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Introduction by the Chairman of the Board

Alfa Laval has a clear strategy – to create profitable growth by capitalizing on the structural changes we observe with respect to energy, the environment, food and increasing globalization. Alfa Laval's end markets are all linked to these areas in one way or another.

We are working to achieve organic growth by strengthening our presence in fast-growing regions, where an improved standard of living has driven – and continues to drive – the expansion of the food sector. We are also taking initiatives to strengthen our presence in the energy sector, partly in response to external forecasts of growing energy needs and partly to enable a more efficient use of energy. We are developing new products to meet more stringent environmental regulations and supplementing our operations through acquisitions in areas where we have identified advantages to adding a new market channel or a broader product portfolio. During the year, this strategy resulted in Alfa Laval's largest acquisition to date: Frank Mohn AS. The company is a world-leading supplier of pumping systems for applications in the marine and offshore markets – for example, loading and unloading liquid cargo aboard product and chemical tankers. The acquisition complemented Alfa Laval's offering to the marine industry, which benefits as an increasingly globalized world with growing world trade, contributes to a greater need for transportation.

In parallel with this focus on growth, we always strive to become more productive. Along with the acquisition of Frank Mohn AS, productivity improvements – achieving more for less – were a key feature of the work of the Board during the year. For example, we announced a cost-cutting program, focusing on structural changes, as well as sales and administration. As a result of these adjustments and the company's competitive offering, we believe that Alfa Laval is extremely well positioned for the future.

The work of the Board has also focused on the Group's ongoing financial and operational development. The common thread to all of the items addressed by the Board during the year is that our discussions and decisions have focused on the same overall goal: that Alfa Laval display profitable growth by remaining a world-leading player in the areas of heat transfer, separation and fluid handling. In presenting this report, our aim is to show that our decision-making processes, division of responsibilities and control activities – both in the Board and in the company's operating activities – ensure that our path toward achieving this goal is in line with the prevailing laws and regulations and with Alfa Laval's business principles.

Lund, February 2015

Anders Narvinger
Chairman of the Board



Corporate Governance Report 2014

Alfa Laval is to be governed in a manner that is sustainable from a long-term perspective taking its shareholders, employees, customers, suppliers and other stakeholders into consideration. This requires clear goals, guidelines and strategies, as well as truly putting into practice the company's business principles regarding the environment, human rights, ethics and transparency. This report describes the regulations, guidelines, legislation and policies to which Alfa Laval is subject, the division of responsibility within the company and the actions and interaction of its decision-making bodies – the Annual General Meeting, the Board of Directors and the President.

Introduction to Alfa Laval

Vision

To "help create better everyday conditions for people" by offering efficient and environmentally responsible products and solutions in the three key technologies of heat transfer, separation and fluid handling.

Business concept

Based on its three key technologies, Alfa Laval offers products and solutions that "optimize the performance of customers' processes, time and time again." In reality, this involves helping customers become more productive, energy-efficient and competitive.

Financial goals

Alfa Laval is a result-oriented company with clear financial goals. Alfa Laval's operations are therefore governed not only to meet the business concept, but also to reach the financial goals established with regard to growth, profitability and return. By achieving, or even exceeding, these goals, Alfa Laval creates the necessary scope for its continued development in line with its strategic priorities. A favorable result also generates value for its shareholders in the form of an annual dividend and by boosting the value of the company.

Strategy

In order to achieve its vision, fulfill its business concept and attain its financial goals, Alfa Laval has established a number of strategic priorities. These include expanding the Group's product offering and market presence – mainly organically, but also through acquisitions – as well as strategies for increased efficiency.

The path to goal achievement

Equally as important as achieving the goals and fulfilling the Group's business concept are the conduct of the company and its employees along the way. As a public company, Alfa Laval's corporate governance is subject to a number of laws and regulations, the most important of which include the Swedish Companies Act, the Swedish Annual Accounts Act, the rules of the stock exchange and the Swedish Corporate Governance Code (the "Code"). The company also has internal regulations, including governing documents, such as guidelines and instructions, as well as procedures for control and risk management. The work of the Board and the President is governed by formal work plans. And Alfa Laval's business principles permeate the entire operations. All Alfa Laval employees are expected to be familiar with these prin-

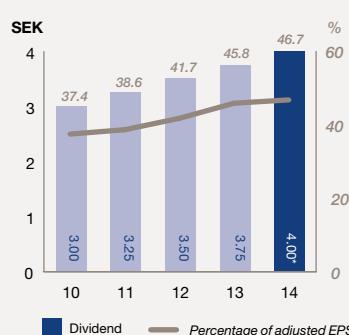
ciples and use them as a basis for their own actions. Read about the business principles at www.alfalaval.com.

Alfa Laval's 2014 Corporate Governance Report was reviewed by the company's auditor.

Share and ownership structure

At December 31, 2014, Alfa Laval had 419,456,315 shares outstanding, allocated among 40,505 shareholders according to Euroclear Sweden's shareholders' register. Each share corresponds to one vote. Tetra Laval was the largest shareholder, with 26.1 percent of the shares at year-end, and the only owner with a stake larger than 10 percent. The second largest owner was Alecta Pensionsförsäkring with 6.5 percent, followed by Foundation Asset Management with a holding of 6.0 percent. Legal entities accounted for slightly more than 93 percent of holdings, while individuals accounted for the remainder. From a geographic perspective, the following countries represented a total of 94.2 percent of the shareholdings: Sweden, the Netherlands, the US, the UK and Luxembourg. For more information about Alfa Laval's share and ownership structure, refer to the Share section on pages 16 and 17.

Dividend and percentage of adjusted EPS**



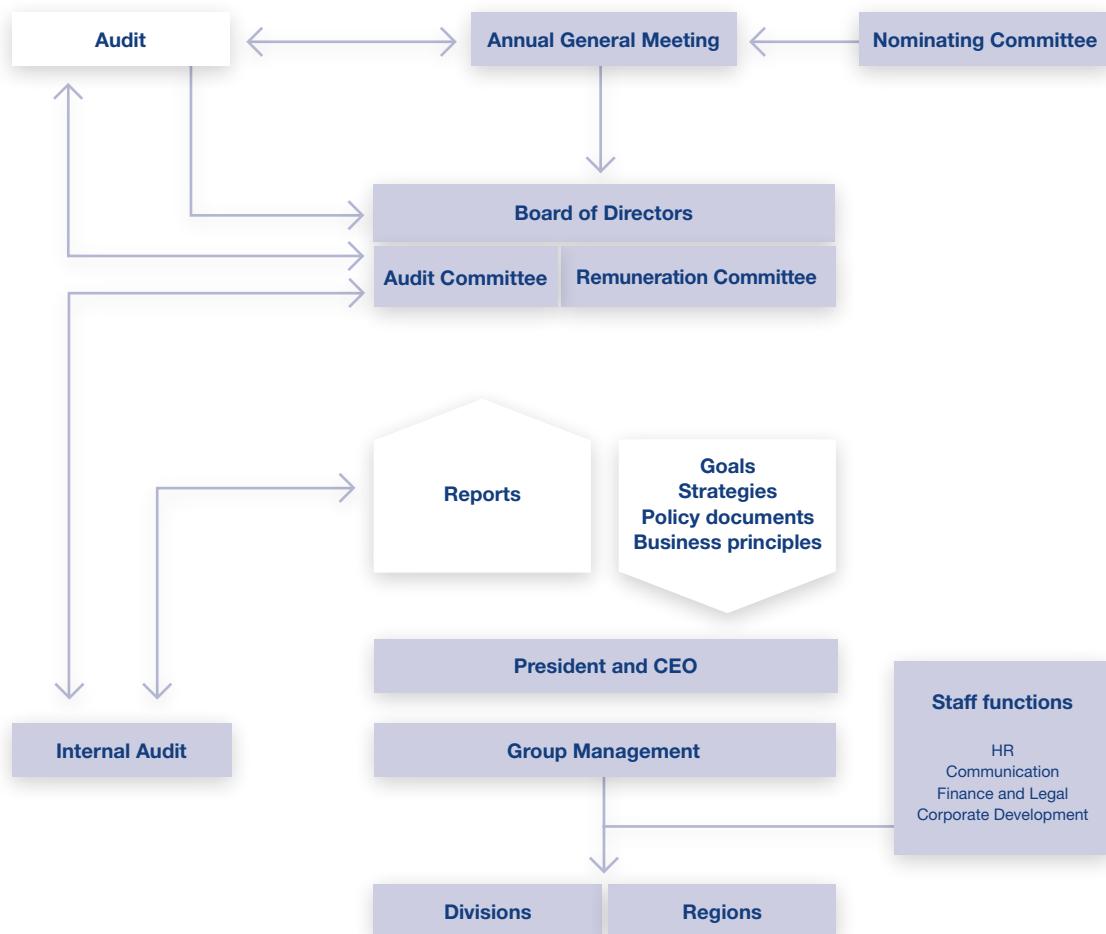
Ten largest shareholders at December 30, 2014*

	No. of shares	Capital/voting rights, %	Change in holding in 2014, percentage points
Tetra Laval BV	109,487,736	26.1	+/- 0
Alecta	27,111,000	6.5	0.2
Foundation Asset Management AB	25,100,000	6.0	+/- 0
Swedbank Robur Funds	24,845,024	5.9	-0.5
AMF Insurance and Funds	22,829,625	5.4	1.5
Nordea Investment Funds	7,710,308	1.8	-0.3
Fourth Swedish Pension Insurance Fund	5,075,100	1.2	0.2
Handelsbanken Funds	3,793,837	0.9	+/- 0
Second Swedish Pension Insurance Fund	3,519,179	0.8	0.3
Folksam	3,158,203	0.8	+/- 0
Total ten largest shareholders	232,630,012	55.5	

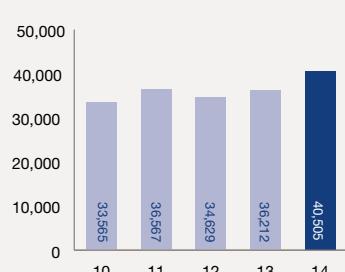
* The table is adjusted for custodian banks. Were they to be included, they would represent a total holding of 3.4%.

**Adjusted for step-up amortization.

Corporate governance



Total number of shareholders



Alfa Laval – the company



The registered name of the company is Alfa Laval AB (publ) and the registered office of the Board of Directors shall be in Lund Municipality in Sweden. The company's share capital shall amount to not less than SEK 745,000,000 and not more than SEK 2,980,000,000. The number of shares shall be not less than 298,000,000 and not more than 1,192,000,000. The fiscal year is the calendar year. The objective of the company's operations is to, directly or through subsidiaries and joint venture companies in and outside Sweden, develop, manufacture and sell equipment and installations, primarily in the areas of separation, heat transfer and fluid handling, and to administer fixed and movable property, and other related operations. The Articles of Association do not include any limitations regarding the number of votes a shareholder can cast at a General Meeting. Nor does it include any specific rules regarding the appointment and dismissal of Board members or changes in the Articles of Association. The currently prevailing Articles of Association were adopted at the Annual General Meeting on April 20, 2009 and are available in their entirety on www.alfalaval.com.

Annual General Meeting

The Annual General Meeting is Alfa Laval's highest decision-making body in which all shareholders are entitled to participate and each share entitles its holder to one vote. The majority of proposals addressed at the Annual General Meeting are decided by a simple majority. However, certain points require a qualified majority, for example, amendments to the company's Articles of Association or resolutions to buy back shares. The Annual General Meeting is to be held annually within six months of the close of the fiscal year in either Lund or Stockholm. Normally, the Annual General Meeting takes place in late April or early May in Lund. The date and location are announced not later than in conjunction with the publication of the interim report for the third quarter. To be entitled to participate and vote in the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by Euroclear Sweden AB. Any shareholder who is unable to attend in person, may participate through a proxy with a power of attorney. Shareholders with nominee-registered shares must have the shares temporarily registered under their own name. The Annual General Meeting is held in Swedish and all documentation is available in Swedish and English. Alfa Laval endeavors to ensure that all Board members participate, as well as, in so far as it is possible, all members of Group management. The company's auditors are always present.

Annual General Meeting for the 2013 fiscal year

The Annual General Meeting for the 2013 fiscal year was held at Färs och Frosta

Sparbank Arena in Lund on April 28, 2014. The Annual General Meeting was attended by 411 people, including shareholders, proxies, assistants, guests and officials. The total number of votes represented was 62.6 percent. Chairman of the Board Anders Narvinger was elected as the Meeting Chairman. The minutes from the Annual General Meeting, and all other information related to the Meeting, are available at <http://www.alfalaval.com/about-us/investors/pages/investors.aspx>. The resolutions passed at the Meeting included the following:

- A resolution was passed to adopt the income statement and balance sheet and discharge the Board of Directors and President from liability.
- A resolution was passed in accordance with the Board's motion that a dividend of SEK 3.75 per share be paid for the 2013 fiscal year.
- A resolution was passed to re-elect Board members Gunilla Berg, Arne Frank, Björn Hägglund, Anders Narvinger, Finn Rausing, Jörn Rausing, Lars Renström, Ulla Litzén and Ulf Winberg. In addition, a resolution was passed in favor of the Nominating Committee's proposal for auditors. Authorized public accountants Håkan Olsson Reising and Helene Willberg were elected for the coming year. In addition, auditors David Olow and Duane Swanson were elected as deputy auditors for the company.
- A resolution was passed that fees paid to non-executive directors on the Board

amount to SEK 4,575,000. In addition, fees are payable for work on the Board's committees.

- A resolution was passed accepting the Board's motion for remuneration principles for senior executives. These principles comprise fixed remuneration and short-term and long-term programs for variable remuneration.

Nominating Committee

Work of the Nominating Committee

The Nominating Committee prepares and submits proposals regarding candidates for Board members and, if applicable, auditors. The supporting documentation utilized for the Committee's work includes the annual evaluation of the work of the Board, which is initiated by the Chairman of the Board. Other key factors to be considered, against the background of the company's strategy, include the type of competence required. The Nominating Committee can call upon the assistance of external resources in its search for suitable candidates and can also conduct interviews with individual Board members. Its duties also comprise the submission of motions in respect of remuneration to members of the Board and its committees.

Composition

The composition of the Nominating Committee is determined in accordance with the process approved by the Annual General Meeting.

This means that the Chairman of the Alfa Laval Board contacts representatives of the largest shareholders at the end of the third quarter and requests that they each appoint one member of the Nominating

Composition of the Nominating Committee for the 2015 Annual General Meeting

Name	Representing	Shareholding in Alfa Laval, %*
Jörn Rausing	Tetra Laval	26,1
Claes Dahlbäck	Foundation Asset Management	6,0
Jan Andersson	Swedbank Robur Funds	6,0
Ramsay Brufer	Alecta	5,8
Lars-Åke Bokenberger	AMF Insurance and Funds	4,8

* As of September 30, 2014.

Proposals to the Nominating Committee

Shareholders wishing to submit proposals to the Nominating Committee prior to the Annual General Meeting may contact Alfa Laval's Board Chairman Anders Narvinger, or one of the owner representatives. Contact may also be made directly by e-mail at valberedningen@alfalaval.com

Committee. The Nominating Committee may then decide whether or not to include the Chairman of the Board or other Board members.

Once the composition of the Nominating Committee has been established, an announcement is made in a press release, the third-quarter interim report and on Alfa Laval's website. Ahead of the 2015 Annual General Meeting, the composition of the Nominating Committee was announced on October 15, 2014. It was also included in Alfa Laval's third-quarter interim report, which was published on October 28.

Ahead of the Annual General Meeting for the 2014 fiscal year

The following individuals comprise the Nominating Committee for the Annual General Meeting for the 2014 fiscal year: Jörn Rausing (appointed by Tetra Laval), Jan Andersson (appointed by Swedbank Robur Funds), Ramsay Brufer (appointed by Alecta), Claes Dahlbäck (appointed by Foundation Asset Management) and Lars-Åke Bokenberger (appointed by AMF). The holdings of the Nominating Committee represented 48.7 percent of the number of shares outstanding at September 30, 2014. The Chairman of the Board Anders Narvinger was elected as member and secretary, and Jörn Rausing was elected as Chairman of the Nominating Committee. Due to Jörn Rausing's position as a Board member, his role as Chairman is considered a deviation from the Code. The reason for this deviation is that the Nominating Committee deemed Jörn Rausing to be particularly well-suited to lead the work of the Committee and obtain the best possible results for the company's owners.

Work of the Nominating Committee ahead of the Annual General Meeting

The Nominating Committee held three meetings ahead of the Annual General Meeting for the 2014 fiscal year and conducted a number of discussions by phone and e-mail. The focus of the Committee's meetings included an assessment of the potential future competence requirements of the Board.

Board of Directors

Work and responsibilities

The Board bears the ultimate responsibility for the organization and administration of the company. Its work and responsibilities are governed by the Swedish Companies Act, the Swedish Board Representation (Private Sector Employees) Act, the Articles of Association, the Board's own formal work plan, Nasdaq's Rule Book for Issuers and the Code. The Board prepares and evaluates Alfa Laval's overall long-term objectives and strategies, which include establishing business and financial plans, reviewing and approving financial statements, adopting guidelines, making decisions on issues relating to acquisitions and divestments, and deciding on major investments and significant changes to Alfa Laval's organization and operations. The Board also establishes the instructions for the chief executive officer with respect to the Group's daily operations and, through the Audit Committee, procures auditing services and maintains ongoing contact with the company's auditors. In addition, the Board works to ensure that the company has a sound internal control function and formalized procedures.

The Board also appoints the President and, through the Remuneration Committee, determines salaries and remuneration for the President and senior executives.

Composition

The Board of Directors is to comprise a minimum of four and maximum of ten members, with a maximum of four deputy members. At present, the Board comprises nine members and no deputies. The members are elected annually for the period until the conclusion of the next Annual General Meeting and are obligated to dedicate the requisite time and diligence to the assignment, as well as have the necessary knowledge to best look after the interests of the company and its owners. In addition, the trade-union organizations appoint three employee representatives and three deputy employee representatives. Salaried employees in the company are invited to Board meetings as presenters and experts. The company's Chief Financial Officer participates in all meetings and Alfa Laval's Chief Legal Counsel serves as Board Secretary.

Independence of Board members

All members of the Alfa Laval Board elected by the Annual General Meeting are considered independent of the company, except Lars Renström, who is President and CEO of the company. All members are also considered independent of the company's major shareholders, except Finn Rausing, Jörn Rausing and Lars Renström, who cannot be considered independent due to their relation to Tetra Laval, which, on December 31, 2014, owned 26.1 percent of the shares in the company.

Annual General Meeting for the 2014 fiscal year

The Annual General Meeting of Alfa Laval AB (publ) will be held on Thursday, April 23, 2015 at 4:00 p.m. at Sparbanken Skåne Arena, Klostergården's sports area, Stattenvägen, in Lund. Light refreshments will be served after the Meeting. In accordance with the company's Articles of Association, notice of the Annual General Meeting will be inserted as an announcement in the Swedish Official Gazette and on the company's website not more than six and not less than four weeks prior to the Meeting. An announcement that the notification has been issued will be placed in *Dagens Nyheter*. As a service to existing shareholders, information about the Annual General Meeting can be sent to them by mail.

Board training

Each year, a combined training course and field trip takes place at one of Alfa Laval's facilities. In 2014, the trip had as its destination Alfa Laval's facilities in Tumba and Eskilstuna.



The Board's formal work plan

The work of the Board is governed by a formal work plan that is determined annually at the statutory meeting. This formal work plan describes the Board's work assignments and the division of responsibility between the Board, the committees and the President. It also defines the role of the Chairman of the Board and includes a separate instruction for the company's President regarding the financial reporting to be submitted to the Board to enable ongoing assessment of the financial position.

Work of the Board in 2014

A total of 10 Board meetings were held in 2014, eight of which were scheduled meetings. Three meetings were held by phone and one per capsulam, and the other meetings were held in Lund, Stockholm and Eskilstuna. The normal agenda items addressed at Board meetings include earnings results, order trends, investments and acquisitions. The company's President prepares an agenda for each meeting in consultation with the Chairman of the Board. Board members who want to discuss a particular matter must inform the Chairman of the Board well in advance, so that the necessary material on which to base decisions can be prepared. Notices of meetings, including the meeting agenda and the requisite information or documentation on which to base decisions, must reach the Board members not later than one week prior to the date of the meeting. Decisions are made based on open discussions led by the Chairman.

Board training

All new Board members receive a comprehensive introduction program. In addition, each year, a combined training course and field trip takes place at one of Alfa Laval's facilities. In 2014, the trip had as its destination Alfa Laval's facilities in Tumba and Eskilstuna, Sweden.

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Evaluation of the Board's work

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board. The evaluation focuses on the Board's work methods, its work climate and its access to and need for particular Board competence. The goal is to ensure a well-functioning Board. The evaluation forms part of the supporting documentation for the Nominating Committee when nominating Board members and proposing remuneration levels.

Responsibilities of the Chairman of the Board

The Chairman of the Board directs the work of the Board in a manner that ensures it complies with the Swedish Companies Act, the Articles of Association, the formal work plan of the Board and the Code. The Chairman must ensure that the work is well organized and conducted efficiently, so that the Board fulfills its tasks. In dialog with the company's President, the Chairman monitors operational developments. He is also responsible for ensuring that the other members continuously receive all information necessary for the work of the Board to be performed in the most effective manner. In addition to being responsible for evaluating the Board's work, the Chairman participates in evaluation and development matters with respect to the Group's senior executives. The Chairman also ensures

that the Board's decisions are executed and represents the company in ownership issues.

Remuneration of the Board

Remuneration to the Board is determined by the Annual General Meeting based on the motions submitted by the Nominating Committee. The Chairman and members of the Audit Committee and the Remuneration Committee receive supplementary remuneration. No Board member is entitled to pension payments from the company.

Committees

Alfa Laval's Articles of Association stipulate that there must be a Remuneration Committee and an Audit Committee that report to the Board. Committee members are appointed from among the Board members for a period of one year.

Audit Committee

Areas of responsibility

The Audit Committee's tasks include ensuring compliance with the principles for financial reporting and internal control. The Committee formulates guidelines for the company's financial reporting and follow-up, and has the right to determine the focus of the internal audit. The Committee also examines the procedures for reporting and financial controls, as well as the work, qualifications and independence of the external auditors. For further information regarding the responsibilities of the Audit Committee, refer to "The Board of Directors' report on internal control" on page 57.

Members and meetings in 2014

Members are appointed annually at the

Remuneration of Board members and attendance at Board meetings

● Chairman

		Board of Directors	
		Present	Remuneration
Appointed by the Annual General Meeting	Anders Narvinger	● 9	1,250,000
	Gunilla Berg	8	475,000
	Arne Frank	8	475,000
	Björn Hägglund	9	475,000
	Ulla Litzén	8	475,000
	Finn Rausing	9	475,000
	Jörn Rausing	9	475,000
	Lars Renström	9	
	Ulf Wiinberg	8	475,000
	Total		4,575,000
Employee representatives	Jan Nilsson	9	
	Susanna Norby	9	
	Bror Garcia Lantz	9	
	Number of meetings	9	

Board's statutory meeting. In 2014, the Committee comprised Finn Rausing (Chairman), Gunilla Berg and Ulla Litzén. Alfa Laval's Chief Legal Counsel served as the Committee's secretary. Four meetings were held in 2014, one of which was conducted by phone. The company's Chief Financial Officer, the Head of the Internal Audit Function and the company's auditors were also present at the meetings. During the year, the following items were dealt with at the Committee meetings: review of the procedures for corporate governance, review and follow-up of the results of the current annual feedback from approximately 200 managers regarding controls, updates regarding new IFRS developments, amendments to the Code, and a review of Group provisions and allocations.

Remuneration Committee

Areas of responsibility

The Remuneration Committee is involved in recruitment, appointments, and matters pertaining to other conditions of employment relating to the President or members of Group management. The Committee's assignment is to prepare the guidelines for remuneration to senior executives to be resolved on by the Annual General Meeting and to submit proposals to the Board of Directors regarding salary and employment terms for the President. In addition, the Committee addresses matters regarding salary and employment terms for senior executives who report directly to the President.

Members and meetings in 2014

The Remuneration Committee is appointed annually at the Board's statutory meeting. In 2014, the Committee comprised Anders

Narvinger (Chairman), Jörn Rausing and Arne Frank. The Remuneration Committee held three meetings, which were attended by all members. Phone meetings were also held to address ongoing issues. Separate minutes are taken at all meetings and the contents are distributed to the Board members, except in certain cases when the minutes are noted directly in the corresponding Board minutes. The meetings of the Committee included a review and follow-up of the guidelines for remuneration to senior executives, other Group guidelines and international issues pertaining to this area, as well as personnel issues related to the integration of acquired companies. The Committee also reviewed the Group's management development program and terms of employment for Group management, as well as addressing the Group's incentive program.

The company's auditors

The auditors comprise a supervisory body appointed by the Annual General Meeting. Their assignment includes the following: auditing the accounting and financial statements of individual companies, evaluating the accounting policies applied, assessing the administration of company management, reviewing the interim report for the third quarter and evaluating the overall presentation in the Annual Report. The result of the audit – the Audit Report – is communicated to shareholders in the Annual Report and at the Annual General Meeting. In addition, the auditors present a statement regarding the discharge from liability of the Board of Directors, a statement regarding the adoption of the income statement and balance sheet by the Annual General Meeting and a state-

ment regarding the Corporate Governance Report. The Group must have a minimum of one and maximum of two auditors, with not more than two deputy auditors. An authorized public accountant or registered auditing firm is to be appointed as the company's auditor and, where applicable, as deputy auditor.

At the Annual General Meeting on April 28, 2014, authorized public accountants Håkan Olsson Reising and Helene Willberg were elected as the company's auditors. David Olow and Duane Swanson were elected as deputy auditors. According to Alfa Laval's assessment, none of these auditors has any relationship to Alfa Laval, or any company related to Alfa Laval, that could affect their independent status. In 2014, the entire Board received reports from the company's external auditors on two occasions. On one occasion, this occurred without the presence of the President or other members of Group management. The Audit Committee received separate reports on four occasions.

Remuneration to auditors

(Refer to Note 7 on page 109).

Remuneration and attendance at Committee meetings

● Chairman

	Name	Remuneration Committee		Audit Committee	
		Present	Remuneration	Present	Remuneration
Appointed by the Annual General Meeting	Anders Narvinger	● 3	50,000		
	Gunilla Berg			4	100,000
	Arne Frank	3	50,000		
	Björn Hägglund				
	Ulla Litzén			4	100,000
	Finn Rausing			● 4	150,000
	Jörn Rausing	3	50,000		
	Lars Renström				
	Ulf Winberg				
	Total		150,000		350,000
Employee representatives	Jan Nilsson				
	Susanna Norrby				
	Bor Garcia Lantz				
	Number of meetings	3		4	

Board of Directors and auditors



Appointed by the Annual General Meeting

①

Anders Narvinger

Chairman since 2003.

Born: 1948.

Formerly President of Teknikföretagen and formerly President and CEO of ABB Sweden.

Education: BSc, Eng. from the Faculty of Engineering at Lund University, BSc, Econ from Uppsala University.

Chairman of the Board: ÅF AB, Coor Service Management AB and Capio AB.

Board member: JM AB and Pernod Ricard SA.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 40,000* (40,000**).

②

Gunilla Berg

Board member since 2004.

Born: 1960.

CFO of the PostNord Group.

Former positions include Executive Vice President and CFO of the SAS Group and Executive Vice President and CFO of the KF Group.

Education: BSc, Econ from the Stockholm School of Economics.

Board member: Vattenfall AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 3,400* (3,400**).

③

Björn Hägglund

Board member since 2005.

Born: 1945.

Former positions include Deputy CEO of Stora Enso.

Education: PhD (For.)

Chairman of the Board: SweTree Technologies.

Board member: among others, Bergvik Skog AB, the Knut and Alice Wallenberg Foundation, the UN Global Compact and AB Karl Hedin.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 12,000* (12,000**).

④

Ulla Litzén

Board member since 2006.

Born: 1956.

Former positions include President of W Capital Management and various executive positions at Investor.

Education: BSc, Econ from the Stockholm School of Economics, MBA from the Massachusetts Institute of Technology.

Board member: among others, Atlas Copco AB, Bolden AB, Husqvarna AB, NCC AB and SKF AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 15,600* (15,600**).

⑤

Finn Rausing

Board member since 2000.

Born: 1955.

Education: B.L., MBA from INSEAD.

Board member: Tetra Laval Group, De Laval Holding AB, EQT Holdings AB and Swede Ship Marine AB.

Independent of company.

⑥

Lars Renström

Board member since 2005.

Born: 1951.

President and CEO of Alfa Laval.

Education: Eng., BSc, Econ.

Chairman of the Board: ASSA ABLOY AB

Board member: Tetra Laval Group.

Number of shares in Alfa Laval: 40,400* (40,400**).

Deputy employee representatives

⑦

Ulf Wijnberg

Board member since 2013.

Born: 1958.

Former CEO of H. Lundbeck A/S. Former positions include director of Wyeth Pharmaceuticals, EMEA/Canada & BioPharma, and a number of other senior positions in Wyeth.

Chairman of the Board: Avillion, a pharmaceutical development company.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 20,000* (0**).

⑧

Arne Frank

Board member since 2010.

Born: 1958.

President and CEO of AAK AB.

Education: BSc, Eng. in industrial economics from Linköping Institute of Technology.

Chairman of the Board: Inwido AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 16,000* (16,000**).

⑨

Jörn Rausing

Board member since 2000.

Born: 1960.

Head of Mergers and Acquisitions (M&A) in the Tetra Laval Group.

Education: BSc, Econ.

Board member: The Tetra Laval Group, Ocado Ltd. and De Laval Holding AB.

Independent of company.

Employee representatives

⑩

Jan Nilsson

Employee representative since 2000.

Born: 1952.

Employed by Alfa Laval since 1974.

Employee representative for the Swedish Metal Workers' Union (IF Metall).

⑪

Susanna Norrby

Employee representative since 2003.

Born: 1967.

Employed by Alfa Laval since 1992.

Employee representative for the Swedish Association of Graduate Engineers (CF).

Number of shares in Alfa Laval: 5,000* (5,000**).

⑫

Bror García Lantz

Employee representative since 2012.

Born: 1965.

Employed by Alfa Laval since 1990.

Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

Deputy employee representatives

Henrik Nielsen

Deputy member since 2008.

Born: 1968.

Employed by Alfa Laval since 1994.

Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

Leif Norkvist

Deputy member since 2009.

Born: 1961.

Employed by Alfa Laval since 1993.

Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

Stefan Sandell

Deputy member since 2005.

Born: 1971.

Employed by Alfa Laval since 1989.

Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Auditors

Helene Willberg

Authorized Public Accountant, KPMG.

Born: 1967.

Elected auditor at 2014 Annual General Meeting.

Håkan Olsson Reising

Authorized Public Accountant, KPMG.

Born: 1961.

Elected auditor at 2014 Annual General Meeting.

Deputy auditors

David Olow

Authorized Public Accountant, KPMG.

Born: 1963.

Deputy auditor for Alfa Laval since 2014.

Duane Swanson

Authorized Public Accountant, KPMG.

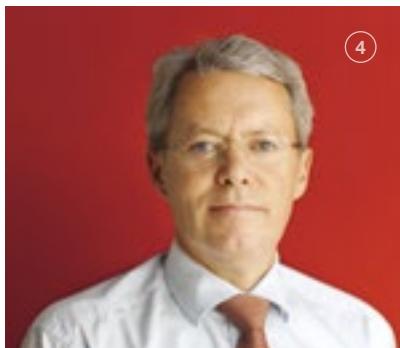
Born: 1959.

Deputy auditor for Alfa Laval since 2014.

* Holdings as of December 31, 2014.

** Holdings as of December 31, 2013.

President and Group management



1**Lars Renström***President and CEO***Born:** 1951.

CEO since October 1, 2004.
 Former positions include President and CEO of Seco Tools AB,
 Division Manager at Ericsson AB and Atlas Copco AB.
 Chairman of the Board: ASSA ABLOY AB.

Board member: Tetra Laval Group.**Education:** Eng., BSc. Econ.**Number of shares:** 40,400* (40,400**).

2**Joakim Vilson***Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa regions***Born:** 1965.

Employed by Alfa Laval since 1990.
 Regional manager since January 1, 2013. Former positions include head of the Mid Europe Region and the Process Industry segment.

Education: BSc. Eng.**Number of shares:** 6,520* (6,520**).

3**Peter Torstensson***Senior Vice President, Corporate Communications***Born:** 1955.

Employed by Alfa Laval since 1999.
 Senior Vice President, Corporate Communications since 1999. Former positions include President of Borstahusen Informationsdesign.

Number of shares: 66,000* (66,000**).

4**Thomas Thuresson***Chief Financial Officer***Born:** 1957.

Employed by Alfa Laval since 1988.
 Chief Financial Officer since 1995. Former positions include Controller of the Flow business area and Group Controller of the Alfa Laval Group.

Board member: PartnerTech AB.**Education:** BSc. Econ., IMD (BPSE).**Number of shares:** 130,170* (130,720**).

5**Susanne Pahlén Åklundh***President, Equipment Division***Born:** 1960.

Employed by Alfa Laval since 1983.
 President of the Equipment Division since 2009.
 Previously responsible for regions Mid Europe and Nordic as well as the Process Industry segment.

Board member: Nederman AB.**Education:** BSc. Eng.**Number of shares:** 6,000* (756**).

6**Ray Field***Executive Vice President in charge of the Asia, India and Oceania regions***Born:** 1954.

Employed by Alfa Laval since 1985.
 Regional manager since September 1, 2004. Prior to this, he served as President of Alfa Laval China for more than ten years.

Education: BSc. Eng.**Number of shares:** 54,588* (54,588**).

7**Nish Patel***Executive Vice President in charge of the Western Europe and North America regions***Born:** 1962.

Employed by Alfa Laval since 1984.
 Regional manager since 2011. Prior to this, he served as head of India and the UK.

Education: BSc. Eng.**Number of shares:** 47,552* (47,552**).

8**Göran Mathiasson***President, Operations Division***Born:** 1953.

Employed by Alfa Laval since 1979.
 President of the Operations Division since April 2003.
 Previously in charge of Alfa Laval Manufacturing and Thermal Technology, including research and development, production development, system development and purchasing.

Board member: Heatex AB.**Education:** BSc. Eng.**Number of shares:** 6,588* (6,588**).

9**Svante Karlsson***President, Process Technology Division***Born:** 1955.

Employed by Alfa Laval since 1984.
 Former positions include President of the Equipment Division, head of the Thermal business area and President of Marine & Power.

Education: BSc. Econ.**Number of shares:** 60,344* (62,744**).

10**Peter Leifland***President, Marine & Diesel Division***Born:** 1954.

Employed by Alfa Laval since 1985.
 President of the Marine & Diesel Division since 2011. Former positions include regional manager in charge of the Western Europe and North America Region 2004-2011, the Asia and Latin America Region 2001-2004 and the Eastern Europe and Latin America Region 1999-2001.

Education: B.L., lic.spec. IMD (PED).**Number of shares:** 430,000* (430,000**).

11**Peter Bailliere***Senior Vice President, Human Resources***Born:** 1963.

Employed by Alfa Laval since 2007.
 Senior Vice President, Human Resources since July 1, 2007.
 Many years of experience at Volvo Cars, most recently as Head of Group Human Resources.

Education: Master of Sociology, Bachelor in Fiscal Law.

Areas of responsibility

The President directs the daily operations and is responsible for ensuring that the Board has access to information and the necessary supporting documentation for its decision-making purposes. The President is also responsible for ensuring that the company's accounting complies with applicable laws and provisions, and that the ethical guidelines included in Alfa Laval's business principles are reflected in the conduct of the company. The President has the support of the Group management, to which responsibilities and authority are delegated. The members of Group management include three regional managers, four divisional managers and the heads of HR, Communication and Finance/Legal/IT.

Group management meetings in 2014

The Group management held six meetings in 2014, during which minutes were taken. Each quarter, a review is made of all business developments in the divisions and the regions, which address the business climate, earnings, earnings projections for the next 12 months and specific issues affecting the respective business areas. In addition, separate strategy meetings were held that, among other things, addressed the management's proposals concerning future direction with regard to organic growth and growth through acquisition. In 2014, the review concentrated on risks and opportunities in individual segments, application areas and geographic regions, as well as the consequences on the supply chain.

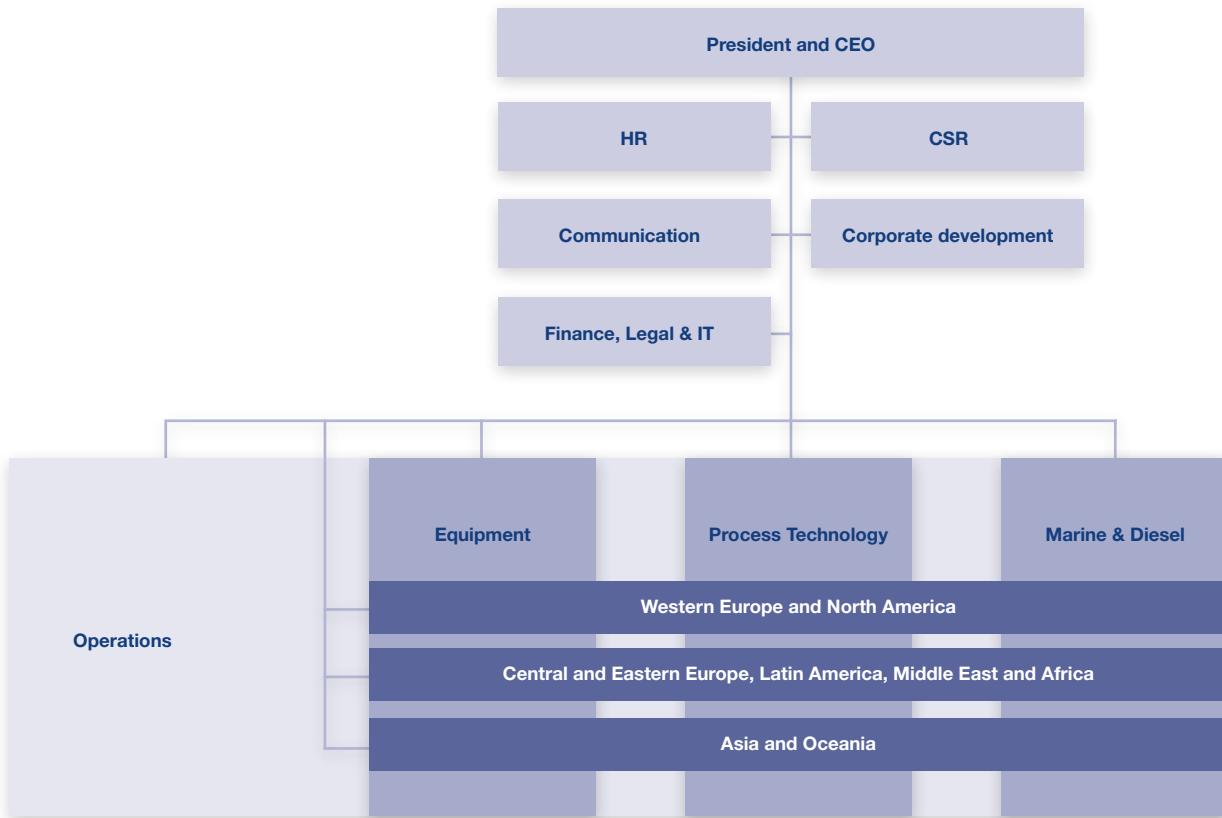
Furthermore, a review was performed of the direction for acquisitions with regard to product, technology, channel and geography.

Remuneration to senior executives, pensions and severance pay/termination of employment

The remuneration principles for the President and other members of Group management are determined by the Annual General Meeting. For additional information, see pages 107–108.

Business control

Alfa Laval's business control model comprises a matrix in which the Group's divisions and segments are presented vertically, intersecting with the Group's geographic regions, which are presented horizontally. The Operations Division, which is responsible for production-related procurement, production, logistics and distribution, serves as a shared supply chain for the sales divisions.



Board of Directors' report on internal control

The Board is responsible for ensuring the reliability of Alfa Laval's financial reporting and its compliance with legislation, regulations, applicable accounting policies and the company's business principles. All communication and financial reporting is to be correct, relevant, objective and transparent.

Control environment

The control environment includes the internal governance instruments set by the Board for the company's daily operations. In practice, these control instruments comprise policy documents, which are continuously assessed, reviewed and updated. These policies encompass such instruments as the Board's formal work plan, the President's instructions, reporting instructions, the company's finance policy, business principles, investment policy and communication policy.

The Board is responsible for ensuring that the company's organizational structure is logical and transparent, with clearly defined roles, responsibilities and processes. The work of the Board is also covered by processes and formal work plans, with a clear internal distribution of tasks. Among other duties, the Board has overriding responsibility for financial reporting and, accordingly, must assess the performance and earnings of the operations through a package of reports including results, forecasts and analyses of key indicators. The Board also reviews the company's interim reports and year-end report.

The Board's Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. It follows up the effectiveness of the internal control system and reviews the financial procedures to ensure that the information can be traced back to underlying financial systems and that it is in line with legislation and relevant standards. It examines procedures for reporting and financial controls, as well as addressing the company's financial reports. The Committee monitors, evaluates and discusses significant issues in the areas of accounting and financial reporting. It evaluates and manages information pertaining to disputes and potential improprieties, as well as assisting management with identifying and evaluating the primary risks that are relevant to the operations in order to ensure that management focuses on managing these risks. The Audit Committee

has the right to determine the focus of the internal audit and examines the work, qualifications and independence of the external auditors. Reports are provided to the Board regarding internal meetings, as well as meetings with the internal auditors, the external auditors and various specialists in Group management and its support functions.

The President is subject to instructions issued by the Board and is responsible for ensuring the existence of an effective control environment. The President is also responsible for the ongoing work pertaining to internal control and for ensuring that the company's accounting complies with legislation and that the management of assets is adequately performed.

Group management is responsible for managing and maintaining the internal control systems required to manage significant risks in the company's operating activities. Management is also responsible for clearly ensuring that all employees understand the requirements for and the individual's role in maintaining sound internal control.

The internal auditors report to the CFO. They review and implement improvements to the internal control function, conduct internal audits – which are reported to the Audit Committee – and propose plans for the coming six to eight months. The internal auditors also issue reports from individual audits to the appropriate members of Group management. Procedures are in place for performing regular reviews of the agreed actions to ensure that specific actions are taken following the internal audit. These are based on a schedule agreed on with the party responsible for the individual activities. The internal audit function comprises two internal auditors, internal specialist resources and external auditors. Internal audits encompass a broad spectrum of functions and issues determined by the Board. The areas audited include:

- compliance with the systems, guidelines, policies and processes established for the Group's business operations.
- the existence of systems to ensure that financial transactions are carried out, archived and reported in an accurate and lawful manner.
- opportunities to improve management control, the company's profitability and the organization, which may be identified during audits. In 2014, 32 internal audits were performed.

Risk assessment

Within the framework of the company's operating activities and review functions, procedures are in place for risk assessments pertaining to the financial reporting. These procedures aim to identify and evaluate the risks that may affect internal control. The procedures encompass risk assessments in conjunction with strategic planning, forecasts and acquisition activities, as well as processes for identifying amendments to the accounting policies to ensure that they are accurately reflected in the financial reporting.

Control structures

The control structures manage the risks that the Board and management consider to be significant to the business operations, internal control and financial reporting. They comprise an organization with clearly defined roles that enables an effective and – from an internal control perspective – appropriate division of responsibility, and specific control activities that enable the identification and timely prevention of risks becoming a reality. Control activities also include clearly defined decision-making processes and a policy for decision-making with respect to, for example, investments, agreements, acquisitions and divestments, earnings analyses and other forms of analytical reviews, reconciliations, inventory-taking and automatic controls in the IT systems.

Information and communication

The company's regulations, guidelines and manuals are communicated through several internal channels to ensure sound control. The effectiveness of this communication is monitored continuously to ensure that the information is accessible. There are formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors. Clear guidelines have also been established for external communications, the aim of which is to provide the most accurate overview possible while at the same time ensuring that all obligations with regard to information are met.

Follow-up

The internal control process is mainly followed up by two bodies: the Audit Committee and the Internal Audit function. The Audit

Committee establishes the principles that apply for the company with respect to accounting and financial reporting, and monitors compliance with these regulations. The Committee also meets with the external auditors to obtain information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. In addition, the Committee establishes the direction, scope and time schedules for the work of the internal audit team, whose audits are reported to the Audit Committee and continuously to Group management so that any necessary measures may be taken. The scope of the internal audit includes, among other factors, operational efficiency, compliance with regulations and guidelines, and the quality of financial reporting from the subsidiaries. An annual feedback function is also in place, which is geared toward the company's senior exec-

utives. This feedback function is designed to ensure that Alfa Laval's internal instructions and rules are fully implemented. All managers who report directly to Group management are expected to review the guidelines and rules that apply to their respective areas. They must sign and submit documents confirming their understanding of the significance of these guidelines and compliance with these guidelines in their area of responsibility. If there are any deviations compared with the instructions, they must specify what actions they intend to take to ensure compliance. This process also aims to increase transparency and thus facilitate assessments by the external and internal auditors.

Lund, February 2015

Board of Directors

Auditor's statement on the Corporate Governance Report

To the annual meeting of the shareholders of Alfa Laval AB (publ), corporate registration number 556587-8054

Assignment and responsibilities

We have audited the Corporate Governance Report for the year 2014 on pages 45–58. The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

Focus and scope of the audit

We conducted our audit in accordance with FAR's auditing standard RevU 16: The Auditor's Examination of the Corporate Governance Report. This standard requires that we have planned and performed the audit to obtain reasonable assurance that the Corporate Governance Report is free of material misstatements. An audit includes examining, on a test basis, evidence sup-

porting the information included in the Corporate Governance Report. We believe that our audit procedures provide a reasonable basis for our opinion set out below.

Opinion

In our opinion, a Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated financial statements.

Lund, March 3, 2015

Helene Willberg
Authorized Public Accountant

Håkan Olsson Reising
Authorized Public Accountant