

**Report by the Board of Directors, in accordance with section 10.3 of the Swedish Corporate Governance Code, on the remuneration committee's evaluation of compensation to senior management**

The Board of Directors of Alfa Laval AB (publ) has established a Remuneration Committee which since the Annual General Meeting 2010 consists of Anders Narvinger, also Chairman of the Committee, and of Jörn Rausing and Björn Hägglund. The Remuneration Committee's tasks are, among other things, to monitor and evaluate all programs for variable compensation for senior management, to monitor and evaluate the application of the company's guidelines for compensation to senior management and the current compensation structures and levels of compensation in the company. In accordance with section 10.3 of the Swedish Corporate Governance Code, the Board of Directors hereby gives the following report on the result of the Remuneration Committee's evaluation.

During 2010, the Remuneration Committee has monitored and evaluated the company's programs for variable compensation to senior management and the guidelines for compensation to senior management. At the meeting of the Remuneration Committee held on December 17, 2010, the preliminary outcome of the programs for variable compensation to senior management was presented and it was thereafter established that the programs have been appropriate, and just like other compensation obtained by senior management in 2010, been in accordance with the guidelines adopted by the Annual General Meeting. Furthermore, in light of the described outcome, it was established that the guidelines have well served their purposes and have worked as intended. The Committee thus assesses that the application of the guidelines for compensation to senior management has been correct. The Remuneration Committee has also monitored and evaluated the compensation structures and compensation levels in the company and finds these, with exception of the long-term program, to be well-balanced and in accordance with market conditions.

During the Remuneration Committee's evaluation of the long-term incentive program it was noted that the outcome historically has not reached the Remuneration Committee's anticipated result. The Remuneration Committee will therefore propose that the Annual General Meeting resolves upon certain changes to reach a higher balance between the individual annual variable compensation and the long-term incentive program.

Lund, March 2011

The Board of Directors of Alfa Laval AB (publ)