Acquisition of Frank Mohn AS

- **Who is the typical customer?**
  Ship owners transporting products and chemicals are the actual decision makers driving demand. Other customers include shipyards, ship operators, oil companies, rig operators.

- **Are they only exposed towards Marine and Offshore?**
  Yes

- **What is the typical length of the backlog (expressed in LTM sales)?**
  It roughly corresponded to 1.65 times LTM sales by the end of 2013. Consequently this involves deliveries not only in 2014, but also in 2015 and in some cases even 2016.

- **How much of Frank Mohn’s installed base is covered by service contracts?**
  There are performance agreements covering about 50 percent of the installed base.

- **What are the typical lead times?**
  - **From when the yard gets the order until Frank Mohn gets it?**
    The lead time can be as short as two months for marine because this is one of the first items ordered.
  
  - **The typical time from when Frank Mohn gets an order until it is delivered?**
    Marine: 6-8 months  
    Oil and gas: 12-15 months.

- **Are cancellations frequent in this business?**
  No, the experience is that they are rare.

- **What does the acquisition imply for Frank Mohn’s operations going forward?**
  The activities will be kept together.

- **What will happen to Frank Mohn’s management?**
  They will continue to manage Frank Mohn’s operations.

- **What are the estimated synergies of the acquisition?**
  Synergies are are expected to reach about NOK 120 million annually, gradually realized over a three-year period.

- **Synergies – what is the split between cost and sales?**
  The bulk relates to purchasing and logistics, i.e. the cost side.

- **Will you initiate any program to reduce the cost?**
  No cost-cutting program is planned. This is an activity with very high performance. However, we do expect that we will be able to reduce cost by consolidating our purchasing volumes.
How will Frank Mohn’s operations be integrated in Alfa Laval’s reporting?
It will be reported as a business segment inside the Marine & Diesel division for capital sales. The aftermarket will be reported in the MDD Service segment.

Pro forma numbers, with the new structure?

<table>
<thead>
<tr>
<th>2013 (SEK mln)</th>
<th>Actuals</th>
<th>pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>30,335</td>
<td>36,845</td>
</tr>
<tr>
<td>Order backlog</td>
<td>14,568</td>
<td>20,477</td>
</tr>
<tr>
<td>Net invoicing</td>
<td>29,934</td>
<td>33,572</td>
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How is the transaction financed?
Financing is secured by existing credit facilities and a fully committed bridge facility.

What will Alfa Laval’s net debt be, post transaction?
Alfa Laval’s net debt/EBITDA pro forma is expected to be approximately 2.5x post the acquisition.

What does it mean from a net debt/equity perspective?
The immediate impact would be a net debt to equity in the region of 1.0

What does your covenants look like?
We will be within the boundaries of the covenants for existing facilities i.e. below 2.75 debt/EBITDA, below 1.75 debt/equity and interest cover is above 3.

What financial impact will the acquisition have on Alfa Laval?
Acquisition intangibles are estimated to amount to 11.6 SEK bn. A positive contribution to earnings per share is expected with immediate effect.

What will the impact be on Alfa Laval’s margins?
Frank Mohn’s operating margins are significantly higher than Alfa Laval’s average, which implies a somewhat higher operating margin for the group going forward.

How much of step up amortization can be expected on a quarterly basis?
Approximately SEK 120 million per quarter.