



Q&A

April 7, 2014

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 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?**

	<u>2013 (SEK mln)</u>	
	Actuals	pro forma
Orders received	30,335	36,845
Order backlog	14,568	20,477
Net invoicing	29,934	33,572

■ **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.