareholder who elected the resigning member or, if that shareholder is no longer one of the four largest shareholders, by the newest shareholder joining the group. One of the owner representatives in the Nominating Committee shall be its Chairman. The Nominating Committee's assignment is to prepare and present proposals for the election of the Chairman and other members of the Board of Directors, Chairman of the Annual General Meeting, fees and associated matters. Information about the Nominating Committee's composition shall be published not less than six months prior to the Annual General Meeting.

Since October 2006, the Nominating Committee includes the following persons: Carl-Olof By (AB Industrivärden), Gustaf Douglas (Investment AB Latour), Anders Algotsson (AFA Försäkring), and Jan Andersson (Swedbank Robur Funds). The last mentioned person replaced Peter Rudman (Nordea Funds), since Nordea Funds reduced its ownership in Munters on 19 October 2006. In addition to the above list, Berthold Lindqvist, Chairman of the Board of Munters is also included. The Nominating Committee will prepare a proposal to the 2007 Annual General Meeting regarding Chairman of the Annual General Meeting, composition of the Board of Directors and Board fees. The Nominating Committee held three meetings during 2006. No compensation was paid to the Nominating Committee.

Work of the Board of Directors

General

According to the Company's Articles of Association, the Board of Directors shall consist of four to eight members elected each year by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association permit the election of deputies, but no deputies were elected by the Annual General Meeting. By law, the employees appoint two members and two deputy members to the Board of Directors. In 2006, Pia Nordqvist and Mats Persson were appointed as employee representatives on the Board, with Tommy Morin and Kjell Wiberg as deputies. The Group's CFO participates in Board meetings as does the Board's secretary, who is a lawyer and independent of the Company. Other employees participate in Board meetings as presenters of special issues or when otherwise deemed appropriate. The members of the Board of Directors are presented on page 68 of the Annual Report.

The Board of Directors establishes a written Working Procedure each year that regulates the Board's work and the internal distribution of responsibility, including its committees, decision procedures within the Board, the order of meetings and the Chairmen's duties. The Board of Directors has also issued instructions for the President and instructions for financial reporting to the Board. Furthermore, the Board of Directors has adopted a number of other policies, which are described below under the heading Policy documents.

The Board of Directors takes responsibility for the Company's organization and the administration of its business and in so doing, must ensure that the organization is appropriate and dimensioned in such a manner that accounting, capital management and other financial matters are managed and checked in a satisfactory manner. Furthermore, the Board of Directors is responsible for ensuring that the Company has adequate internal controls and for continuously reviewing the internal control systems. The Board of Directors is also responsible for developing and following up the Company's strategies in the form of plans and goals. The Board of Directors continuously monitors the work of the President and operative management.

Among the members of the Board of Directors elected by the Annual General Meeting, there are persons with ties to the Company's major owners – Industrivärden and Latour – and persons who are independent of these parties. In accordance with the rules of the Code and the listing requirements of the Stockholm Stock Exchange, seven of the Board members elected by the Annual General Meeting are independent of the Company. Of these, five are independent of the Company's major owners and meet established requirements for experience.

Chairman

At the statutory meeting of the Board of Directors on 26 April 2006, Berthold Lindqvist was elected Chairman until the end of the next Annual General Meeting. The Chairman organizes and leads the Board of Directors work so that it is conducted in accordance with the Swedish Companies Act, other laws and regulations, prevailing rules for exchange listed companies (including the Code) and the Board's internal control instruments. The Chairman follows business development through regular contact with the President and is responsible for ensuring that Board members receive sufficient information and supporting materials for decisions.

The Chairman is responsible for ensuring that the Board of Directors continuously updates and increases its knowledge of the Company and in other respects receives the training required to be able to conduct Board work effectively. In addition, the Chairman ensures that an annual evaluation is conducted of the Board of Directors' work and that this information is provided to the Nominating Committee. The Chairman represents the Company in ownership matters.

Work procedures

According to the Work Procedures currently in effect, the Board of Directors shall meet not less than five times per year and for one statutory meeting per year. It shall also be convened at other times when the situation so demands. During 2006, the Board of Directors held six ordinary meetings and four per capsulam meetings. Board work during the year was focused on strategic, financial and accounting issues. All decisions were taken unanimously. At each Board meeting, the President reports on the Group's development.

As evident in the table below, attendance at Board meetings was highly favorable.

	Board of Directors	Audit Committee	Compensation Committee
Number of meetings, total	10	5	5
Berthold Lindqvist[1]	8		5
Anders Ilstam	9		
Bengt Kjell	9	5	
Eva-Lotta Kraft	9		
Sören Mellstig	9		5
Sven Ohlsson[2]	9	5	
Jan Svensson	9	5	

[1] Chairman of the Board of Directors and the Compensation Committee

[2] Chairman of the Audit Committee

Audit Committee

At the statutory meeting of the Board of Directors on 26 April, 2006, the Board decided to appoint Sven Ohlsson (Chairman), Bengt Kjell and Jan Svensson as members of the Audit Committee for the period until the next statutory Board meeting. The Audit Committee is charged with preparing issues regarding the procurement of auditing services and audit fees, following up the auditors' work and internal control systems, monitoring the current risk situation with respect to financial reporting, following up external audits and the Company's financial information and handling other issues assigned by the Board of Directors.

The Audit Committee's work is regulated by special instructions adopted by the Board of Directors as part of its Work Procedures. During 2006, the Audit Committee held five meetings at which all members were in attendance.

On one occasion during 2006, the Board of Directors met with the auditors and reviewed their reports without the President and other members of Company management being present. The auditors' report did not motivate any special measures on the part of the Board of Directors.

Compensation Committee

At the statutory meeting of the Board of Directors on 26 April 2006, the Board decided to appoint Berthold Lindqvist (convener) and Sören Mellstig as members of the Compensation Committee for the period until the next statutory meeting. The Compensation Committee is charged with considering and preparing proposals regarding salaries, bonuses, pensions, severance pay, options and warrants for the President and other senior managers who report directly to the President and for such other similar issues assigned by the Board of Directors. On assignment from the Board, the Compensation Committee will present proposals on principles for compensation and other compensation terms for company management to be approved by the Annual General Meeting. The Compensation Committee's work is regulated by special instructions adopted by the Board of Directors as part of its Working Procedures. During 2006, the Compensation Committee held five meetings at which all members were in attendance and had regular contact within the Committee in conjunction with employment and other compensation issues.

Compensation

Fees to the members of the Board of Directors elected by the Annual General Meeting are decided by the Annual General Meeting based on the proposal by the Nominating Committee. For the period from the 2006 Annual General Meeting through the 2007 Annual General Meeting, the fee paid to the Chairman was SEK 400,000. Other members elected by the Annual General Meeting, who are not employees of the Company, were paid fees of SEK 175,000. Furthermore, a fee of SEK 50,000 was paid to the Chairman of the Audit Committee and SEK 25,000 to each of the other members of the Audit Committee. No further compensation was paid to any Board member.

Reporting and control

The Board of Directors and the Audit Committee supervise the quality of financial reporting and the Company's internal control systems and monitor the Company's risk exposure. This takes place in part through instructions to the President and the establishment of requirements on the contents of the reports on financial circumstances that are regularly submitted to the Board of Directors, as well as through reviews with management and the auditors. The Board of Directors and the Audit Committee review and verify the quality of financial reporting, including the year-end report and the Annual report and have delegated responsibility to Company management to verify the contents of press releases containing financial information and presentation materials used in conjunction with meetings with the media, owners and financial institutions.

Company management

General

The President leads operations in accordance with the Swedish Companies Act and within the framework established by the Board of Directors. In consultation with the Chairman of the Board of Directors, the President prepares the information and supporting materials for decisions required for Board meetings, presents matters for consideration by the Board and motivates proposals for decision. The President leads Group management's work and takes decisions in consultation with others in management. Group management currently consists of six persons. Company management conducts regular business reviews under leadership of the President 12 times each year, often in conjunction with visits to various Group units. The President and other members of Group management are presented on page 69 of the Annual Report.

Compensation

At the 2006 Annual General Meeting, the Chairman of the Board of Directors informed the shareholders about the principles for compensation to senior executives. Current compensation levels are presented in Note 27. The proposal for guidelines for the determination of salaries and other compensation paid to senior executives will be submitted to the 2007 Annual General Meeting for approval.

Internal audit

The Company has a simple legal and operative structure with established management and internal control systems. The Board of Directors and the Audit Committee monitor the Company's assessment of internal controls, in part through contact with the Company's auditors. For these reasons, the Board of Directors has elected not to conduct special internal audits.

Auditors

The 2004 Annual General Meeting elected the auditing firm Ernst & Young as the Company's auditor for the period up until the 2008 Annual General Meeting with Björn Fernström as auditor in charge. The auditors are presented on page 68 of the Annual Report. The auditors work in accordance with an audit plan whereby comments were obtained from the Audit Committee and the Board of Directors and reported its observations to the Audit Committee and the Board of Directors, in part during the audit itself and in part in conjunction with adoption of the 2006 Annual Report on 19 February 2007. The auditors also participate in the Annual General Meeting at which they report on their work and observations. During the year, the auditors had consulting assignments apart from auditing, primarily relating to taxes.

The Board's report on internal controls pertaining to the financial reporting for the 2006 fiscal year

The Code specifies that the Board of Directors shall issue a report on internal controls with respect to those portions relating to how financial reporting is organized and how well it has functioned during the year. Munters Board has elected to follow the statement issued by the Swedish Corporate Governance Board on 5 September 2006 that it is sufficient for 2006 if the Board of Directors in its Corporate Governance Report limits the report on internal controls to a description of how internal control is organized in respect to financial reporting, without expressing an opinion on how well it functions. The auditor's review of the report is voluntary.

Description of how internal controls are organized

Control environment – Effective working procedures on the part of the Board of Directors is the basis for satisfactory internal controls. Munters' Board of Directors has an established Working Procedure for its work and instructions for the Board's committees. One aspect of the Board's work consists of formulating and approving the policies that govern the Company's work with internal controls. Another aspect is creating prerequisites for an organizational structure with clear roles and responsibilities that encourage effective management of business risks. Senior management is responsible for implementing the guidelines to maintain satisfactory internal controls.

Risk assessment and control activities – Munters' management annually presents its view of significant risks for the Board of Directors' Audit Committee. The Company's most important risks relating to accounting and reporting are revenue recognition, valuation of accounts receivable and guarantee commitments, plus the Group's many small subsidiaries, which lack critical mass with respect to accounting personnel. To effectively manage significant risks, Munters has established control structures that in part consist of an organization, which, from an international perspective, permits appropriate delegation of responsibility from the standpoint of control activities in the work performed on compiling the financial reports. During 2006, the company reviewed its internal control policy and introduced a formalized process whereby all Group business units implement a self-assessment of their compliance with the rules stipulated in the internal control policy. This self assessment is then reviewed by representatives of Group management according to a rolling schedule, and by the company's external auditors. In the event of discrepancies, improvement plans and activities are prepared.

Information and communications – Munters' policies for internal control are primarily communicated through the Munters Management Manual and the Munters Financial Manual. These manuals are updated continuously and are easily accessible to all concerned personnel via Lotus Notes internal databases. The Munters Management Manual includes the Munters Information Policy, which provides guidelines for how external communication shall take place. The objective of the policy is to ensure that all information obligations are fulfilled in a correct and comprehensive manner.

Follow-up – The Board of Directors evaluates business performance and results each month using an appropriately structured reporting package containing outcomes, forecasts and analyses of important key parameters. The Board of Directors receives regular reports from the meetings held between the Audit Committee and senior management and the auditors. The Audit Committee's work also includes regularly following up the effectiveness of internal controls. The Committee's work also includes evaluation and discussion of key technical issues relating to accounting and reporting techniques. Furthermore, the Audit Committee has initiated an annual process to ensure that appropriate measures are taken to address and implement recommended measures in regard to deficiencies that arise in part from internal follow-ups as described above and in part through the external auditors' examinations.

Articles of Association

The Company's Articles of Association regulate such matters as the objective of the Company's operations, the number of Board members and auditors, how notification of the Annual General Meeting shall take place, matters to be addressed by the Annual General Meeting and where the Meeting shall be held. The Articles of Association currently in effect and adopted on 26 April 2006 are available on the Company's web site at www.munters.com, under investor relations/corporate governance.

Policy documents

In addition to the budget and strategic plan, which are required and approved by the Board of Directors, Munters has two primary control systems that specify authority and responsibilities for the leaders of Munters' many business units, Munters Management Manual and Munters Financial Manual.

Firstly, there is ***Munters Management Manual***, which, in addition to a number of general policies for the Group's business and its employees, contains detailed descriptions of authorization and responsibility in business management. The following policies are included in Munters Management Manual.

Corporate Social Responsibility

The Group's policy was formulated with the objective of documenting the Group's basic view on ethical issues both within the organization and externally towards customers and suppliers.

Information policy

The Group's information policy is a document that describes the Group's general principles for the dissemination of information.

Insider policy

The Group's insider policy regulates the handling of insider issues and responsibility for these issues and contains instructions for insiders and others within the organization regarding how to act in insider-related matters.

Visual Guidelines

The Group's Visual Guidelines describe the manner in which Munters shall be visible in its marketing and business operations.

Environment policy

The Group's environment policy provides guidelines for environmental work within the Group.

Secondly, there is ***Munters Financial Manual***. The Financial Manual describes the rules and guidelines that apply for decisions on financial matters, how financial reporting is organized and what is reported. The accounting instructions in Munters Financial Manual comply with IFRS standards. In addition to accounting instructions, the manual contains the following policies.

Financial policy

The Group's Finance function works according to the instructions established by the Board of Directors, which provide a framework for how the Group's operations shall be financed and how currency and interest risks, for example, must be managed.

Internal control policy

The internal control policy provides instructions for maintaining order and control within the business units.

General policies are reviewed and approved by the Board of Directors.

The Company's application of the Code

The Code is built on the "follow or explain" principle. This means that companies applying the Code may deviate from individual rules but must provide explanations and reasons for each reported deviation.

Munters has not deviated from the rules of the Code.

Review

This Corporate Governance Report, including the section on internal controls pertaining to financial reporting, has not been reviewed by the Company's auditors.

10-year review

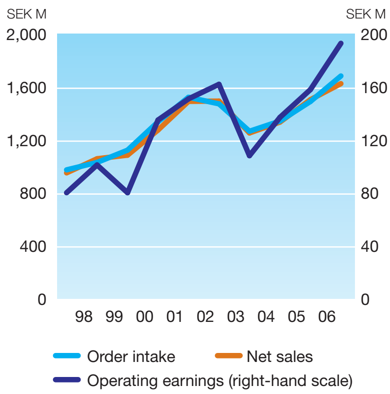
GROUP	IFRS[1] 2006	2005	2004	Prior accounting principles[1] 2003	2002	2001	2000	1999	1998	Pro forma[2] 1997
Order intake, sales and profit										
Order intake, SEK M	5,761	5,340	4,598	4,305	4,727	3,945	3,322	2,608	2,384	2,265
Net sales, SEK M	5,712	5,130	4,543	4,308	4,666	3,894	3,179	2,594	2,401	2,197
Growth, %	11.3	12.9	5.5	–7.7	19.8	22.5	22.5	8.0	9.3	14.0
EBIT, SEK M	529	405	334	298	465	401	306[3]	237	205	184
EBIT margin, %	9.3	7.9	7.3	6.9	10.0	10.3	9.6[3]	9.1	8.5	8.4
Earnings after financial items, SEK M	514	391	318	280	436	389	289[3]	231	198	178
Net earnings, SEK M	328	252	200	172	266	239	184	144	124	105
Return figures and balance sheet[4]										
Equity, SEK M	1,506	1,437	1,148	1,086	1,114	1,012	821	655	545	437
Return on equity, %	22.5	19.3	17.8	15.8	25.6	26.7	26.0	24.8	25.9	28.2
Capital employed, SEK M	1,915	1,802	1,606	1,553	1,617	1,360	1,242	1,006	763	717
Return on capital employed, %	28.0	22.8	21.0	19.1	30.8	31.8	28.3[3]	29.9	29.5	30.0
Return on operating capital, %	32.7	26.2	23.1	22.2	33.7	29.3	26.0	26.0	25.8	25.7
Capital turnover rate, times	3.0	2.8	2.8	2.7	3.1	3.0	2.8	3.1	3.3	3.4
Total assets, SEK M	3,144	2,946	2,440	2,365	2,732	2,228	1,993	1,689	1,252	1,199
Equity ratio, %	47.9	48.8	47.0	46.1	41.0	45.4	41.2	38.8	43.6	36.5
Net debt, SEK M	257	315	351	338	365	196	333	230	135	104
Net debt/equity ratio, times	0.17	0.22	0.31	0.31	0.33	0.19	0.41	0.35	0.25	0.24
Interest coverage ratio, times	25.0	20.2	17.7	11.3	14.2	16.3	11.7[3]	13.1	11.6	10.5
Other key figures										
Investments in tangible assets, SEK M	153	126	108	130	183	140	148	114	109	84
Operating cash flow, SEK M	375	181	121	125	230	236	–31	–55	1	113
Average number of employees (incl. temporary employees)	3,644	3,303	3,207	3,162	3,100	2,541	2,311	2,086	2,011	1,842

Divisions	2006	2005	2004	2003	2002	2001	2000	1999	1998	Pro forma[2] 1997
Dehumidification Division										
Order intake, SEK M	1,693	1,500	1,352	1,275	1,482	1,532	1,346	1,132	1,039	983
Net sales, SEK M	1,635	1,514	1,344	1,262	1,503	1,501	1,284	1,094	1,067	960
Growth, %	8.0	12.6	6.5	–16.0	0.2	16.9	17.4	2.5	11.2	7.6
Operating earnings, SEK M	194	159	138	109	163	152	136	81	102	81
Operating margin, %	11.9	10.5	10.3	8.7	10.8	10.1	10.6	7.4	9.6	8.4
Operating capital, SEK M	383	422	362	369	380	438	426	402	389	323
Return on operating capital, %	50.4	40.9	39.2	29.3	40.6	34.2	35.0	21.6	31.2	25.7
Number of employees at year-end	900	853	781	771	816	798	802	739	772	704
MCS Division										
Order intake, SEK M	2,541	2,444	2,102	1,987	2,041	1,331	1,008	835	730	662
Net sales, SEK M	2,618	2,335	2,095	1,982	2,004	1,338	961	833	721	659
Growth, %	12.1	11.5	5.7	–1.1	49.7	39.3	15.4	15.5	9.3	15.8
Operating earnings, SEK M	159	153	141	122	192	153	83	97	62	55
Operating margin, %	6.1	6.5	6.7	6.2	9.6	11.4	8.6	11.7	8.6	8.4
Operating capital, SEK M	811	862	683	580	682	450	377	292	243	206
Return on operating capital, %	19.7	21.8	23.0	19.6	33.4	36.3	25.4	38.6	29.1	28.0
Number of employees at year-end	1,845	1,706	1,615	1,618	1,620	1,135	940	827	695	659
HumiCool Division										
Order intake, SEK M	1,585	1,460	1,178	1,080	1,258	1,108	993	669	636	644
Net sales, SEK M	1,514	1,343	1,138	1,103	1,215	1,079	966	689	633	603
Growth, %	12.8	18.0	3.2	–9.2	12.6	11.8	40.2	8.9	5.0	24.6
Operating earnings, SEK M	213	135	88	127	164	139	139	84	77	71
Operating margin, %	14.1	10.1	7.8	11.5	13.5	12.9	14.4	12.2	12.1	11.8
Operating capital, SEK M	391	440	432	474	513	470	476	392	273	243
Return on operating capital, %	51.1	29.2	18.2	24.6	31.6	28.6	31.5	27.2	28.8	30.6
Number of employees at year-end	789	668	649	661	737	634	623	567	496	492

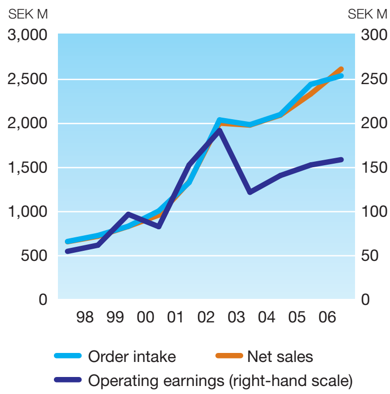
GEOGRAPHIC REGIONS	2006	2005	2004	2003	2002	2001	2000	1999	1998	Pro forma[2] 1997
Europe										
Net sales, SEK M	3,412	3,056	2,705	2,658	2,731	1,949	1,674	1,404	1,325	1,191
Growth, %	11.6	13.0	1.8	–2.7	40.2	16.4	19.3	6.0	11.2	11.4
Operating capital, SEK M	1,016	962	894	898	996	717	698	582	480	409
Number of employees at year-end	2,331	2,144	2,056	2,090	2,156	1,662	1,470	1,347	1,153	1,107
Americas										
Net sales, SEK M	1,872	1,683	1,501	1,347	1,577	1,592	1,231	970	885	790
Growth, %	11.2	12.1	11.4	–14.6	–0.9	29.4	26.9	9.6	12.1	15.2
Operating capital, SEK M	388	583	409	338	399	483	428	355	307	264
Number of employees at year-end	830	754	726	663	701	621	647	559	591	536
Asia										
Net sales, SEK M	529	484	419	372	427	408	335	279	238	262
Growth, %	9.3	15.6	12.7	–12.9	4.7	21.8	20.1	16.9	–9.0	26.7
Operating capital, SEK M	176	181	154	168	158	139	130	117	113	95
Number of employees at year-end	372	330	265	299	316	284	245	227	223	211

[1] Financial statements from 2004 have been prepared in accordance with IFRS. The main difference compared with prior accounting principles is that goodwill is no longer amortized according to plan.
[2] Pro forma refers to the Group structure that was created in conjunction with the exchange listing in October 1997.
[3] Excluding items affecting comparability in an amount of SEK 15 M relating to surplus funds from pension management in Alecta.
[4] From 1 January 2006, Munters has changed its accounting in accordance with the changes in IAS 19 (refer to Note 2, item 2.4). Key figures for 2005 are restated to comply with changes.
Definitions are presented on page 67.

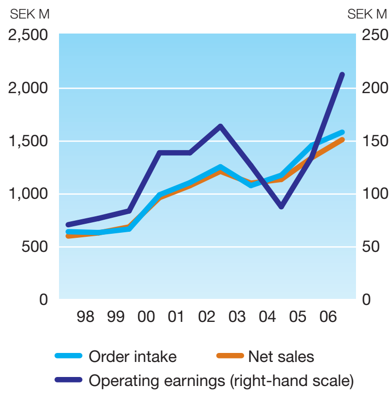
Dehumidification Division



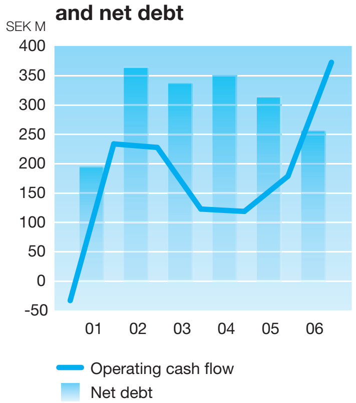
MCS Division



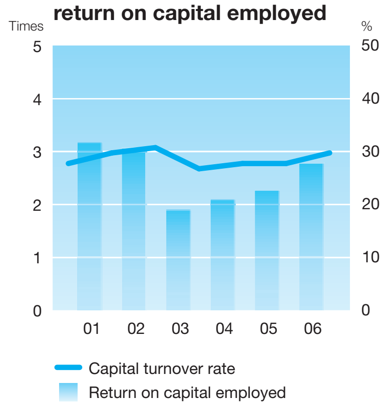
HumiCool Division



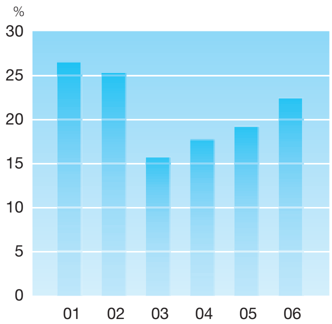
Operating cash flow and net debt



Capital turnover rate and return on capital employed



Return on equity



Years prior to 2004 are reported in accordance with prior accounting principles, implying that earnings figures include goodwill amortization.

Quarterly review

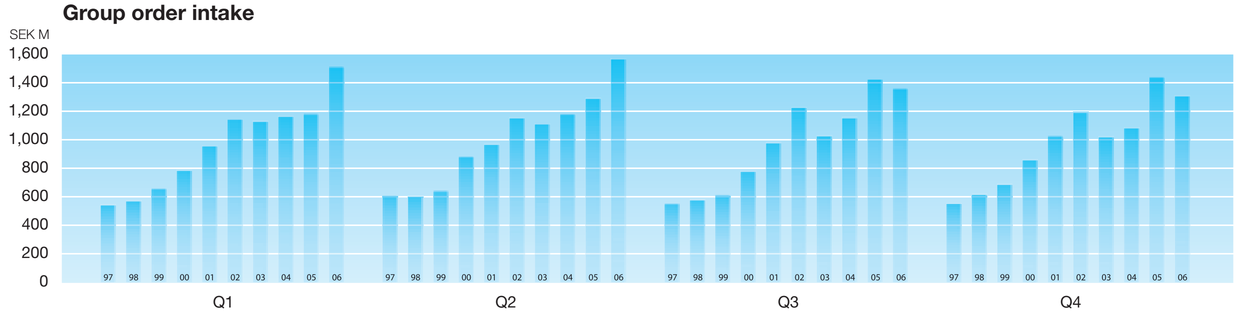
GROUP	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1
Order intake, net sales and earnings												
Order intake, SEK M	1,311	1,362	1,573	1,515	1,440	1,422	1,294	1,184	1,089	1,161	1,181	1,167
Net sales, SEK M	1,462	1,408	1,456	1,386	1,543	1,317	1,192	1,079	1,270	1,127	1,150	996
Growth, %	–5.2	6.9	22.1	28.5	21.4	16.9	3.7	8.3	20.8	6.4	3.7	–8.5
EBIT, SEK M	143	140	129	118	155	112	74	64	104	82	85	63
EBIT margin, %	9.8	9.9	8.8	8.5	10.1	8.5	6.2	5.9	8.2	7.2	7.4	6.4
Net earnings, SEK M	92	86	79	71	104	68	43	37	65	49	50	36
Other key figures[1]												
Investments in tangible assets, SEK M	53	44	26	30	37	37	31	21	38	23	25	22
Operating cash flow, SEK M	61	138	110	66	37	75	37	32	47	9	37	28
Net debt, SEK M	257	127	258	229	315	318	397	296	351	389	389	311
Net debt/equity ratio, times	0.17	0.09	0.19	0.15	0.22	0.23	0.31	0.23	0.31	0.34	0.35	0.27
Interest coverage ratio, times	21.1	28.3	27.2	24.9	33.6	27.7	12.3	12.3	20.6	19.2	20.1	11.9
Number of employees at period-end	3,552	3,449	3,400	3,365	3,245	3,180	3,122	3,128	3,064	3,003	3,038	3,036
Share data[1]												
Earnings per share, SEK	3.70	3.45	3.18	2.88	4.19	2.76	1.71	1.51	2.67	1.97	2.08	1.48
Equity per share, SEK	60.99	58.97	55.45	60.11	58.26	54.84	52.36	51.17	46.96	46.31	45.42	47.55
Share price at period-end, SEK	317	284	241	265	219	183	173	190	200	180	189	186
Market capitalization at period-end, SEK M	7,925	7,100	6,013	6,613	5,475	4,575	4,325	4,750	5,000	4,500	4,725	4,650

DIVISIONS	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1
Dehumidification Division												
Order intake, SEK M	355	443	465	430	355	412	389	344	316	356	348	333
Net sales, SEK M	432	423	419	360	431	404	354	325	395	323	350	276
Growth, %	0.4	4.8	18.4	10.8	8.9	25.1	1.0	18.0	22.7	2.5	12.1	–11.9
Operating earnings, SEK M	65	51	49	29	58	45	32	24	46	30	42	21
Operating margin, %	15.0	11.9	11.8	8.1	13.5	11.2	9.1	7.3	11.6	9.3	12.0	7.5
Operating capital, SEK M	383	394	392	395	422	408	395	384	362	364	352	351
Number of employees at period-end	900	890	877	867	853	848	831	826	781	756	758	744
MCS Division												
Order intake, SEK M	636	601	654	650	769	665	501	509	547	554	485	516
Net sales, SEK M	686	638	635	660	775	562	504	494	620	512	479	484
Growth, %	–11.5	13.5	26.0	33.6	25.0	9.8	5.1	2.2	22.5	7.9	0.1	–7.4
Operating earnings, SEK M	45	39	29	46	74	32	14	31	59	36	14	33
Operating margin, %	6.5	6.1	4.6	7.0	9.6	5.8	2.9	6.4	9.5	6.9	2.8	6.9
Operating capital, SEK M	811	779	779	824	862	715	666	658	683	648	586	598
Number of employees at period-end	1,845	1,842	1,830	1,784	1,706	1,650	1,625	1,641	1,615	1,577	1,603	1,617
HumiCool Division												
Order intake, SEK M	333	340	462	450	330	366	419	345	235	257	358	327
Net sales, SEK M	361	367	411	376	347	374	352	269	264	300	333	241
Growth, %	3.9	–2.0	16.7	39.9	31.6	24.8	5.8	11.4	14.8	7.8	–0.5	–7.4
Operating earnings, SEK M	44	56	62	51	30	46	41	18	7	24	38	20
Operating margin, %	12.2	15.2	15.2	13.6	8.7	12.4	11.8	6.5	2.8	7.9	11.4	8.1
Operating capital, SEK M	391	392	399	436	440	514	527	442	432	471	512	496
Number of employees at period-end	789	698	672	695	668	663	647	642	649	651	659	656

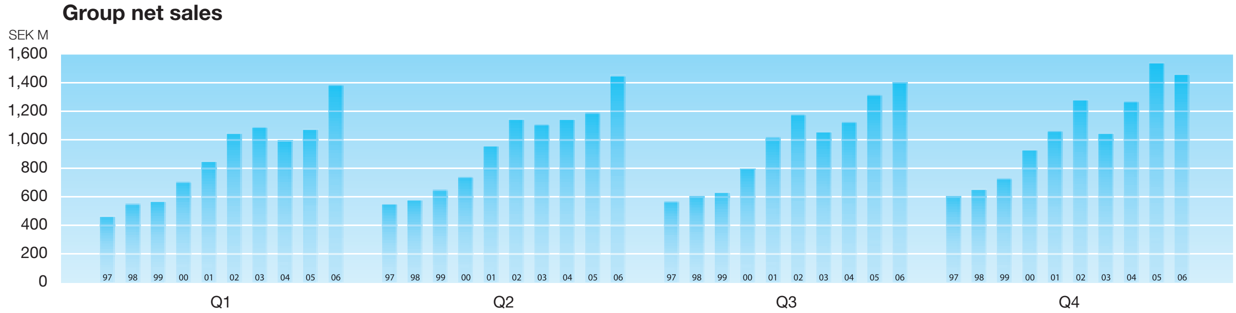
[1] From 1 January 2006, Munters has changed its accounting in accordance with the changes in IAS 19 (refer to Note 2, item 2.4). Key figures from Q4 2005 to Q3 2006 are restated to comply with changes.
Definitions are presented on page 67.

GEOGRAPHIC REGIONS	2006				2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Europe												
Order intake, SEK M	802	785	908	891	774	813	808	746	662	676	708	726
Net sales, SEK M	947	814	845	806	874	785	741	656	748	658	683	616
Growth, %	8.3	3.6	14.1	22.9	16.9	19.3	8.5	6.4	10.8	2.3	1.5	–7.6
Operating capital, SEK M	1,016	958	916	953	962	995	966	921	894	897	884	892
Americas												
Order intake, SEK M	414	464	541	516	562	502	388	342	346	395	385	357
Net sales, SEK M	412	487	498	474	567	429	363	324	432	387	384	298
Growth, %	–27.3	13.5	37.2	46.3	31.2	10.8	–5.3	8.7	50.8	15.4	5.4	–17.5
Operating capital, SEK M	388	443	488	528	583	465	448	402	409	411	392	371
Asia												
Order intake, SEK M	119	138	148	130	123	130	126	119	94	114	112	107
Net sales, SEK M	138	132	134	126	127	125	115	117	111	104	107	98
Growth, %	8.7	4.9	16.4	7.5	14.3	20.6	8.0	20.0	3.0	7.7	19.7	24.0
Operating capital, SEK M	176	161	164	173	181	178	177	163	154	155	158	165

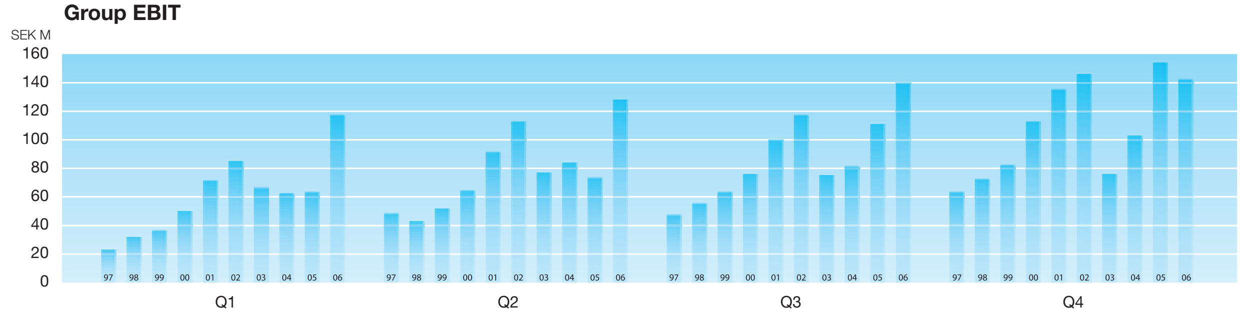
Group order intake



Group net sales



Group EBIT



Comments on the performance during the year

The following comments refer to the performance of the Group during the year. Comments on the performance of the divisions are provided on pages 12–29.

Order intake and net sales

During the year, the Group's order intake rose 8 percent (adjusted for currencies and acquisition and divestment of operations, by 10 percent) to SEK 5,761 M (5,340). All divisions reported highly favorable order growth during the year. The order backlog increased by 2 percent and was SEK 868 M (849) at year-end.

Net sales during the year rose 11 percent (currency-adjusted, by 12 percent) to SEK 5,712 M (5,130). All divisions reported good growth during the year.

Gross earnings

Gross earnings increased by 12 percent (currency-adjusted[1], by 13 percent) to SEK 1,604 M (1,429). The gross margin increased to 28.1 percent (27.9).

Indirect costs

Selling and administrative costs increased by 6 percent (currency-adjusted[1], by 7 percent) to SEK 1,031 M (969), corresponding to 18.0 percent (19.0) of net sales. Research and development costs amounted to SEK 52 M (46), corresponding to 0.9 percent (0.9) of net sales. Development costs in conjunction with customer order projects and development costs for the service concept for the MCS operations are reported as a cost in current operations.

EBIT

EBIT rose 31 percent (currency-adjusted[1], by 32 percent) to SEK 529 M (405). The EBIT margin rose to 9.3 percent (7.9).

Capital expenditures

The Group's investments during the year in tangible assets amounted to SEK 153 M (126). The largest item, amounting to SEK 63 M (38), refers to investments in MCS equipment. Investments in intangible assets excluding goodwill amounted to SEK 6 M (2). Depreciation and impairments amounted to SEK 136 M (141).

[1] Adjusted for currencies and acquisition and divestment of operations.

Financial items

Net financial items decreased to an expense of SEK 15 M (expense: 14), mainly as a result of higher interest rates.

Financial position

The equity ratio at year-end amounted to 48 percent (49). Interest-bearing assets amounted to SEK 201 M (178) and interest-bearing liabilities amounted to SEK 458 M (493). The net debt declined during the year by SEK 58 M to SEK 257 M, including changes pertaining to revised accounting principles of pensions IAS 19. During the year, Munters AB received SEK 3 M from the sale of treasury stock in conjunction with the maturity of the call option program and distributed SEK 135 M (98) to shareholders. The Group's acquisition and divestment of operations during the year reduced cash and cash equivalents by SEK 132 M. The Group has SEK 522 M (185) in unutilized credit facilities.

Taxes

The tax expense for the year amounted to SEK 186 M (139), corresponding to an effective tax rate of 36 percent (36). This exceeds the tax rate of 28 percent in Sweden, due to the fact that a significant portion of the Group's profits are generated in subsidiaries in countries with higher tax rates and also owing to non-tax-deductible costs.

Parent Company

The operations of Munters AB encompass Group-wide functions and certain functions of the MCS Division. Earnings after financial items during the year amounted to SEK 929 M (104). This includes SEK 963 M (126) in dividends received from subsidiaries. There were no net sales outside the Group. Interest-bearing assets at year-end amounted to SEK 22 M (7), while the net debt amounted to SEK 281 M (252). Investments in tangible fixed assets during the year amounted to SEK 11 M (5).

Income statement

Amounts in SEK M	Note	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
Net sales	4	5,712	5,130	37	22
Cost of goods sold		–4,108	–3,701	–	–1
Gross earnings		**1,604**	**1,429**	**37**	**21**
Other operating income	5	14	–	3	4
Selling costs		–617	–580	0	0
Administrative costs		–414	–389	–64	–59
Research and development costs		–52	–46	–	–
Other operating expenses	5	–6	–9	–1	–
EBIT – Earnings before interest and tax	6, 7	**529**	**405**	**–25**	**–34**
Financial income	8	7	6	980	149
Financial expenses	8	–22	–20	–26	–11
Earnings after financial items		**514**	**391**	**929**	**104**
Income taxes	9	–186	–139	8	2
Net earnings		**328**	**252**	**937**	**106**
Attributable to:					
Equity holders in the Parent Company		325	250	–	–
Minority interest		3	2	–	–
		328	**252**	**–**	**–**
Earnings per share[1]					
- before dilution, SEK	10	13.21	10.17	–	–
- after dilution, SEK	10	13.21	10.17	–	–

[1] Attributable to equity holders in the Parent Company.

Balance sheet

Amounts in SEK M at 31 December	Note	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
ASSETS					
Fixed assets					
Buildings and land	11	166	176	–	–
Plant and machinery	11	134	158	–	–
Equipment, tools, fixtures and fittings	7, 11	228	216	15	6
Construction in progress	11	10	6	–	–
Patents, licenses and similar rights	12	43	18	3	1
Goodwill	13	543	364	–	–
Participation in subsidiaries	14	–	–	659	360
Receivables from subsidiaries		–	–	891	656
Participation in associated companies	15	4	6	–	–
Other financial assets		14	20	–	–
Deferred tax assets	9	62	72	–	5
Total fixed assets		**1,204**	**1,036**	**1,568**	**1,028**
Current assets					
Raw materials and consumables		196	177	–	–
Products in process		50	40	–	–
Finished products and goods for resale		134	130	–	–
Work in progress		73	120	–	–
Advances to suppliers		5	2	–	–
Accounts receivable		1,132	1,140	–	–
Prepaid expenses and accrued income	16	56	50	3	2
Receivables from subsidiaries		–	–	92	12
Derivative instruments	17	1	–	–	–
Current income taxes		33	32	4	4
Other financial assets		59	43	7	5
Cash and cash equivalents		201	176	22	7
Total current assets		**1,940**	**1,910**	**128**	**30**
TOTAL ASSETS		**3,144**	**2,946**	**1,696**	**1,058**

Balance sheet

Amounts in SEK M at 31 December	Note	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
EQUITY AND LIABILITIES					
Equity					
Attributable to equity holders in the Parent Company	18				
Share capital		125	125	125	125
Statutory reserve		–	–	76	65
Share premium reserve		–	–	2	11
Profit brought forward		–	–	1,066	227
Reserves		–46	83	–	–
Retained profit		1,421	1,224	–	–
		1,500	**1,432**	**1,269**	**428**
Minority interest	18	6	5	–	–
Total equity		**1,506**	**1,437**	**1,269**	**428**
Long-term liabilities					
Interest-bearing liabilities	19	16	3	–	–
Liabilities to subsidiaries		–	–	–	272
Provisions for pensions and similar commitments	20	162	147	35	36
Provisions for taxes		–	1	–	–
Other provisions	21	8	6	–	–
Other liabilities		2	3	–	–
Deferred income taxes	9	32	24	–	–
Total long-term liabilities		**220**	**184**	**35**	**308**
Short-term liabilities					
Interest-bearing liabilities	19	299	348	268	223
Advances from customers		117	89	–	–
Accounts payable		435	355	3	4
Accrued expenses and deferred income	22	323	342	10	12
Liabilities to subsidiaries		–	–	109	81
Derivatives	17	0	6	–	–
Current income taxes		60	41	0	–
Other liabilities		125	101	2	2
Provisions for pensions and similar commitments	20	5	5	–	–
Other provisions	21	54	38	–	–
Total short-term liabilities		**1,418**	**1,325**	**392**	**322**
TOTAL EQUITY AND LIABILITIES		**3,144**	**2,946**	**1,696**	**1,058**
Pledged assets	23	5	5	–	–
Contingent liabilities	23	2	2	86	84

Cash-flow statement

Amounts in SEK M	Note	Group 2006	Group 2005	Parent Company 2006	Parent Company 2005
CURRENT OPERATIONS					
Earnings after financial items		**514**	**391**	**929**	**104**
Reversal of items not affecting liquidity					
Depreciation and impairments	6	136	141	2	1
Earnings from sales and disposals of fixed assets		–4	3	0	6
Provisions for pensions and similar commitments		4	–2	–2	0
Other provisions		16	–2	0	–
Other profit/loss items not affecting liquidity		3	–2	–337	–
		155	**138**	**–337**	**7**
Taxes paid		–181	–163	12	8
Cash flow from current operations before changes in working capital		**488**	**366**	**604**	**119**
Cash flow from changes in working capital					
Changes in inventory		22	–89	–	–
Changes in accounts receivable		5	–118	2	–2
Changes in other receivables		–19	–6	–117	–132
Changes in accounts payable		19	40	–2	3
Changes in other liabilities		15	113	–262	–6
		42	**–60**	**–379**	**–137**
Cash flow from current operations		**530**	**306**	**225**	**–18**
INVESTING ACTIVITIES					
Acquisitions of enterprises	3, 13	–159	–41	–	–
Sale of operating segments	5	27	–	–	–
Investments in tangible assets	11	–153	–126	–11	–5
Investments in intangible assets	12	–6	–2	–3	–6
Sales of tangible assets		4	5	–	–
Changes in other financial assets		–	–2	–110	–
Cash flow from investing activities		**–287**	**–166**	**–124**	**–11**
FINANCING ACTIVITIES					
Payments received for issued stock options		2	–	2	–
Loans raised		696	620	696	620
Amortization of loans		–772	–646	–652	–525
Dividend paid		–135	–98	–135	–98
Sales of treasury stock		3	29	3	29
Cash flow from financing activities		**–206**	**–95**	**–86**	**26**
Cash flow for the year		**37**	**45**	**15**	**–3**
Cash and cash equivalents at the beginning of the year		176	117	7	10
Translation differences in cash and cash equivalents		–12	14	–	–
Cash and cash equivalents at the end of the year		**201**	**176**	**22**	**7**
Interest received by the Group amounts to 7 (3), and by the Parent Company, 21 (13).					
Interest paid by the Group amounts to 12 (12), and by the Parent Company, 17 (10).					
OPERATING CASH FLOW					
Operating cash flow		**375**	**181**	**–**	**–**
NET DEBT					
Short-term interest-bearing liabilities		298	348	268	223
Long-term interest-bearing liabilities		16	3	–	–
Defined-benefit pension plans, etc.		144	142	35	36
Interest-bearing assets		–201	–178	–22	–7
Net debt		**257**	**315**	**281**	**252**

Statement of the Group's recognised income and expense

Amounts in SEK M	2006	2005
Income and expenses reported directly under equity		
Actuarial gains and losses pertaining to remunerations after termination of employment, including special employer's contribution	3	–27
Cash-flow hedges:		
- profit/(loss) reported taken to equity	0	–5
- transferred to income statement for the period	5	
Exchange-rate differences on translation of foreign subsidiaries	–132	140
Tax on items reported directly or transferred from equity	–3	9
Total income and expenses reported directly under equity	**–127**	**117**
Profit for the period reported in the income statement	328	252
Total income and expenses reported for the period	**201**	**369**
Attributable to:		
The Parent Company's shareholders	198	367
Minority interests	3	2
	201	**369**

The transition to the changed principle in accordance with IAS 19 had a negative impact of SEK 12 M on the profit brought forward under equity on 1 January 2005. The effect of the changed accounting principle is entirely attributable to the Parent Company's shareholders. More information is available in Note 2.

Refer also to Note 18.

Notes

Amounts shown in million Swedish kronor (SEK M) unless otherwise indicated. Amounts in parentheses indicate values for the preceding year.

CONTENT NOTES

NOTE 1 COMPANY INFORMATION

Munters AB (publ) is a Swedish public limited company registered with the Swedish Companies Registration Office. Its Corporate Registration Number is 556041-0606. The registered office of the Board Directors of Munters is in Sollentuna Municipality in Sweden.

The principal operations of the Group are described in Note 4. The Company's shares are listed on the OMX – Nordic Mid Cap list.

The consolidated accounts for the fiscal year ended 31 December 2006 were approved by the Board and the President on 7 March 2007 and will be presented to the Annual General Meeting on 24 April 2007 for adoption.

NOTE 2 ACCOUNTING PRINCIPLES

2.1 Regulations applied

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Since the Parent Company is an EU company, the IFRS, approved by the EU, is the only regulations applied.

Moreover, the consolidated accounts have been prepared in accordance with Swedish law through the application of the Swedish Financial Accounting Standards Council's RR 30:05 recommendation (supplementary accounting rules for groups).

The Parent Company's annual report has been prepared in accordance with Swedish law and through application of the Swedish Financial Accounting Standards Council's RR 32:05 recommendation (Accounting for legal entities). This implies that the IFRS valuation and disclosure rules are applied, with the exception of the deviations indicated in the section entitled "Parent Company's accounting principles."

2.2 Basis on which the accounts have been prepared

The consolidated accounts are based on historical acquisition values, with the exception of derivatives, financial assets available for sale and financial assets valued at their fair value via the income statement.

2.3 Basis on which the consolidated accounts have been prepared

The consolidated accounts encompass the Parent Company and its subsidiaries. The financial statements for the Parent Company and its subsidiaries that are included in the consolidated accounts refer to the same period and have been prepared in accordance with the accounting principles that apply to the Group.

All intra-Group transactions, revenues, costs, profits or losses that arise in transactions between companies included in the consolidated accounts have been entirely eliminated.

Subsidiaries

Subsidiaries refers to a company in which the Parent Company directly or indirectly holds more than half of the voting rights or otherwise has a controlling influence.

A subsidiary is included in the consolidated accounts as of the time of its acquisition, which is the day when the Parent Company acquires a controlling influence, and is included in the consolidated accounts until the day on which the controlling influence ceases.

All acquisitions are included in the consolidated accounts in accordance with the purchase method. This implies that the acquisition value is distributed among acquired assets, commitments and liabilities assumed at the time of acquisition on the basis of the fair values of these commitments and liabilities.

Minority interest

The minority interest is the portion of earnings and of net assets of not wholly owned subsidiaries that accrues to other owners. The minority share in the company's net earnings is included in the earnings reported in the consolidated accounts and the share in its net assets is included in the equity reported on the consolidated balance sheet.

Associated companies

Associated companies refers to companies in which the Parent Company directly or indirectly has a long-term holding corresponding to not less than 20 percent and not more than 50 percent of the voting rights or otherwise holds a controlling influence.

Associated companies are reported in accordance with the equity method.

This means that the consolidated balance sheet includes the acquisition cost of the shares, plus the Group's share in the earnings of associated companies after acquisition and after deduction of dividends received. The consolidated income statement includes the participation in the earnings of the associated companies after tax, with deduction, where applicable, of impairments of goodwill and amortization of surplus values.

Translation of the accounts of foreign subsidiaries

The subsidiaries' items on the balance sheet are valued in the relevant functional currency, which would normally be identical to the local currency in the particular country. The consolidated financial statements are presented in Swedish kronor, which is the Parent Company's functional currency. The income statement and balance sheets for the foreign subsidiaries are translated into Swedish kronor in accordance with the current method. This method implies that the balance sheets are translated at year-end rates. The income statements are translated at the average exchange-rate during the period. Exchange-rate translation differences do not affect earnings, but are reported directly under equity. The following currency rates have been used in currency translations.

		Average rate		Year-end rate	
Currency	Country	2006	2005	2006	2005
AUD	Australia	5.55	5.70	5.44	5.83
CAD	Canada	6.51	6.18	3.22	6.84
CNY	China	0.92	0.91	0.88	0.98
DKK	Denmark	1.24	1.25	1.21	1.26
EUR	Euro	9.25	9.28	9.05	9.43
GBP	United Kingdom	13.58	13.58	13.49	13.73
JPY	Japan	0.063	0.068	0.058	0.068
NOK	Norway	1.15	1.16	1.09	1.18
SGD	Singapore	4.64	4.49	4.49	4.79
THB	Thailand	0.19	0.19	0.19	0.19
USD	USA	7.38	7.48	6.87	7.95
ZAR	South Africa	1.10	1.17	0.99	1.26

2.4 Changed accounting principles

Effective 1 January 2006, Munters changed its reporting of actuarial gains and losses in accordance with the changes in IAS 19, Employee Benefits. Previous methods implied that actuarial gains and losses, to the extent they fall outside the 10-percent corridor, are amortized over the average remaining employment period for participants of the pension plan. As of 1 January 2006, the alternative permitted by IAS 19 is applied, whereby all actuarial gains and losses pertaining to benefits after termination of employment are reported against equity, net after deferred tax, in the period that they occurred. Previous reporting periods have been recalculated in accordance with the new principles. Special employer's contributions in Sweden relating to actuarial gains/losses are reported under equity.

The transition to the new principles resulted in pension provisions increasing net by SEK 13 M as per 1 January 2005. Accrued expenses increased by SEK 4 M and deferred tax assets increased by SEK 5 M. The impact on reported equity on 1 January 2005 amounted to a negative SEK 12 M.

2.4.1 Introduction of new accounting principles

Addendum to IAS 1

This addendum requires that the Company submit additional information, which will make it possible for users of its financial reports to assess the company's goals, principles and methods for the management of assets. The addendum shall apply for fiscal years beginning 1 January 2007 or later.

IFRS 7 Financial instrument – information

This standard requires that the company submit additional information, which will make it possible for users to evaluate the company's financial instruments and associated risks. IFRS 7 shall apply for fiscal years beginning 1 January 2007 or later.

IFRS 8 Operating Segment

This standard also implies increased disclosure requirement pertaining to accounting of operating segments, which can consist of products and services or geographical areas or a combination of both. The operating segments may be presented in accordance with the principles that management applies for operating control. IFRS 8 shall apply for fiscal years beginning 1 January 2009 or later.

IFRIC 10 Interim Financial Reporting and Impairment

The statement implies that a company cannot reverse an impairment that was reported in a previous interim report pertaining to goodwill, investment in equity instruments or financial assets reported at acquisition value. IFRIC 10 shall apply to fiscal years beginning 1 November 2006 or later.

The new standards and interpretations described above mainly affect information in the financial reports. A documentation of the specific effects for Munters has been initiated.

2.5 Use of assessments

In order to prepare accounts in accordance with GAAP, company management and the Board must make assessments and assumptions that affect the financial statements and the information presented. These assessments are based on past experience and on the various assumptions that management and the Board consider reasonable under the prevailing circumstances. Conclusions drawn form the basis of determinations concerning reported values of assets and liabilities, in cases where they cannot readily be determined from information from other sources. The actual outcome can differ from these assessments, if other assumptions are made or other conditions apply. Assessments can have a significant effect on the Company's earnings and financial position, particularly in the areas of income recognition and doubtful receivables, goodwill valuation, other intangible and other fixed assets, leasing, restructuring measures, provisions for pensions and legal disputes, and contingent liabilities.

2.6 Accounting principles applied

Business combinations

IFRS 3 (Business combinations) is applied to acquisitions of operations carried out on or after 1 January 2004, which complies with IFRS 1 and is consequently an exception from the main rule on retroactive application of IFRS.

IFRS 3 implies that the fair value of the identifiable assets and liabilities of the acquired operations is established at the time of acquisition. These fair values also include participation in the assets and liabilities attributable to any remaining minority owners of the acquired operations. Identifiable assets and liabilities also include assets, liabilities and provisions, including commitments and claims from external parties that are not reported on the balance sheet of the acquired operations. Provisions are not made for expenses concerning projected restructuring measures resulting from the acquisition. The difference between the acquisition value of the acquisition and the acquired share in the fair value of the net assets of the acquired operations is classified as goodwill and reported on the balance sheet.

The useful life of each intangible asset is established and impaired over the period of useful life. If the period of useful life is deemed indefinite, no impairment takes place. An assessment that causes the useful life of an intangible asset to become indefinite takes all relevant circumstances into account and is based on the premise that there is no predictable maximum time limit for the net cash flow generated by the asset. The useful life of goodwill is generally assumed to be indefinite.

Fixed assets

Fixed assets are reported on the balance sheet at acquisition value with deduction of accumulated depreciation according to plan and any applicable impairments. The assets of acquired companies are reported at fair value on the date of acquisition with deduction of accumulated depreciation.

The acquisition value of the asset is depreciated straightline throughout the expected useful life of the asset. Anticipated periods of useful life are specified in Note 6. The assets' remaining useful life is reviewed on every closing date and is adjusted if necessary.

Buildings, machinery and equipment

Land is not subject to depreciation since it is considered to have an indefinite useful life.

Normal maintenance and repair costs are expensed as they arise. More extensive renovation and upgrade costs are reported as an asset and depreciated over the remaining useful life of the object.

Goodwill

Goodwill is the value by which the acquisition price exceeds the fair value of the net assets acquired in conjunction with the acquisition of a company or an acquisition of assets and liabilities. Goodwill arising from the acquisition of associated companies is included in the reported value of the associated company.

Patents, licenses and similar intangible rights

Direct external expenses for the development of software for internal administrative use are capitalized, provided future efficiency gains are likely and exceed the expenses committed. Activities during the preliminary study phase, and maintenance and training costs, are expensed on a regular basis.

Depreciation

The value of the fixed assets is regularly impairment-tested. Goodwill and other intangible assets with an indefinite useful life are impairment tested at least once a year. When there is an indication that an asset's value has declined, the reported value of the asset, including goodwill, is assessed.

If an asset's reported value exceeds its estimated recovery value, the asset is impaired to its recovery value. The recovery value is the higher of net sale value and value in use. Recovery value is assessed for each cash-generating unit individually.

"Net sale value" refers to the most likely sale price in a normally functioning market, with deduction of selling costs. "Value in use" refers to the present value of the estimated future cash flows that are expected to result from the use of the asset and the estimated residual value at the end of the asset's useful life.

Value in use is generally measured using discounted cash-flow models, which requires assumptions of a discount rate, future cash flows and the expenses necessary to create the assessed cash flows.

Any previously reported impairment is reversed if the recovery value is considered to exceed the reported value. No reversal occurs of an amount greater than what would cause the reported value to correspond to what it would have been if no impairment had been reported in a prior year.

Goodwill is impairment tested using the following method. The goodwill value established on the date of acquisition is distributed among cash-generating units or groups of cash-generating units, which are expected to contribute advantages from synergistic effects resulting from the acquisition. Assets and liabilities already in the Group at the time of acuisition can be assigned to these cash-generating units. Each such cash flow to which goodwill is distributed corresponds to the lowest level of the Group at which goodwill is monitored in the management of the company. This is a unit of the Group that is not larger than a segment – that is, a division or geographic region in the Group's segment reporting. Goodwill impairment is not reversed.

Inventories, etc.

Inventory is valued at the lower of acquisition cost or net sales value (fair value). Required impairments are made for obsolescence based on each item's age and inventory turnover rate. Acquisition cost is determined by applying the first-in, first-out method or weighted average prices, if that method results in a good approximation of the first-in-first-out method. For internally manufactured products, the acquisition value consists of direct manufacturing costs plus a reasonable share of indirect manufacturing costs. Interest expenses are not included in inventories. Normal capacity utilization has been taken into account in valuations.

Work in progress on behalf of another party

Work in progress on behalf of another party consists of committed expenses attributable to currently incomplete work.

Receivables

Receivables are reported in the amounts at which they are expected to be paid, based on individual assessment.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and bank balances plus current investments with maturity periods not exceeding three months. Utilized overdraft facilities are reported under short-term loans.

Equity

Expenses for the purchase of own shares reduce equity in both the Parent Company and the Group. When these shares are sold, the proceeds of the sale are included in equity.

Loan liabilities

Loan liabilities are initially reported in the amounts received, net after deduction of transaction costs. During subsequent periods, loan liabilities are reported as the total of outstanding payment obligations in accordance with the effective interest method. Interest expenses are reported in the income statements for the various periods.

Provisions

Provisions are reported when the Group has or may be considered to have an obligation as a result of events that have occurred and where it is probable that payment will be required to fulfill the obligation. An additional prerequisite is that it must be possible to reliably estimate the amount to be paid.

A provision is made for restructuring measures when a detailed, formal plan of the measures exists and well-founded expectations have been created among those who will be affected by the measures.

Employee benefits

Within the Group, there are several defined-contribution plans and several defined-benefit plans and other long-term employee benefits, including certain with management assets in special trusts or the equivalent. Pension plans are mainly funded through premiums paid by the various Group companies and by the employees. Independent actuaries compute the size of the commitments of the various plans and reassess plan commitments every year.

Regarding defined-benefit plans, pension costs are calculated using the projected unit credit method, so that the cost is distributed over the employee's working life. These commitments are valued at the present value of the anticipated future payments calculated using a discount rate that corresponds to the interest on grade A commercial paper or government bonds with a remaining term that approximately corresponds to that of the commitments. For funded plans, the pension commitment is reported net after deduction of the plan assets. Funded plans with net assets – that is, with assets in excess of their commitments – are reported as fixed assets. Actuarial gains and losses are reported against equity, net after deferred tax, in the period they occurred.

In Sweden, special employers' contributions pertaining to actuarial gains/losses are reported in equity.

Other long-term employee benefits include benefits in conjunction with jubilee or other benefits to long-term employees. Reporting of these benefits differs from defined-benefit plans whereby actuarial gains and losses are reported immediately and all expenses pertaining to employment during previous periods are reported immediately in the income statement.

The Group's payments relating to defined-contribution plans are reported as an expense during the period the employee performed the services to which the contribution relates.

Stock options program

Employees have paid a market premium for the stock options program that Munters has implemented (see Note 28). The stock option programs contain a subsidy implying that the employee receives the equivalent of 40 or 60 percent, respectively, of the option premium in the form of a cash bonus, provided the option holder is employed during the period when the options may be exercised. This subsidy and the related social security payments are calculated and allocated as a personnel cost over the vesting period – that is, from the time of issuance of the options until the vesting conditions have been fulfilled.

Warranty commitments

Warranty costs are booked as cost of goods sold. Provisions for warranty costs are calculated at a standard rate in an amount that corresponds to average warranty costs in relation to sales in the most recent 24-month period, with an adjustment for known warranty claims exceeding the standard provision. Provisions for warranty commitments are related to the stated warranty period.

Leasing

Leasing is classified either as financial or operative leasing. Leasing in which Munters adopts essentially the same legal position as in direct ownership of the asset is classified as financial leasing. Reporting of financial leasing entails recognizing a fixed asset as an asset item in the balance sheet, at the lower of the market value of the asset and the estimated present value of the underlying lease payments, and initially reporting a corresponding liability. The asset is depreciated according to plan over its useful life, while the leasing payments are reported as interest and amortization of the liability. For operational leasing, the leasing payments are expensed in the income statement over the leasing period.

Revenue

Net sales are booked at the sale value after deduction of discounts and value added tax and other taxes.

Income from the sale of goods is reported upon delivery, at which point essentially all risks and rights are transferred to the purchaser. This normally implies that sales are reported on delivery to the customer in accordance with the conditions of sale.

Income from major project assignments is reported in relation to the degree of completion on the closing date, provided the profit can be reliably calculated. Degree of completion is determined mainly on the basis of committed project costs in relation to estimated project costs upon completion. Any expected losses are expensed directly.

In the MCS Division, there are numerous small projects with short completion periods (the average being between two and 12 weeks). For practical reasons, income from such projects is reported on completion in connection with the issuing of a final invoice to the customer.

Key categories of revenue are defined in Note 4, whereby Dehumidification and HumiCool refer to the sale of goods and MCS refers to services rendered.

Interest income on receivables is calculated using the effective interest method. Interest income includes the accrued amount of transaction costs and possible discounts, premiums and other differences between the original value of the receivable and the amount received when due.

Research and development costs

The Group's expenses for research and development do not meet the established requirements for reporting as assets and have thus, as in previous years, been expensed as they were incurred during the year.

Borrowing costs
Borrowing costs are reported as costs in the period in which they arise, regardless of how the borrowed funds are employed.

Government grants
Government grants are reported at fair value when it may be presumed with reasonable certainty that a grant will be received and that the Group will fulfill all the conditions attached thereto.

Government grants related to the acquisition of assets are reported in the balance sheet through the reduction by the grant of the reported value of the asset. Government grants attributable to costs are reported as deferred income and reported as revenue as the costs that the grant is designed to offset arise. When a government grant is attributable neither to the acquisition of assets nor to remuneration of costs, it is reported as other income.

Transactions in foreign currency
Transactions in foreign currency are translated at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the year-end rate and any resulting translation differences are booked to earnings. Accordingly, both realized and unrealized exchange-rate differences are reported in the income statement. Exchange-rate differences concerning operating receivables and liabilities are reported under operating earnings, while exchange rate differences attributable to financial assets and liabilities are reported as a financial expense.

Financial derivatives
Financial derivatives are initially reported at acquisition cost in the balance sheet, and thereafter at the prevailing market value on subsequent closing dates. The method of reporting any gains or losses that arise varies depending on the character of the risk-hedged interest.

When a derivative contract is purchased, it is classified either as 1) a hedge of the market value of a reported asset or liability (market-value hedging), 2) a hedge of a planned transaction or definite undertaking (cash-flow hedging), 3) a hedge of a net investment in a foreign company, or 4) a derivative that does not meet the requirements for hedge accounting.

Changes in the market value of such derivatives that are classified as, and meet the requirements for, market-value hedging, and that can be objectively established, are reported in the income statement with any market value changes of the asset or liability to which the risk hedging pertains.

Changes in the market value of such derivatives that are classified as, and meet the requirements for, cash flow hedging, and that can be objectively established, are reported under equity as a hedge reserve until the day when the hedged interest is booked. When the hedged interest is booked, earnings arising from any related derivatives are reported in the income statement. If a planned transaction or a commitment undertaken is no longer expected to take place, any related gains or losses booked to equity must be immediately transferred to the income statement.

Certain derivative transactions do not fulfill the requirements for hedge accounting in accordance with IAS 39 (Financial instruments: Recognition and measurement), although they are economically justified in accordance with the Group's risk management policy. Changes in the market value of such unqualified hedging transactions are reported immediately in the income statement. Munters does not hedge net investments in foreign subsidiaries.

Accumulated translation differences
Translation differences relating to investments in foreign operations must be reported as a separate item in equity in accordance with IAS 21 (Effects of changes in foreign exchange rates). In conjunction with the sale of foreign operations, accumulated translation differences must be reported as part of the gain/loss from the divestment. Munters has elected to set accumulated translation differences at zero as per 1 January 2004 in accordance with the transition rules in IFRS 1.

Income taxes
Income taxes in the consolidated financial statements consist of current and deferred tax.

Current taxes are based on each company's taxable income as reported in its tax return. This includes an adjustment for current tax attributable to previous periods.

Deferred tax is calculated to correspond to the tax effect that arises when final tax is triggered. It is based on temporary differences between book values in the balance sheet and residual values for tax purposes. The amounts are calculated using the tax rates that were effect or had been announced on the closing date. Temporary differences arise in conjunction with company acquisitions as the difference between the value of assets and liabilities in the consolidated balance sheet and their value for tax purposes. Deferred tax on loss carry-forwards is reported as an asset in cases where it is probable that it will result in lower tax payments in the future.

Deferred tax referring to temporary differences attributable to investments in subsidiaries and associated companies are not reported, since in all such cases, the Parent Company can control the time of the reversal of the temporary differences and it is considered unlikely that a reversal will occur in the near future.

Untaxed reserves are divided into deferred tax liability and equity.

Contingent liabilities
Contingent liabilities are reported when there are possible obligations relating to transpired events that will only become actual obligations given the occurrence or non-occurrence of one of more uncertain future events that are completely outside the control of Munters. Contingent liabilities may also be an obligation arising from transpired events but which is not reported as a liability or a provision because it is not probable that the obligation will be settled or because the settlement amount cannot be calculated with sufficient reliability.

Information concerning related parties
Companies related to Munters includes the Parent Company, subsidiaries and associated companies. “Related physical persons” are defined as Board members, senior management and close family members of such persons.

Information on transactions with related parties that entail a transfer of resources, services or obligations between related parties is disclosed, regardless of whether remuneration was paid or not. The disclosure contains information as to the character of the relationship and the effect of the relationship on the financial reports.

Events after the closing day
If events arise that are significant, but that should not be taken into account when the amounts in the income statement and balance sheet are established, information will be provided in the Board of Directors' report and notes as to the character of the event and if possible an estimate of its financial effect. The term “significant” implies that a disclosure of the information could influence financial decisions made by users of the financial reports.

Significant events that confirm the relationship that existed on the closing date and that occur after the closing date but prior to the signing of the Annual Report result in adjustments in the amounts in the Annual Report.

Accounting principles of the Parent Company
The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act and recommendation RR 32:05 of the Swedish Financial Accounting Standards Council, Reporting for legal entities, and applicable statements from the Emerging Issues Task Force. RR 32:05 implies that the Parent Company, in the annual accounts for legal entities, applies all EU-approved IFRS/IAS and statements to the extent this is possible within the framework of the Annual Accounts Act and the law on safeguarding of pension commitments pertaining to the connection between the accounting and taxation.

The Parent Company primarily applies the principles pertaining to the Group described above. The differences between the Group's and the Parent Company's accounting principles are stated below.

Pensions
The Parent Company's pension commitments are calculated and accounted based on the law on safeguarding of pension commitments. Application of the law on safeguarding of pension commitments is a prerequisite for the right to tax deductions.

Financial instrument
The Parent Company does not apply IAS 39 Financial instruments: Accounting and Valuation, instead valuations are based on the acquisition value of assets and liabilities.

Group contributions and shareholders' contributions
The Parent Company reports Group contributions and shareholders' contributions in accordance with statements from Emerging Issues Task Force. Shareholders' contributions are reported directly against the receiver's equity and capitalized in the shares and participations of the provider, to the extent that impairment is not required. Group contributions are reported according to financial significance. This means that Group contributions that are made to minimize the Group's total tax are reported directly against profit brought forward after deductions of current tax effects.

NOTE 3 BUSINESS COMBINATIONS

During the fourth quarter of 2006, 100 percent of the Italian company SIAL S.p.A. was acquired. The Company manufactures mobile heaters, evaporative cooling products and mobile dehumidifiers with sales in Europe, the US and China. The Company was consolidated as of 1 December 2006. The acquired operations contributed revenues of SEK 32 M for the period 1 December 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the Company would have contributed SEK 236 M in revenues to the Group.

Information about the acquired net assets and goodwill are listed below:

Purchase price	
- cash purchase price paid	176
- fees directly attributable to the acquisition	3
Purchase price paid	**179**
Additional purchase price – estimated	14
Total acquisition value	**193**
Fair value for assumed net liabilities	7
Goodwill (Note 13)	200

The size of the additional purchase price is based on SIAL's results for the period ended in March 2007. Goodwill is attributable to estimated future synergies through an expanded product offering. In addition to synergy effects, future profitability also represents a component in the goodwill item.

The acquired company's net assets at the time of acquisition:

	Reported value	Fair value adjustment	Fair value
Tangible fixed assets	23	0	23
Intangible assets – brands (Note 12)	0	25	25
Non-interest-bearing receivables	147	0	147
Cash and cash equivalents	20	0	20
Interest-bearing liabilities	–94	0	–94
Interest-free liabilities (including deferred tax liability)	–119	–9	–128
Net identifiable assets and liabilities	**–23**	**16**	**–7**
Cash purchase price paid and fees directly attributable to acquisition			179
Cash and cash equivalents in the acquired company			–20
Changes in the Group's cash and cash equivalents at acquisition			**159**

No acquisitions were made during 2005.

NOTE 4 SEGMENT REPORTING

Munters is the world leader in humidity control, offering products and services for water and fire damage restoration as well as dehumidification, humidification and cooling of air. Munters' business concept is to be a global service and application-oriented niche company for air conditioning from a base in dehumidification and humidification.

On 1 July 2005, Munters implemented a new organization with global divisions. The purpose of the new organization is to improve the profit margin through coordination of the product range, increases in series size, more efficient purchasing routines and better knowledge transfer between plants. The Group was previously organized in the three regions: Europe, the Americas and Asia.

Divisions

The Group's operations are managed and reported mainly through the three divisions: Dehumidification, MCS and HumiCool. The consolidation of the divisions is presented according to the same principles as for the Group as a whole. Transactions between regions are based on market terms. The Dehumidification Division manufactures and markets products and complete solutions for controlling humidity and indoor climate. The MCS Division provides service for water and fire damage restoration and temporary climate control. The HumiCool Division manufactures and markets products and systems for evaporative cooling and humidification. No income statement items after EBIT are allocated to the divisions.

	Dehumidification		MCS		HumiCool		Eliminations, etc.		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Income statement										
External net sales	1,584	1,458	2,618	2,334	1,510	1,338	–	–	5,712	5,130
Internal net sales	51	56	0	1	4	5	–55	–62	–	–
Net sales	**1,635**	**1,514**	**2,618**	**2,335**	**1,514**	**1,343**	**–55**	**–62**	**5,712**	**5,130**
Operating earnings	**194**	**159**	**159**	**153**	**213**	**135**	**–2**	**–1**	**564**	**446**
Amortization of surplus values and impairment of goodwill	–	–	–3	–6	–	–	–	–	–3	–6
Undistributed costs	–	–	–	–	–	–	–32	–35	–32	–35
EBIT	**193**	**159**	**156**	**147**	**213**	**135**	**–33**	**–36**	**529**	**405**
Balance sheet										
Operating assets	548	575	923	993	675	601	26	14	2,172	2,183
Goodwill	2	3	164	173	377	188	–	–	543	364
Participations in associated companies	–	–	–	–	4	6	–	–	4	6
Other assets	–	–	–	–	–	–	425	381	425	381
Total assets	**550**	**578**	**1,087**	**1,166**	**1,056**	**795**	**451**	**395**	**3,144**	**2,934**

NOTE 4 CONT.

	Dehumidification		MCS		HumiCool		Eliminations, etc.		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Operating liabilities	165	153	112	131	284	161	–8	–2	553	443
Other liabilities	–	–	–	–	–	–	1,084	1,022	1,084	1,022
Total liabilities	**165**	**153**	**112**	**131**	**284**	**161**	**1,076**	**1,020**	**1,637**	**1,465**
Other data										
Investments	29	17	110	87	28	23	0	1	168	128
Depreciation and impairments	21	22	82	78	33	36	–1	5	135	141
Number of employees at year-end	900	853	1,845	1,706	789	668	18	18	3,552	3,245

Geographic regions

The Group's operations are divided into three geographic regions that constitute secondary segments: Europe, the Americas and Asia. The Europe Region includes Europe, the Middle East and Africa. The Americas Region includes North America, Central America and South America. The Asia Region includes Asia, except the Middle East, and Australia.

	Europe		Americas		Asia		Eliminations, etc.		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	3,412	3,056	1,872	1,683	529	484	–101	–93	5,712	5,130
Operating assets	1,392	1,215	540	735	237	238	3	–5	2,172	2,183
Operating liabilities	376	254	152	153	61	57	–36	–21	553	443
Investments	80	83	78	33	10	11	0	1	168	128
Number of employees at year-end	2,331	2,144	830	754	372	330	19	17	3,552	3,245

NOTE 5 OTHER OPERATING INCOME AND OPERATING EXPENSES

	Group		Parent Company	
	2006	2005	2006	2005
Other operating income				
Divestment of operations	14	–	–	–
Exchange-rate differences	–	–	0	1
Royalty from subsidiaries	–	–	3	3
	14	**–**	**3**	**4**
Other operating expenses				
Impairment of participations in associated companies	–2	–	–	–
Goodwill impairment	–	–3	–	–
Exchange-rate differences	–4	–6	–1	–
	–6	**–9**	**–1**	**–**

The sale of the Water business area was implemented during the first quarter of 2006, at a purchase price of slightly more than SEK 26 M. The business unit, which had operations in Germany and the UK, had sales totaling SEK 62 M in 2005. After provisions for expenses in connection with the sale, plus impairment of production equipment within HumiCool, the net profit from these non-recurring effects was marginally positive.

NOTE 6 DEPRECIATION AND IMPAIRMENTS

Depreciation and amortization of tangible and intangible assets are based on the historical acquisition value and the estimated useful lifetime for various types of assets. For assets acquired during the year, depreciation or amortization is calculated from the acquisition date and deducted primarily straightline over the following period.

Patents, licenses and brands	3–10 years
Land lease	50 years
Buildings	20–30 years
Machinery and equipment	3–10 years
Equipment within MCS operations	6 years
Improvement measures in leased premises	3–7 years

Goodwill impairment is reported among other operating expenses. See also Note 13.

The useful life for acquired brands is based on the number of years that the brand is estimated to contribute revenues to the Group in its current form. Remaining useful life for the brand is 9 years and 11 months.

The year's depreciation, amortization and impairments were charged against the year's earnings as shown below.

	Group		Parent Company	
	2006	2005	2006	2005
Cost of goods sold	108	110	–	–
Selling costs	7	6	–	–
Administrative costs	21	21	2	1
Research and development costs	0	1	–	–
Other operating expenses	–	3	–	–
Amortization of acquisition-related intangible fixed assets	0	–	–	–
	136	**141**	**2**	**1**

Impairment of inventories totaled 5 (5) and is included in Cost of goods sold. No reversals of previous impairments occurred.

NOTE 7 LEASING

Operating leases

The year's costs for operating leases of assets, such as leased premises, machinery and major computer and office equipment are reported among operating costs and amounted to SEK 164 M (165).

Minimum future costs for non-revocable operating lease contracts have the following periods.

2007	144
2008–2011	275
2012 and later	39
	458

Most of the vehicles used in service operations are currently classified as operational leases.

Financial leasing

Assets held through financial lease contracts are reported as equipment. The year's total payments relating to the assets amounted to SEK 2 M (1). Depreciation during the year amounted to SEK 2 M (1). Reported value at year-end amounted to SEK 15 M (4).

Financially leased assets refer primarily to vehicles. The minimum lease fee comprises a capital portion and an interest portion. The interest portion is variable and follows market interest existing in each country.

Financially leased assets are reported as inventory equipment in the following amounts:

	2006	2005
Acquisition value – capitalized financial leasing	32	7
Accumulated depreciation	–17	–3
Reported value	**15**	**4**

Liabilities pertaining to financial leasing – minimum lease fees	2006	2005
Within one year	4	1
Between one and five years	11	2
	15	**3**
Future financial costs for financial leasing	–2	0
Present value of future minimum lease fees	**13**	**3**

Present value of financial leasing liabilities		
Within one year	4	1
Between one and five years	9	2
	13	**3**

NOTE 8 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2006	2005	2006	2005
Financial income				
Dividends from subsidiaries	–	–	963	126
Impairment of shares in subsidiaries	–	–	–4	–4
Interest income, subsidiaries	–	–	20	13
Interest income, other	7	3	1	0
Exchange-rate differences	–	3	–	14
	7	**6**	**980**	**149**
Financial expenses				
Interest expenses, subsidiaries	–	–	–7	–5
Interest expenses, other	–12	–12	–10	–5
Exchange-rate differences	–1	–	–9	–
Other financial expenses	–9	–8	–	–1
	–22	**–20**	**–26**	**–11**
Total financial income and expenses	**–15**	**–14**	**954**	**138**

NOTE 9 INCOME TAXES

	Group		Parent Company	
	2006	2005	2006	2005
Current tax expense	189	152	–8	–2
Tax relating to prior years/ withholding tax	–8	0	–	–
Deferred tax related to temporary differences and loss carry-forwards	5	–6	–	–
Deferred tax attributable to changes in valuation reserves	0	–7	–	–
Tax expenses reported in the income statement	**186**	**139**	**–8**	**–2**
Tax items reported directly against equity				
Deferred tax attributable to pensions	0	12		
Reconciliation of effective tax expense				
Earnings before tax	514	391	929	104
Tax according to prevailing tax rate for the Parent Company	143	109	260	29
Difference attributable to foreign tax rates	38	26	–	–
Non-deductible expenses	20	14	0	2
Non-taxable income	–11	–5	–269	–35
Change in valuation reserves	0	–7	–	–
Tax relating to prior years/ withholding tax	–8	0	–	–
Other	4	2	1	2
Tax expenses	**186**	**139**	**–8**	**–2**

NOTE 9 CONT.

Deferred tax assets	Group 2006	Group 2005
Machinery and equipment	8	7
Inventory	12	13
Accounts receivable	9	15
Prepaid expenses and accrued income	15	1
Provisions	4	9
Accrued expenses and deferred income	5	16
Derivative instruments	0	2
Loss carry-forwards	10	17
Provisions for pensions	12	12
Other	3	1
Offsetting	–18	–21
	60	**72**

Deferred tax assets for pension provisions pertain to the difference between the calculation of defined-benefit obligations according to local tax rules and IAS 19 "Employee Benefits."

Deferred tax liabilities	2006	2005
Machinery and equipment	18	20
Inventory	0	0
Goodwill	3	2
Group-wide surplus value	10	–
Untaxed reserves	9	15
Provisions	1	3
Other	7	5
Offsetting	–18	–21
	30	**24**

Deferred tax assets relating to unutilized loss carry-forwards are reported to the extent that it is deemed likely that they will be used to offset taxable surpluses. The unutilized loss carry-forwards amounted to SEK 31 M (53) at year-end, of which SEK 31 M (50) were unlimited in time and SEK 0 M (3) mature between 2007 and 2011. Loss carry-forwards for which deferred tax assets are not reported amounted to SEK 1 M (2). Loss carry-forwards totaling SEK 30 M (51) were thus suitable for reporting as deferred tax assets.

NOTE 10 EARNINGS PER SHARE

	Group 2006	Group 2005
Net earnings, attributable to equity holders in the Parent Company	325	250
Weighted average number of shares, 000s	24,583	24,538
- shares outstanding after dilution, 000s	24,590	24,538
Earnings per share, SEK	13.21	10.17
- after dilution	13.21	10.17

Earnings per share (before dilution) are calculated by dividing the net earnings attributable to equity holders in the Parent Company with the weighted average number of shares outstanding during the year.

The calculation of earnings per share after dilution involves the assumption that the stock options that could lead to a dilution effect will be exercised. Assuming cash is received from these shares, they are considered as having been sold at the average market rate during the period. The difference in value between the number of shares sold and the number of shares that would have been sold at the average market price during the period is treated as a sale of shares without payment. The weighted average number of shares is increased by the corresponding number of shares.

The marginal dilution effect is a result of the stock option program from May 2003, which matured in 2006. Other option programs do not result in a dilution effect, since the subscription price exceeds the average market price in the year.

NOTE 11 TANGIBLE ASSETS

Group	Land and buildings	Plant and machinery	Equipment tools, fixtures and fittings	Construc-tion in progress
Acquisition value				
Amount on opening date	312	543	877	6
Acquisition of subsidiary (Note 3)	–	70	12	–
Capital expenditure for the year	15	28	113	7
Sales and scrapping	–	–80	–56	0
Reclassifications	–2	2	1	–1
Translation differences for the year	–25	–32	–66	–2
Amount on closing date	**300**	**531**	**881**	**10**
Accumulated depreciation				
Amount on opening date	136	385	661	–
Acquisition of subsidiary (Note 3)	–	51	9	–
Sales and scrapping	–	–58	–45	–
Reclassification	0	0	0	–
Depreciation for the year	10	41	79	–
Impairments for the year	1	–	–	–
Translation differences for the year	–13	–22	–51	–
Amount on closing date	**134**	**397**	**653**	**–**
Reported value	**166**	**134**	**228**	**10**

Parent Company	Equipment tools, fixtures and fittings
Acquisition value	
Amount on opening date	13
Capital expenditure for the year	11
Amount on closing date	**24**
Accumulated depreciation	
Amount on opening date	7
Depreciation for the year	2
Amount on closing date	**9**
Reported value on closing date	**15**

Depreciation is based on the asset's acquisition value and the estimated useful lifetimes as specified in Note 6.

The reported value of land amounted to SEK 24 M (18).

Taxation values of buildings in Sweden amounted to SEK 10 M (10). The taxation value of land in Sweden amounted to SEK 1 M (1). Previously approved relocation grants amounted to SEK 7 M (7) in the Group. Relocation grants reduced the acquisition value of buildings.

NOTE 12 PATENTS, LICENSES, BRANDS AND SIMILAR RIGHTS

	Group	Parent Company
Acquisition value		
Amount on opening date	38	1
Acquisition of subsidiary (Note 3)	28	–
Capital expenditure for the year	6	3
Translation differences for the year	–2	–
Amount on closing date	**70**	**4**
Accumulated amortization		
Amount on opening date	20	0
Acquisition of subsidiary (Note 3)	2	–
Amortization for the year	5	1
Translation differences for the year	0	–
Amount on closing date	**27**	**1**
Reported value	**43**	**3**

Patent, licenses and similar rights include SEK 8 M relating to capitalized expenses for business and Group accounting systems, as well as SEK 5 M relating to a lease in China and brands in the amount of SEK 25 M.

NOTE 13 GOODWILL

Reported value before impairments	
Amount on opening date	367
Acquisition of subsidiary (Note 3)	200
Translation differences for the year	–21
Amount on closing date	**546**
Accumulated impairments	
Amount on opening date	3
Impairments for the year	–
Amount on closing date	**3**
Reported value	**543**

Reported goodwill value per cash-generating unit	2006	2005
HumiCool, Italy	332	137
MCS, Germany	92	96
MCS, Norway and Denmark	68	73
HumiCool Aerotech, US	45	51
MCS, Australia	4	4
Other	2	3
	543	**364**

Impairment
During 2005, an impairment of the entire goodwill value of SEK 3 M was recognized attributable to M'Renov, a company that was acquired in 2001 and is part of the MCS Division in France.

Impairment testing of goodwill values
On 30 September 2006, reported values of goodwill were subjected to routine impairment testing. The investigations have been carried out for each individual cash-generating unit. The valuation has been based on the discounted future cash flow. This encompasses forecasts, approved by Group management, for the next three years. The growth rate after the three years has been cautiously estimated at 2 percent. In the calculations, a discount rate that is a nominal rate for the Group (average weighted capital cost before tax) was used. It was established to be 11.6 percent (10.0). For each acquisition the discount rate has been adapted to a long-term capital structure in the acquired company, whereby the discount interest rate has varied within the interval of 8.1 to 11.6 percent. The most significant assumptions pertain to sales growth, the development of the operating margin, utilization of operating capital employed and the discount rate.

The recoverable value was found to exceed the reported values. Consequently, no impairment was necessary. Up to 31 December 2006, there was no indication of any decline in value.

Acquisition of operations
The cash-flow statement shows the impact on cash and cash equivalents with respect to acquired operations. During 2005, the cash-flow impact pertained to the payment of additional purchase prices that were previously booked as liabilities in conjunction with the acquisition.

NOTE 14 PARTICIPATIONS IN SUBSIDIARIES

Direct shareholdings	Country	Share of votes and capital, %	Reported value
AB Carl Munters (corp. reg. no. 556035-1198)	Sweden	100	169
Munters Betelligungs GmbH	Germany	100	4
Munters BV	Netherlands	100	0
Munters Corporation	USA	100	2
Munters France SAS	France	100	26
Munters Group Ltd	UK	100	0
Munters Italy SpA	Italy	100	50
Munters Korea Co Ltd	South Korea	100	0
Munters Ltd	UK	100	157
Munters (Thailand) Co Ltd	Thailand	100	1
Polygon AS	Norway	100	249
Polygon A/S	Denmark	19	1
			659

Indirect shareholdings in Group companies with significant business operations	Country	Share of votes and capital, %
Munters AG	Switzerland	100
Munters Air Treatment Equipment (Beijing) Co Ltd	China	100
Munters A/S	Denmark	100
Munters Austria GmbH	Austria	100
Munters Brasil Industria e Comercio Ltda	Brazil	100
Munters de Mexico S de RL de CV	Mexico	100
Munters Euroform GmbH	Germany	100
Munters Europe AB (corp. reg. no. 556380-3039)	Sweden	100
Munters GmbH	Germany	100
Munters Inc	Canada	100
Munters KK	Japan	100
Munters Mist Eliminator (Beijing) Co Ltd	China	100
Munters NV	Belgium	100
Munters Oy	Finland	100
Munters Poland Sp zoo	Poland	100
Munters Pte Ltd	Singapore	100
Munters (Pty) Ltd	South Africa	100
Munters Pty Ltd	Australia	100
Munters Service GmbH	Germany	100
Munters Services France SAS	France	100
Munters Spain SAU	Spain	100
Munters Torkteknik AB (corp. reg. no. 556034-6164)	Sweden	100
Polygon A/S	Denmark	56
SIAL S.p.A	Italy	100

NOTE 15 PARTICIPATIONS IN ASSOCIATED COMPANIES

	Country	Share of votes and capital, %	Acquisition value	Reported value in Group	Shares in earnings 2006
Aerotech Asia Inc Co	British Virgin Islands	50	4	4	–

Impairment occurred in the amount of SEK 2 M (0). No business was conducted in the company. Impairment was calculated at the estimated recoverable amount at a possible future liquidation of the company.

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2006	2005	2006	2005
Prepaid rent and leases	6	6	1	1
Prepaid insurance premiums	9	12	–	–
Other items	41	32	2	1
	56	**50**	**3**	**2**

NOTE 17 FINANCIAL INSTRUMENTS

A financial instrument is defined as a contract that results in a financial asset in a company and a financial liability or equity instrument in another company. Financial instruments include both primary instruments, such as accounts receivable, accounts payable and shares, as well as derivatives, such as options, forward contracts and interest and currency swaps.

For a description of financial risk management, refer to the section "Risk management" on pages 30–31, which is part of the financial statements.

Financial instruments in addition to those that arise in current operations are relatively limited within the Munters Group. In addition to the stock options presented in Note 28, they consist primarily of currency hedges and interest-bearing borrowing with banks (see Note 19).

Financial instruments reported at accrued acquisition value

For accounts receivable, accounts payable and other assets and liabilities that are reported at accrued acquisition value, reported value corresponds to fair value on account of the short maturity.

Derivative instruments

At the end of the year, there were currency hedges within the Group according to the table below. They have been reported at fair value on the balance sheet.

Currency	Net sales amount in local currency, 000s	Reported value, SEK 000s
EUR	–1,858	130
USD	472	925
GBP	101	–12
DKK	1,715	–4
JPY	–18,638	115
PLN	–700	21
ZAR	6,000	–60
Total		**1,115**

Negative net selling amounts refer to purchasing and positive net selling amounts refer to selling.

All forward contracts fall due for payment during 2007. In accordance with the Group's policy, payments in most cases will be due during the first half of the year.

NOTE 18 EQUITY

Share capital

The share capital SEK 125,000,000 comprises 25,000,000 shares with a par value of SEK 5.00. Each share entitles the holder to one vote. All shares carry the same right to a share in the Company's assets and profits.

Reserves	Reserve for unrealized gains	Reserve for translation differences	Total reserves
1 January 2005	**2**	**–56**	**–54**
Cash flow hedges	–3	–	–3
Translation differences	–	140	140
31 December 2005	**–1**	**84**	**83**
Cash flow hedges	3	–	3
Translation differences	–	–132	–132
31 December 2006	**2**	**–48**	**–46**

The reserve for unrealized gains consists of the portion of gains and losses attributable to cash-flow hedges that are classified as effective.

The reserve for translation differences consists of differences that arise when the income statements and balance sheets of foreign subsidiaries are translated into Swedish kronor.

Holding of own shares

In order to cover its commitments for outstanding option programs, the Company has acquired its own shares held as treasury stock.

	Number	Par value, SEK
1 January 2005	**621,950**	**3,109,750**
Sales in 2005	–202,700	–1,013,500
31 December 2005	**419,250**	**2,096,250**
Sales in 2006	–14,000	–70,000
31 December 2006	**405,250**	**2,026,250**

In total, treasury shares have been acquired for a purchase price of SEK 68,870,966, corresponding to an average price including commission of SEK 169.94 per share.

Number of outstanding shares

Excluding treasury shares, the number of outstanding shares at year-end amounted to 24,594,750.

Options program

Outstanding options programs are described in Note 28.

Dividend during the year

The Annual General Meeting on 26 April 2006 approved the proposal of the Board of Directors and the President of a dividend amounting to SEK 5.50 per share, or SEK 135,194,125 in total.

Proposed dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 6.75 per share be paid to the shareholders, or SEK 166,014,563 in total.

NOTE 18 CONT.

Changes in equity

Amounts in SEK M	Attributable to equity holders in the Parent Company: Share capital	Reserves	Retained earnings	Total	Minority interest	Total equity
Group						
1 January 2005	**125**	**–54**	**1,075**	**1,146**	**4**	**1,150**
Effects of change of accounting principle IAS 19	–	–	–12	–12	–	–12
Adjusted opening balance, 1 January 2005	**125**	**–54**	**1,063**	**1,134**	**4**	**1,138**
Cash flow hedges, net	–	–3	–	–3	–	–3
Exchange-rate differences in translation of foreign subsidiaries	–	140	–	140	–	140
Actuarial gains and losses, net, including special employer's contribution	–	–	–20	–20	–	–20
Total income and expenses reported directly against equity	**–**	**137**	**–20**	**117**	**–**	**117**
Net earnings	–	–	250	250	2	252
Total income and expenses	**–**	**137**	**230**	**367**	**2**	**369**
Sales of treasury stock	–	–	29	29	–	29
Dividend to Parent Company shareholders	–	–	–98	–98	–	–98
Dividend from subsidiaries	–	–	–	–	–1	–1
31 December 2005	**125**	**83**	**1,224**	**1,432**	**5**	**1,437**
Adjusted opening balance, 1 January 2006	**125**	**83**	**1,224**	**1,432**	**5**	**1,437**
Cash flow hedges, net	–	3	–	3	–	3
Exchange-rate differences in translation of foreign subsidiaries	–	–132	–	–132	–	–132
Actuarial gains and losses, net, including special employer's contribution	–	–	2	2		2
Total income and expenses reported directly against equity	**–**	**–129**	**2**	**–127**	**–**	**–127**
Net earnings	–	–	325	325	3	328
Total income and expenses	**–**	**–129**	**327**	**198**	**3**	**201**
Sales of treasury stock	–	–	3	3	–	3
Payment received for options issued	–	–	2	2	–	2
Dividend to Parent Company shareholders	–	–	–135	–135	–	–135
Dividend from subsidiaries	–	–	–	–	–2	–2
31 December 2006	**125**	**–46**	**1,421**	**1,500**	**6**	**1,506**

NOTE 18 CONT.

Parent Company	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total equity
31 December 2004	**125**	**65**	**11**	**165**	**366**
Group contributions	–	–	–	25	25
Net earnings	–	–	–	106	106
Total income and expenses	–	–	–	131	131
Sales of treasury stock	–	–	–	29	29
Dividend to Parent Company shareholders	–	–	–	–98	–98
31 December 2005	**125**	**65**	**11**	**227**	**428**
Group contributions	–	–	–	34	34
Net earnings	–	–	–	937	937
Total income and expenses	–	–	–	971	971
Transfers between statutory reserve and other funds	–	11	–11	–	0
Sales of treasury stock	–	–	–	3	3
Payment received for options issued	–	–	2	–	2
Dividend to Parent Company shareholders	–	–	–	–135	–135
31 December 2006	**125**	**76**	**2**	**1,066**	**1,269**

NOTE 19 INTEREST-BEARING LIABILITIES

	Group 2006	Group 2005
Bank loan: approved general credit facility	625	400
Bank loan: unutilized portion	–522	–185
Bank loans in addition to general credit facility	199	133
Leasing obligation	13	3
	315	**351**

Borrowing is distributed in local currencies and with average weighted interest rates as shown below:

Currency	Nominal amount, millions	Average interest rate
SEK	268	3.4%
EUR	4	3.4%

The calculation of net debt is shown in the cash-flow statement.

NOTE 20 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group

	Group 2006	Group 2005
Long-term defined-benefit commitments to employees	139	137
Other long-term employee benefits	12	–
Other benefits to employees	11	10
Long-term	**162**	**147**
Short-term defined-benefit commitments to employees	5	5
Total long-term and short-term	**167**	**152**

	2006	2005
Long-term defined-benefit commitments to employees	139	137
Other long-term employee benefits	12	–
Short-term defined-benefit commitments to employees	5	5
	156	**142**

The Munters Group finances pension plans for employees in several countries. These plans mainly follow practice in the country in question and may be defined-contribution or defined-benefit plans or a combination of both. The largest defined-benefit plans cover employees in Sweden, Norway, the UK and Germany. In France and Italy, the companies make provisions for mandatory remuneration when employment is terminated.

Munters applies the alternative that IAS 19 allows, namely that actuarial gains and losses are reported directly in the balance sheet in the period they occurred to the extent that they refer to remuneration after employment has been terminated. Actuarial gains and losses amounted to SEK 3 M (loss: 23) for the period. The accumulated net loss amounted to SEK 35 M (38), which is included in the reported pension debt. The actuarial gains and losses during 2006 pertain primarily to higher discount rates.

Other long-term employee benefits include employees in Germany.

The defined-contribution plans include primarily retirement pensions, disability pensions and family pensions. The premiums are paid continually during the year by each Group company to separate legal units, for example, insurance companies. The size of the premium is based on salary. The cost for defined-contribution plans amounts to SEK 39 M (44).

Reported provisions (changes for the year)	Group 2006	Group 2005
Amount on opening date	142	107
Change in accounting principle	–	13
Amount on opening date	142	120
Pension costs	17	12
Actuarial gains and losses	–3	23
Benefits paid by employer	–5	–6
Premiums paid by employer	–	–3
Company acquisitions	7	–
Terminated and changed benefit plans	0	–5
Translation differences for the year	–2	1
Amount on closing date	**156**	**142**

Reported provisions (on closing date)	2006	2005
Present value of wholly or partially funded obligations	71	70
Present value of unfunded obligations	151	142
Fair value of plan assets (–)	–66	–71
Ceiling for asset value	–	1
Amount on closing date	**156**	**142**

NOTE 20 CONT.

Present value of defined-benefit obligations	Group 2006	Group 2005
Amount on opening date	212	183
Current service cost	6	5
Interest costs	8	8
Paid benefits	–7	–7
Company acquisitions	7	–
Terminated and changed benefit plans	–3	–9
Actuarial gains (–)/losses (+), changes in assumptions	–5	25
Actuarial gains (–)/losses (+), experience-based adjustments	10	0
Translation differences for the year	–5	7
Amount on closing date	**223**	**212**

Plan assets	2006	2005
Amount on opening date	71	65
Expected return on plan assets	6	4
Premiums paid by employer	–	4
Benefits paid from plan assets	–2	–1
Terminated and changed benefit plans, settlements	–5	–7
Actuarial gains (+)/losses (–)	–	1
Translation differences for the year	–3	5
Amount on closing date	**67**	**71**

Return on plan assets	2006	2005
Expected return on plan assets	6	4
Actuarial gains (+)/losses (–)	–	1
Actual return	**6**	**5**

Costs for obligations during the year	2006	2005
Current service cost	6	5
Interest costs	8	8
Expected return on plan assets	–4	–4
Amortization of past service costs	2	–
Amortization of unrecognised actuarial gains and losses on other long-term employee benefits	5	–
Terminated and changed benefit plans	–	3
Costs for obligations during the year	**17**	**12**

Distribution of pension costs in the income statement	2006	2005
Administrative costs	48	48
Financial expenses	8	8
Total pension costs	**56**	**56**

Statement of recognised income and expense	2006	2005
Actuarial gains (+)/losses (–) during the year	2	–24
Adj. arising from limitation on assets par 58 (b)	1	1
Accumulated actuarial gains (+)/losses (–)	–35	–38

Actuarial gains (+) and losses (–) reported directly against equity	2006	2005
Amount on opening date	–38	–15
Amortization of actuarial gains and losses during the year	5	–
Actuarial gains (+)/losses (–) on obligations	–5	–25
Actuarial gains (+)/losses (–) on plan assets	2	1
Terminated and changed benefit plans	0	1
Translation differences for the year	1	0
Accumulated	**–35**	**–38**

Plan assets	Group 2006	Group 2005
Equity instruments, %	60	61
Debt instruments, %	28	27
Property, %	5	5
Other assets (cash and cash equivalents), %	7	6
Included in plan assets		
Company's own equity instruments, %	0	0
Company's own liability instruments, %	0	0
Properties utilized by the Company, %	0	0
Other assets utilized by the Company, %	0	0

Significant actuarial assumptions Group, weighted values	2006	2005
Discount rate, %	4.2	4.0
Return on plan assets, %	6.5	6.2
Future salary increases, %	3.0	3.2
Future inflation, %	2.1	2.2

The expected return for plan assets is based on the assumption that the return on bonds will be equal to the interest for a 10-year Government Bond and that the return on share will amount to the same interest plus a risk premium.

	2006	2005	2004	2003
Present value of defined-benefit obligations	223	212	183	163
Fair value of plan assets	–67	–71	–65	–62
Net value funded and partly funded plans	156	141	118	101

Munters' budgeted fees for defined-benefit obligations amount to SEK 13 M for 2007.

Parent Company

	Parent Company 2006	Parent Company 2005
Defined-benefit obligations to employees	35	36

The Parent Company's pension plans in accordance with the FPG/PRI system are an unfunded defined-benefit plan that in accordance with Swedish law is reported as a provision in the balance sheet. This reporting differs from the consolidated accounting principles.

	Parent Company 2006	Parent Company 2005
Capital value of pension obligations on own account on opening date	31	30
Costs excluding interest costs that were charged against profit	1	2
Interest costs	–	–
Payment of pensions	–2	–2
Capital value of pension obligations on own account on closing date	**30**	**31**
Obligations that are wholly or partly offset by especially detached assets	0	0
Obligations for which there are no especially detached assets	30	31
Total	**30**	**31**

NOTE 20 CONT.

Reported pension costs for the period	2006	2005
Pensions on own account		
Costs excluding interest costs	1	2
Interest costs	–	–
Costs for pensions on own account	**1**	**2**
Insured pension		
Insurance premiums	3	5
Tax on returns from pension funds	–	–
Special employer's contribution on pension costs	1	2
Costs for insured pensions	**4**	**7**
Reported net costs attributable to pensions	**5**	**9**

Fees to the FPG/PRI system for 2007 are estimated to be slightly more than SEK 1 M.

NOTE 21 OTHER PROVISIONS

	Group	
	2006	2005
Long-term		
Provisions for rental commitments	5	5
Provisions for legal disputes	1	1
Other provisions	2	0
	8	**6**
Short-term		
Provisions for warranties	53	36
Other provisions	1	2
	54	38
Total long-term and short-term	**62**	**44**

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2006	2005	2006	2005
Vacation pay liabilities	79	79	2	3
Social security expenses	30	53	3	4
Other personnel-related expenses	84	94	3	3
Received, non-invoiced goods, etc	130	116	2	2
	323	**342**	**10**	**12**

NOTE 23 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities to credit institutes	Group		Parent Company	
	2006	2005	2006	2005
Corporate mortgages	4	5	–	–
Other pledged assets	1	0	–	–
	5	**5**	**–**	**–**
Contingent liabilities (guarantee commitments)				
FPG guarantees	2	2	64	61
Bank guarantees	–	–	10	8
Parent Company guarantees	–	–	12	15
	2	**2**	**86**	**84**

FPG guarantees refer to pension liabilities in Sweden. Other guarantees are normal operational guarantees, for example, advances and completion guarantees.

Munters' subsidiary in the US, Munters Corporation, was named co-respondent in 38 asbestos-related processes on 31 December 2006. To date, none of the plaintiffs have claimed to have been exposed to any specific Munters product. During the past two years, Munters Corporation has won two cases through summary judgments and a total of 36 plaintiffs were dismissed from the 38 above-mentioned processes. Munters Corporation's opinion is that the remaining claims are unfounded and it will dispute every claim. Insurance protection is available for the submitted claims. Munters does not believe that the mentioned claims will have any significant negative impact on the Company's financial position or operating results.

NOTE 24 TRANSACTIONS WITH RELATED PARTIES

There are no significant contractual relations or transaction between Munters AB and related parties. Remuneration and terms of employment for senior executives and individual members of the Board of Directors are presented in Note 27. Munters AB has not provided guarantees or guarantee commitments to or on behalf of Board members or senior executives. During the current or the preceding fiscal years, no member of the Board of Directors or senior executive was directly or indirectly involved in business transaction with the Company that is or was unusual in nature or with respect to its terms or that in any respect remains unsettled or incomplete.

The Parent Company's sales to Group companies amounted to SEK 37 M (22). Purchases from Group companies amounted to SEK 13 M (5).

NOTE 25 AVERAGE NUMBER OF EMPLOYEES, ABSENCE DUE TO ILLNESS, AND GENDER DISTRIBUTION

Average number of employees

	2006		2005	
Group	Number	Of whom men, %	Number	Of whom men, %
Australia	140	78	121	80
Austria	87	83	83	78
Belgium	44	80	40	83
Brazil	23	87	20	85
Canada	13	85	11	82
China	134	80	114	83
Denmark	81	63	84	64
Finland	282	90	244	88
France	70	85	104	84
Germany	586	86	539	87
Indonesia	1	100	1	100
Italy	194	82	133	83
Japan	59	92	54	87
Korea	9	78	8	75
Mexico	111	88	76	78
Netherlands	85	89	66	89
New Zealand	2	67	1	100
Norway	257	70	241	73
Poland	12	83	12	83
Russia	1	100	–	–
Saudi Arabia	3	100	3	100
Singapore	17	76	17	76
South Africa	23	80	21	81
Spain	13	69	13	54
Sweden	369	83	360	82
Switzerland	19	89	18	78
Taiwan	3	67	1	100
Thailand	26	73	22	64
United Arab Emirates	2	100	1	100
United Kingdom	294	78	272	82
USA	682	76	620	80
Vietnam	3	67	3	67
	3,644	**81**	**3,303**	**82**
Of which Parent Company (Sweden)	25	64	22	59

NOTE 25 CONT.

Absence due to illness

Absence due to illness among employees of Munters AB during the year amounted to 1.08 percent (1.5) of the employees' normal working time. There was no long-term absence due to illness. Information according to the Annual Accounts Act on absence due to illness for different groups of employees is not provided, since the number of employees per group was less than ten.

Gender distribution among Company Management

At year-end, the Board of Directors consisted of eight men and two women. The Group management, including the President of the Parent Company, consisted entirely of men. Presidents of the subsidiaries included in the Group were also 100 percent men.

NOTE 26 WAGES, SALARIES AND OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	2006		2005	
	Wages, salaries and other remuneration	Social security expenses	Wages, salaries and other remuneration	Social security expenses
Parent Company	24	12	21	16
of which, pension expenses	–	4	–	7
Subsidiaries	1,342	303	1,168	268
of which, pension expenses	–	52	–	50
Group	**1,366**	**315**	**1,189**	**284**
of which, pension expenses	–	56	–	57

	2006			2005		
Group	President and Board of Directors	Of which variable remuneration	Other employees	President and Board of Directors	Of which variable remuneration	Other employees
Australia	1	0	44	1	0	44
Austria	–	–	32	–	–	26
Belgium	–	–	19	–	–	15
Brazil	–	–	7	–	–	7
Canada	–	–	7	–	–	6
China	1	0	6	1	0	5
Denmark	2	1	36	2	1	29
Finland	2	0	80	1	0	72
France	–	–	27	–	–	29
Germany	2	0	255	3	0	212
Indonesia	–	–	0	–	–	0
Italy	4	1	55	3	0	51
Japan	1	0	21	2	0	15
Korea	–	–	2	–	–	2
Mexico	–	–	13	–	–	9
Netherlands	2	0	30	1	0	23
New Zealand	–	–	0	–	–	0
Norway	1	–	93	1	0	90
Poland	0	0	2	0	0	2
Russia	–	–	0	–	–	–
Saudi Arabia	–	–	1	–	–	1
Singapore	1	0	3	1	0	3
South Africa	1	0	4	1	0	3
Spain	1	0	5	1	0	4
Sweden	6	1	140	6	1	131
Switzerland	–	–	10	–	–	9
Taiwan	–	–	1	–	–	0
Thailand	1	0	2	1	0	2
United Arab Emirates	–	–	1	–	–	0
United Kingdom	2	1	110	2	1	84
USA	6	2	326	3	1	285
Vietnam	–	–	1	–	–	–
	35	**8**	**1,331**	**30**	**6**	**1,159**
Of which Parent Company (Sweden)	6	1	18	6	1	15

NOTE 27 REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Remuneration and other benefits

Amounts in SEK 000s	Board fees	Basic salary	Variable remuneration	Other benefits	Pension expense	Total
Chairman of the Board	400	–	–	–	–	400
Other Board members	1,150	–	–	–	–	1,150
President (incoming)		1,215	596	38	364	2,213
President (departing)	–	1,326	482	53	627	2,488
Other senior executives	–	9,702	2,413	484	2,977	15,576
Total	**1,550**	**12,243**	**3,491**	**575**	**3,968**	**21,827**

The Board fee refers to both the fee to elected Board members and to the fee to the members of the Audit Committee, appointed at the Annual General Meeting in 2006.

The departing President was employed during the first five months of the year and the incoming President was employed during the last four months of the year.

The group "Other senior executives" refers to five persons and an additional person during the first two months of the year.

Variable remuneration for the 2006 fiscal year refers to expensed variable remuneration that will be paid during 2007. This also includes payments of subsidies during 2006 relating to the option program that matured during the year. The variable remuneration for the incoming President corresponds to 49 percent of the expensed salary and 36 percent for the departing President. For other senior executives, variable remuneration was between 20 and 45 percent.

Other benefits refers to company cars and meal benefits.

Pension expenses include costs for disability pension insurance and survivor annuity, etc. The amounts are stated excluding special employer's contribution on pension expenses.

Principles

Members of the Board of Directors receive remuneration according to the Annual General Meeting's decision. Employee representatives receive no remuneration.

Remuneration to the President and other senior executives consists of basic salary, variable remuneration, company car, and food expense benefits and a pension.

The division between basic salary and variable remuneration should stand in relation to the executive's responsibility and authority.

For the President, variable remuneration is a maximum of 50 percent of fixed salary. The variable remuneration is based on the Group's earnings per share.

For other senior executives, variable remuneration is maximized to between 30 and 70 percent of fixed salary. The variable remuneration is normally based on the improvement in relation to the preceding year for each individual's area of responsibility in terms of sales, operating earnings and capital turnover rate, as well as the outcome of individual activity plans. Variable remuneration is normally conditional upon achieving results that exceed the preceding year.

Pension

The retirement age for the President is 62 years and for other senior executives between 62 and 65 years. For the President and other senior executives in Sweden there is a defined-contribution plan. The contracted premium provision shall amount to between 20 and 35 percent, depending on age, of the pension entitling salary. Pension-entitling salary means basic salary. Funds are allocated monthly to insurance or funds and correspond on each occasion to the Company's commitments. The costs for transition from a defined-benefit to a premium-based pension plan are distributed over a five-year period up to March 2008 in an amount of SEK 67,000 on an annual basis. One senior executive, who is a US citizen, is covered by the general 401k pension plan plus a special premium-based pension plan. Funds are allocated monthly to a fund and correspond on each occasion to the Company's commitments. All pension plans are vested – that is, not conditional on future employment.

Severance pay

Between the Company and the President and other senior executives, there is a mutual termination period of 6 months. If employment is terminated by the Company, severance pay will be received amounting to 12 months' salary (18 months for the President). Severance pay is not considered pensionable income, except for the President, and is reduced by income from other employment. If the President or other senior executive takes the initiative in terminating employment, there is no severance pay.

Stock option programs

The incoming President and other senior executives have participated in the options program, approved by the Annual General Meeting during the past year. Options were acquired at market prices. The option premium for the program will be subsidized by 60 percent, subject to the option holder still being employed by the company at the time when the exercise period is reached.

Procedure and decision process

The Board of Directors has appointed a Remuneration Committee among its members consisting of Berthold Lindqvist and Sören Mellstig. The work of the Committee is presented in the report on corporate governance on page 35.

NOTE 28 OUTSTANDING INCENTIVE PROGRAMS

During the years from 2003 to 2004, and 2006, Munters implemented stock option programs directed to senior executives in the Group. The options for all outstanding stock option programs were purchased at a market premium, which is reported as an increase in the Company's equity. To cover the Company's commitments according to the stock option programs, own shares have been acquired, with the purchase price being reported as a reduction of the Group's equity. In the future when options are exercised, the subscription price received will be reported as an increase in Group equity. The option premium for all programs will be subsidized by 40 percent for the 2003-2004 start year and by 60 percent for the 2006 start year of the option premium in the form of a cash bonus, on condition that the option holder is employed at the time of the option's exercise period. The subsidy and associated social costs will be charged against consolidated earnings. Provisions for these subsidies amounted to SEK 2 M on the closing date, of which SEK 1 M was expensed during the year.

The change in the number of outstanding share options and their weighted average exercise price (SEK) are as follows:

	2006		2005	
	Average exercise price	Options	Average exercise price	Options
1 January	**278.66**	**220,100**	**214.58**	**422,800**
Issued	341.00	75,000	–	–
Utilized	226.00	–53,000	145.00	–202,700
Matured	315.00	–114,000	–	–
31 December	**304.61**	**128,100**	**278.66**	**220,100**

NOTE 28 CONT.

Starting year	Exercise period	Number of issued options	Number of out-standing options on closing date	Option premium, SEK	Exercise price, SEK
2003	1 Sep 2006–30 March 2007	63,600	10,600	15.80	226.00
2004	1 Sep 2007–30 March 2008	42,500	42,500	19.80	260.00
2006	1 Sep 2009–31 March 2010	75,000	75,000	32.80/19.10	341.00
		181,100	**128,100**		

During the year, the option program started in 2002 fell due for payment. None of the 114,000 options, with an exercise price of SEK 315, were utilized by option holders, since the exercise price exceeded the current share price.

During the year, the exercise period for the option program started in 2003 commenced. The average share price during the exercise period was SEK 293.51.

The fair value of options issued during the year, which was determined using an appropriate version of the Black-Scholes valuation model, was SEK 32.80 per option. Significant input in the model was the average highest and lowest prices paid during the period 28 April – 5 May 2006 of SEK 283.85, the above-mentioned exercise price, the options' exercise period according to the above, volatility of 22 percent, an annual risk-free interest with the same duration as the options of 3.46 percent and the estimated dividend for the 2006 to 2008 fiscal years. The volatility assumption was based on future assessments and the historic volatility of the Munters share. Furthermore, consideration was taken to the fact that the options have restricted liquidity. The exercise price corresponds to 120 percent of the average share price during the period 28 April – 5 May 2006. The incoming President acquired options at an exercise price of SEK 19.10. The control period for the exercise price was 24 – 31 May 2006, when the average price paid for the share was SEK 251.90. The input in the valuation model and the exercise price are the same as for other options.

Munters also subsidizes the acquisition of shares in Munters made by Group Management in October 2005. The subsidy means that during the period up to 31 December 2009 or at most to the termination of employment, Munters subsidizes the interest costs for loan financing of current acquisitions for senior executives. In October 2005, within the framework for the offering, other senior executives jointly acquired 35,000 shares at a cost of SEK 6,825,000. The incoming President is also included in this subsidy. During 2006, the incoming President acquired 12,000 shares at a cost of SEK 2,931,000.

NOTE 29 FEES TO AUDITORS

	Group		Parent Company	
Amounts in SEK 000s	2006	2005	2006	2005
Ernst & Young				
Audit	6,564	5,931	429	429
Other assignments	1,311	1,222	–	112
Other				
Audit	892	646	–	–
Other assignments	1,100	483	–	–
	9,867	**8,282**	**429**	**541**

An audit entails an examination of the annual report and accounts, as well as the management by the Board of Directors and the President, other tasks for which the Company's auditors are responsible for performing and providing advice and other council occasioned by this examination or the performance of other tasks. Other assignments relate mainly to consultation on taxation matters.

Proposed distribution of earnings

Future outlook

Munters commands a strong market position in its areas of operation and employs reorganization and efficiency-enhancement measures on an ongoing basis. Consequently, the outlook for a long-term favorable development is good.

Proposed distribution of earnings

The following earnings (SEK) are at the disposal of the Annual General Meeting:

Share premium reserve	2,117,500
Retained earnings	129,340,207
Net earnings for the year	936,590,747
Total	**1,068,048,454**

The Board of Directors proposed that earnings be distributed as follows:

Distributed to shareholders SEK 6.75 per share	166,014,563
Retained	902,033,891
Total	**1,068,048,454**

The Board of Directors has also proposed that the Annual General Meeting on 24 April 2007 shall decide on an automatic redemption of shares including the 4:1 share split whereby one share will be redeemed for SEK 20. Consequently, a total of approximately SEK 492 M will be distributed to shareholders in addition to the proposed cash dividend. The proposal includes a bonus issue aimed at restoring the share capital, whereby funds from unrestricted equity will be utilized.

Statement on proposed dividend and redemption process, in accordance with the Companies Act, Chapter 18, Section 4 and Chapter 20, Section 8

The Board of Directors has also proposed that the Annual General Meeting on 24 April 2007 shall decide on an automatic redemption of shares including the 4:1 share split, whereby one share will be redeemed for SEK 20, a reduction in share capital with repayment to shareholders and a bonus issue aimed at restoring the share capital, whereby funds from unrestricted equity shall be utilized. The proposed distribution and the proposed automatic redemption will reduce the Company's equity/assets ratio from 75 percent to 36 percent and the consolidated equity/assets ratio from 48 to 27 percent. The equity/assets level is satisfactory, given that the assessment that the operations of the Company and the Group operations can continue to be carried out while maintaining profitability. It is believed that the liquidity in the Company and the Group can also be maintained at a similarly satisfactory level.

The Company's equity includes no unrealized profit or loss due to financial instruments having been reported at market value.

It is the Board's opinion that the proposed dividend and the proposed redemption process would not prevent the Company or other companies in the Group from fulfilling their obligations in the short and the long term, nor from carrying out necessary investments. Consequently, the proposed dividend and the proposed redemption process can be justified with reference to the provisions of the Companies Act, Chapter 17, Section 3, Articles 2–3 (rule of prudence).

Regarding the consolidated earnings and position and the Parent Company's earnings and position otherwise, reference is made to the income statements and the balance sheets.

Assurance

The Annual Reports have, to the best of our knowledge, been prepared in accordance with generally accepted accounting principles for listed companies. The information presented accurately reflects actual circumstances and nothing of material significance has been omitted that could influence the view of the Company that is created by the Annual Report.

Sollentuna, 7 March 2007

Berthold Lindqvist *Chairman*	Anders Ilstam	Bengt Kjell
Eva-Lotta Kraft	Pia Nordqvist	Sören Mellstig
Sven Ohlsson	Mats Persson	Jan Svensson

Lars Engström
President

Our Auditor's report was submitted on 7 March 2007
Ernst & Young AB

Björn Fernström
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of Shareholders in Munters AB (publ)
Corporate Registration Number 556041-0606

We have examined the annual report, the consolidated accounts and accounting records, as well as the Board of Directors and the President's management of Munters AB (publ) for the fiscal year 2006. The Company's annual report and consolidated accounts are included in the printed version of this document on pages 1, 4–5, 8–31, and 38–65. The Board of Directors and the President are responsible for the accounts and management of the company and for ensuring that the Annual Accounts Act is applied in preparing the annual report, as well as that the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act are applied in the preparation of the consolidated accounts. Our responsibility is to state an opinion on the annual report, consolidated accounts, and management of the company based on our audit.

The audit was conducted in accordance with generally accepted auditing principles in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report and consolidated accounts do not contain material misstatement. An audit includes examining a selection of the supporting materials for amounts and other information in the accounting records. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as judging the significant estimates made by the Board of Directors and President when preparing the annual report and evaluating the overall presentation of information in the annual report and consolidated accounts. We examined significant decisions, actions, and conditions within the company in order to determine whether any liability towards the company exists on the part of any director or the President, and to determine whether they have otherwise acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the company's Articles of Incorporation. We believe that our audit provides reasonable grounds for the opinion stated below.

The annual report and consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act and thus provide a true and fair picture of the company's and the Group's results and financial position in accordance with generally accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance with the IFRS international accounting standards as adopted by the EU and the Annual Accounts Act, and provide a true and fair picture of the consolidated earnings and position. The Board of Directors' report is consistent with the other parts of the annual report.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, distribute earnings in the Parent Company as proposed in the Board of Directors' report, and discharge the directors and the President from liability for the fiscal year.

Stockholm, 7 March 2007
Ernst & Young AB

Björn Fernström
Authorized Public Accountant

GLOSSARY

Absolute humidity
The volume of water that air contains as generally measured in grams per kilogram of air.

Absorption
Accumulation of moisture, for example, by a substance, which then changes chemically or physically.

Adsorption
Accumulation of moisture, for example, by a substance, which does not change, either chemically or physically.

AgHort
Agriculture and Horticulture.

CELdek®
A product of specially impregnated cellulose for evaporation and cooling of air.

Cooling tower
A facility for evaporative cooling of water.

Dehumidification
A division within Munters whose products are based on dehumidification.

Dehumidifier
Equipment for dehumidification of air.

DesiCool™
A technology for cooling air through a combination of dehumidification and evaporative cooling.

Dew point
The temperature to which air must be cooled for the water vapor in the air to condense.

Evaporative cooling
Cooling that occurs when a liquid, such as water, evaporates.

FGD
Flue-gas desulfurization is a technology applied in coal-fired power plants to clean flue gases from sulfur emissions that cause so-called acid rain.

GLASdek®
A product of specially impregnated spun glass for humidification and cooling of air.

HumiCool
A division within Munters whose products are based on evaporative cooling and humidification.

Leak detection
A search method which exploits changes in moisture, temperature and sound waves that leaks cause.

Lithium chloride
A moisture absorbing substance that is used in sorption rotors.

MCS, Moisture Control Services
A division within Munters focused on moisture technology services with an emphasis on the restoration of water and fire damages.

Mist eliminator
A component for removing drops of liquid from a flow of gas.

Mollier diagram
A diagram that shows the correlation between absolute humidity, relative humidity, temperature and energy.

PowerPurge™
New patented technology to recover energy from the dehumidification process. By returning surplus heat from the dehumidification rotor to the regenerated air and simultaneously reducing the need for after cooling of the process air, energy costs can be reduced by up to 40%.

RH, Relative Humidity
Expresses the relationship between the water content of air at a given temperature and the maximum amount that the air can hold at the same temperature.

Silica Gel
A moisture-absorbing substance (silicon dioxide) that is used in sorption rotors.

Sorption rotor
A rotor for dehumidification through sorption.

The Humidity Expert
A concept for positioning Munters.

VOC
Volatile Organic Compounds.

Zeol
An operation within Munters focused on adsorption of VOC from air with zeolites, a substance that adsorbs VOC's.

DEFINITION OF FINANCIAL KEY FIGURES

Capital employed
Total assets minus non-interest-bearing provisions minus non-interest-bearing liabilities.

Capital turnover rate
Net sales divided by average capital employed calculated on the opening and closing balances for the last four quarters.

Cash and cash equivalents
Cash and bank balances plus current investments with maturity periods not exceeding three months.

Earnings per share
Net earnings divided by the weighted average number of shares.

EBIT margin
EBIT divided by net sales.

Equity per share
Equity (excluding minority interest) divided by the number of shares outstanding on the closing date.

Equity ratio
Equity (including minority) interest divided by total assets.

Interest coverage ratio
Earnings after financial items plus financial expenses (excluding exchange-rate differences) divided by financial expenses (excluding exchange-rate differences).

Net debt
Interest-bearing liabilities plus defined-benefit commitments to employees minus interest-bearing assets minus cash and cash equivalents.

Net debt/equity ratio
Net debt divided by equity (including minority interests).

Operating assets
Intangible assets excluding goodwill plus tangible assets plus inventories etc. plus accounts receivable.

Operating capital
Operating assets minus operating liabilities.

Operating cash flow
Cash flow from current operations and investing activities excluding acquisitions of operations and the sale of operating segments.

Operating earnings
Operating earnings corresponds to EBIT excluding goodwill impairments and surplus values depreciation.

Operating liabilities
Advances from customers plus accounts payable.

Operating margin
Operating earnings divided by net sales.

Operating working capital
Inventories etc. plus accounts receivable minus advances from customers minus accounts payable.

P/E (price/earnings) ratio
Share price on closing date divided by earnings per share.

Return on capital employed
Earnings after financial items plus financial expenses (excluding exchange-rate differences) divided by average capital employed calculated on the opening and closing balances the last four quarters.

Return on operating capital
Operating earnings divided by the average operating capital using the past 12 months' opening and closing balances as a base.

Return on equity
Net earnings divided by average equity calculated on the opening and closing balances of the last four quarters. Minority interest is excluded from earnings as well as shareholders' equity.

Board of Directors and Auditor

BERTHOLD LINDQVIST

Born 1938.
Chairman since 1997.

BSc Eng, MD Hon.

Background: Executive Vice President Wilh. Soneson AB, President and CEO Gambro AB.

Board member of Securitas AB, JM AB, Cardo AB, Trelleborg AB.

Shares held: 2,000 (directly and via company)

ANDERS ILSTAM

Born 1941.
Member since 2005.

Associate Engineer.

Background: President SKF Tools, CTT Tools, Sandvik Mining and Construction, and other companies.

Chairman of Beijer Electronics AB, Air Liquide AB and Grimaldi Industri AB. Board member of Seco Tools AB, Isaberg Rapid AB and Tylö AB.

EVA-LOTTA KRAFT

Born 1951.
Member since 2004.

MSc Chem Eng, MBA.

Background: Many years of international experience, including Sales engineer etc., AGA, Regional Manager Alfa Laval, Division Manager and Executive Vice President at Siemens-Elema AB, Department Manager FOI (The Swedish Defence Research Agency).

Board member of AB Ångpanne-föreningen and Karlstad University.

Shares held: 1,500

BENGT KJELL

Born 1954.
Member since 2003.

BSc from Stockholm School of Economics.

Executive Vice President of AB Industrivärden.

Background: Authorized Public Accountant, Head of Corporate Finance Securum, Senior Partner Navet AB.

Chairman of Kungsleden AB and Indutrade AB.

Board member of Helsingborgs Dagblad AB, Höganäs AB, Isaberg Rapid AB and Pandox AB.

SVEN OHLSSON

Born 1944.
Member since 1997.

Chairman of Audit Committee.

BSc Econ.

Background: President of Scancem among other executive positions.

Board member of Dacke PMC AB and Scan Coin AB.

Shares held: 2,000

JAN SVENSSON

Born 1956.
Member since 2004.

BSc Mech Eng and BSc Econ, the Stockholm School of Economics.

President and CEO of Investment AB Latour.

Background: President of AB Sigfrid Stenberg.

Board member of Loomis AB and Oxeon AB.

Shares held: 1,000

SÖREN MELLSTIG

Born 1951.
Member since 1997.

MSc Econ.

Background: CFO and Executive Vice President of Incentive, Area Manager Gambro Renal Products and Executive Vice President Gambro, CEO and President of Gambro AB.

Chairman of Aleris AB.

Board member of Ferrosan A/S, Palo DEx Oy and Eucomed.

Shares held: 6,800

MATS PERSSON

Born 1957.
Member since 2004.

Installer.

Employee representative appointed by the Swedish Trade Union Confederation.

PIA NORDQVIST

Born 1973.
Member since 2004.

IT Support.

Employee representative appointed by the Swedish Union of Clerical and Technical Employees in Industry.

TOMMY MORIN

Born 1951.
Deputy member since 2005.

Electrical designer and electrical safety officer.

Employee representative appointed by the Swedish Union of Clerical and Technical Employees in Industry.

KJELL WIBERG

Born 1958.
Deputy member since 2005.

Plumber.

Employee representative appointed by the Swedish Trade Union Confederation.

BOARD SECRETARY Peter Idsäter, Solicitor, born 1960. Partner Mannheimer Swartling Advokatbyrå AB.

AUDITOR Auditing firm Ernst & Young AB. Auditor since 2004. Supervising auditor: Björn Fernström. Authorized Public Accountant. Born 1950.

Information is as of 7 March 2007.

Group Management

LARS ENGSTRÖM

Born 1963.
President and CEO.

Employed since 2006.

MSc Mech Eng, Institute of Technology Linköping University.

Background: Various positions within Atlas Copco in Sweden and Australia, most recently as President of Atlas Copco Underground Rock Excavation Division.

Shares held: 12,000

Options: 25,000

JONAS SAMUELSON

Born 1968.
Chief Financial Officer,
Executive Vice President.

Employed since 2005.

MSc Busin. Admin., Gothenburg School of Economics and Business Administration.

Background: General Motors and Saab Automobile in Sweden and US. Most recently Executive Director Vehicle Sales, Service & Marketing Finance, General Motors North America.

Shares held: 9,000

Options: 10,000

MIKE MCDONALD

Born 1947.
President Dehumidification Division,
Group Vice President.

Employed since 1995.

BS Business Administration and Economics, Drury College, Senior Executive Development Program, Northwestern University.

Background: President of Reda Pump Company.

Shares held: 12,800

Options: 10,000

PER SEGERSTRÖM

Born 1956.
President HumiCool Division,
Group Vice President.

Employed since 2003.

MSc Mech Eng. The Royal Institute of Technology, Stockholm.

Background: Various positions within ABB in Sweden, Australia and Spain, most recently as Senior Vice President within the Substations business area.

Shares held: 3,000

JOHAN SÖDERSTRÖM

Born 1962.
President of MCS Division,
Group Vice President.

Employed since 2005.

MSc Mech Eng. Institute of Technology, Linköping University.

Background: Various positions within ABB, most recently as Senior Vice President in Automation Products and Low Voltage Products business area.

Shares held: 10,550

SÖREN SJÖSTRÖM

Born 1945.
Group Vice President Human Resources and Corporate Communications.

Employed since 2000.

BA Social Studies, Stockholm University.

Background: Various positions within Scania in Sweden, Argentina and Brazil, most recently as Director of Human Resources.

Shares held: 5,500

Lennart Evrell resigned as Board member at the 2006 Annual General Meeting and as President and CEO on 31 May 2006.

Munters conducts operations in 30 countries. By offering a broad range of services and selling products with several functions, thus increasing the value content, Munters can continuously increase its global market potential. Outside the prioritized markets, Munters works with strategic partners with respect to marketing, sales and service.

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