

MUNTERS ESTIMATES LOWER THAN PREVIOUSLY EXPECTED PROFITABILITY IN THE DATA CENTER BUSINESS AREA

Munters Group (MTRS), a global leader in energy efficient air treatment and climate solutions, estimates lower than previously expected profitability in the Data Center Business Area for Q4 2017 due to lower than expected production volumes and higher project start-up costs. Some start-up costs are expected to remain in Q1 2018.

As mentioned in Munters Q3 report, published on November 9, 2017, the Data Center Business Area is impacted by a delayed project start-up of a large European Data Center order received in the second quarter this year and that part of the revenue, previously scheduled in the fourth quarter this year, will be pushed into the first quarter 2018. In addition, the Q3 report stated that initial project costs had been higher than expected.

The above-mentioned project in Munters Data Center factory in Europe has continued to have lower than previously expected production volumes during November and early December as well as high project start-up costs which will impact Q4 2017 results more than previously anticipated. For this reason, Munters provides preliminary Q4 results for Business Area Data Center.

The Adjusted EBITA^[1] for Munters Business Area Data Centers in Q4 2017 is expected to be approximately SEKm -15 which is approximately SEKm 50 lower than previously estimated.

All other information related to Munters fourth quarter 2017 will be presented in Munters 2017 year-end report on 16 February 2018.

Looking at 2018, Munters are in a good position to improve performance in the Data Center Business. The Data Center cooling market (evaporatively assisted cooling) is expected to grow approximately 30 percent annually in the coming years. Munters sales pipeline continues to be strong and its order book, with deliveries mainly during the first six months of 2018, is approximately SEKm 700, which will support improved factory utilization. Munters sales growth for its Data Center business in Q1 2018 is estimated to be around the market growth rate and margins are expected to improve compared to Q4 2017, but with some start-up related costs remaining in Q1 2018.

“The production delays in our European Data Center factory has continued throughout November. Ramping up production volumes has taken longer than expected and the start-up costs have been higher than previously expected. Weekly production rates have been increasing through November and December, achieving target rates in the second week of December, but the shortfall in revenue compounded by reduced margins resulting from operational inefficiencies has had a damaging impact on profitability. The production is currently running at full speed but the profit impact from the lower volumes and higher costs during November means that Q4 results in our Data Center Business Area will be lower than previously expected.

It is no surprise that our fast-growing Data Center business is lumpy in nature and that order intake, net sales and margins show large variations on a quarterly basis. However, with our customized product designs, ramping up production capacity as well as managing project phasing has proven to be even more challenging than expected and the production volumes and profitability during 2017 has been far from acceptable. Improvements are needed in our Data Center operations and we will present, in connection with our Year End Results in February 2018, an action plan to manage this high growth area in a better way”, says John Peter Leesi, CEO Munters Group.

A telephone conference will be held 14 December at 08.30 CET. CEO John Peter Leesi and CFO Jonas Ågrup will respond to questions. To participate in the conference, call:

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About Munters Group

Munters is a global leader in energy efficient air treatment and climate solutions. Using innovative technologies, Munters creates the perfect climate for customers in a wide range of industries, the largest being the food, pharmaceutical and data center sectors. Munters has been defining the future of air treatment since 1955. Today, around 3,500 employees carry out manufacturing and sales in more than 30 countries. Munters reported annual net sales in 2016 of SEK 6 billion and is listed on Nasdaq Stockholm. For more information, please visit www.munters.com.

^[1] Operating profit, adjusted for amortizations and items affecting comparability. Munters believes that using adjusted EBITA is helpful in analysing our performance because it removes the impact of items from our operating results that, in our opinion, do not reflect our core operating performance.