

Corporate Governance Report 2008

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Trust achieved through openness

The confidence of the market, owners and the general public is of significant importance for a company and its Board of Directors. Trust is achieved by openly demonstrating that governance and control are carried out with the owners' interests in mind.

Alfa Laval was early to present detailed information regarding the governance of the company and also implemented the Swedish Code of Corporate Governance on its inception in 2005. The Code's content regarding openness corresponds with the company's business principles, which endeavor to facilitate shareholders' assessment of the Board and



management's handling of the responsibility assigned to it by the owners.

Alfa Laval's goal is to be an attractive long-term investment. Accordingly, the company continuously aims to improve openness – as long as it does not concern commercially valuable information.

Alfa Laval strives for the highest quality and greatest transparency regarding management, governance and control, in daily operations and the work of the Board. Accordingly, information about adhering to the Code and Alfa Laval's own business principles is of the utmost importance since it can favorably impact relations with important stakeholders, which contributes to strengthening confidence in the company.

This year's Corporate Governance Report is the fifth edition and has, in line with prior years, been examined by the company's auditors.

During 2008, the Board's work dealt with Alfa Laval's continued strategic direction to ensure a strong long-term value trend. We are investing in organic and acquisition-based growth, in terms of products and the market. In this respect, it is crucial to ensure that the company retains the highest possible standards of governance and control.

Lund, Sweden, March 2009
Anders Narvinger
Chairman of the Board

Corporate governance in Alfa Laval

The Annual General Meeting is the highest decision-making body and annually appoints, among others, the members and Chairman of the Board of Directors, based on proposals from the Nominating Committee. The Board's responsibilities are regulated by the Swedish Companies Act, the Swedish Code of Corporate Governance and the Board's formal work plan. The Board is responsible for the company's long-term goals and strategy. The President manages the company's operations and draws his closest support from a management group and from the managements of the divisions, to which responsibility and authority have been delegated. Alfa Laval has developed and implemented a number of business principles and fundamental values to support the sound governance of the organization. These principles and values are described on Alfa Laval's website, www.alfalaval.com.

Since 2005, Alfa Laval applies the Swedish Code of Corporate Governance and the revised version since July 1, 2008, with the exception of Board member Jörn Rausing being appointed Chairman of the Nominating Committee. The reason is that the Nominating Committee considers that Jörn Rausing is highly suited to effectively lead the Nominating Committee's work to achieve the best result for the company's shareholders.

The company's external auditors scrutinize the company, including the Annual Report. They also make a statement concerning the discharge of the Board from liability. The internal audit involves examination of a broad range of procedures and issues. The Corporate Governance

Report, in accordance with the Swedish Code of Corporate Governance, provides a detailed description of how the different units for corporate governance within Alfa Laval act and interact.



Articles of Association

In accordance with Alfa Laval's Articles of Association, the registered name of the company is Alfa Laval AB. The registered office of the Board of Directors of the company 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, directly or through subsidiaries and joint-venture companies, in and outside Sweden, to develop, manufacture and sell equipment and installations, primarily within the areas of separation, heat transfer and flow technology, and to administer fixed and movable property, and other related operations.

Alfa Laval's Board of Directors shall comprise at least four and not more than ten members, with not more than four deputy members. The number of auditors shall be at least one and not more than two, with not more than two deputies. Auditors are appointed when necessary at the Annual General Meeting for the period until the close of the Annual General Meeting held during the fourth fiscal year after the election of auditors. Authorized public accountants or registered public accounting firms are appointed as auditors and, when applicable, deputy auditors.

In addition to these statutes, the Articles of Association also include provisions regarding routines for the Annual General Meetings. The Articles of Association are provided in their entirety at Alfa Laval's website, www.alfalaval.com.

Alfa Laval's currently prevailing Articles of Association were adopted at the Annual General Meeting on April 22, 2008.

Annual General Meeting

The Annual General Meeting (AGM) is the Alfa Laval Group's highest decision-making body. According to Alfa Laval's Articles of Association, the Annual General Meeting shall be held annually within six months of the close of the fiscal year in either Lund or Stockholm. Normally, the AGM takes place at the end of April or beginning of May each year in Lund. The AGM for fiscal year 2007 was held in Lund on April 22, 2008.

Board Chairman Anders Narvinger was elected as the Meeting Chairman. Following the President's report, the Board Chairman spoke about the Board's activities and the Remuneration Committee's work. Finn Rausing, Chairman of the Board's Audit Committee, reported on the work of the Audit Committee. Finn Rausing, Chairman of the Nominating Committee and representative of Tetra Laval, reported on the work of the Nominating Committee. All the persons

nominated to the Alfa Laval Board were present at the Meeting. The company's two auditors were present.

Decisions made at the 2008 Annual General Meeting

The most important decisions made at the 2008 Annual General Meeting were as follows:

- The AGM adopted the income statement and balance sheet and decided in favor of utilizing the company's profits in accordance with the Board's proposal to the effect that a dividend of SEK 9.00 per share be paid for 2007 and that the Board of Directors and President shall be discharged
- The AGM decided in accordance with the Nominating Committee's proposal that the number of Board members shall be eight, that no deputies shall be appointed and that there shall be two auditors and two deputy auditors.
- The AGM decided in accordance with the Nominating Committee's proposal that the fees paid to the Board from the close of the 2008 AGM to the conclusion of the proceeding AGM shall amount to SEK 3,485,000.
- The AGM decided that remuneration of auditors shall be paid in accordance with agreement.
- Reelection of members transpired in accordance with the Nominating Committee's proposal of Anders Narvinger, Gunilla Berg, Björn Hägglund, Ulla Litzén, Finn Rausing, Jörn Rausing, Lars Renström and Waldemar Schmidt. The AGM decided to elect Anders Narvinger as Chairman of the Board.
- The AGM decided to reelect Authorized Public Accountant Kerstin Mouchard and to appoint Authorized Public Accountant Staffan Landén as the company's auditor. The AGM also decided to reelect Authorized Public Accountants Håkan Olsson and Thomas Swensson as the company's deputy auditors.
- The AGM adopted principles for compensation to, and other employment conditions for, company management.
- In accordance with the proposal of the Nominating Committee, the AGM adopted

criteria for appointing the Chairman and members of the Nominating Committee for the period until and including the 2009 AGM. This means that the Chairman of the Board shall contact representatives for the largest shareholders at the end of the third quarter. The Nominating Committee shall consist of not more than five members and its composition shall be published not later than six months prior to the AGM.

- The AGM decided to reduce share capital by SEK 43,236,390 through the cancellation of all 4,323,639 shares repurchased by the company. The AGM also decided that the reduction amount shall be reserved in funds to be used in accordance with decisions by the AGM.
- The AGM decided to increase the company's share capital by SEK 43,236,390 through a bonus issue without the issue of new shares, by a transfer from unrestricted equity.
- The AGM decided in accordance with a proposal by the Board to change sections 5 and 9 in the Articles of Association. The changes comprised the adjustment of the limits of share capital due to a share split and the implementation of new guidelines for the remuneration of senior executives.
- The AGM decided to increase the number of shares by splitting each share into four (4) shares and authorizing the Board to establish a date for the implementation of the split.
- The AGM decided to authorize the Board to acquire shares in the company prior to the next AGM and in such a manner that the company's holding of treasury shares shall at any given time not exceed 5 percent of the total number of shares outstanding.

Nominating Committee for the 2008 AGM

The Nominating Committee for the 2008 AGM consisted of Finn Rausing (appointed by Tetra Laval), Lars-Åke Bokenberger (appointed by AMF Pension), Jan Andersson (appointed by Swedbank Robur Funds), Lars Öhrstedt (appointed by AFA Försäkring), Peter Rudman (appointed by Nordea Fonder) and Board Chairman Anders Narvinger. Finn Rausing was the Chairman.

Composition of the Nominating Committee for the 2009 Annual General Meeting

Name	Representing	Shareholding in Alfa Laval ¹⁾ , %
Jörn Rausing		
Board Chairman	Tetra Laval	18.39
Jan Andersson	Swedbank Robur Funds	5.02
Bo Selling	Alecta	4.20
Lars-Åke Bokenberger	AMF Pension	3.35
Lars Öhrstedt	AFA Försäkring	2.64
Anders Narvinger	Board Chairman	
Total		33.60

¹⁾ As per Sep. 30, 2008

Nominations for the 2009 Annual General Meeting

In accordance with a decision made at Alfa Laval AB's AGM on April 22, 2008, the largest shareholders in Alfa Laval appointed the following members to the Nominating Committee prior to the AGM to be held on April 20, 2009: Jörn Rausing (appointed by Tetra Laval), Lars-Åke Bokenberger (appointed by AMF Pension), Jan Andersson (appointed by Swedbank Robur Funds), Lars Öhrstedt (appointed by AFA Försäkring) and Bo Selling (appointed by Alecta).

The Chairman of the Nominating Committee is Jörn Rausing. The Nominating Committee appointed the Board Chairman, Anders Narvinger, to be a member of the Nominating Committee and its secretary. Shareholders wishing to submit proposals to the Nominating Committee prior to the AGM may contact Alfa Laval's Board Chairman Anders Narvinger, or one of the owner representatives. Contact may also take place directly via e-mail at valberedningen@alfalaval.com.

The Board of Directors

The Board consists of eight members elected by the AGM, and no deputy members. The members are elected annually for the period until the conclusion of the next AGM. In addition, each trade union organization appoints three members and three deputies as employee members. Salaried employees within the company are invited to Board meetings as presenters and experts. The company's Chief Financial Officer participates in all meetings. The company's Chief Legal Counsel serves as Board Secretary. The work of the Board is regulated by an annually updated formal work plan that sets the Board's internal division of labour and meeting agenda. There is a special set of instructions for the President that, among other matters, describes the financial reports to be presented to the Board to enable the latter to properly assess the financial situation on an ongoing basis. For further information about the Board's members, see pages 118-119.

The Board's responsibilities

According to the Swedish Companies Act and the Board's formal work plan, the Board is responsible for preparing and evaluating Alfa Laval's overall long-term strategies and objectives, adopting budgets and business plans, checking and approving financial statements, adopting key guidelines, making decisions on issues relating to acquisitions and divestments of operations and deciding on major investments and significant changes in Alfa Laval's organization and operations.

The Board (through its Audit Committee) also procures auditing services and maintains ongoing contact with the company's auditors. The Board appoints the President

and defines the instructions the President must follow. The Board (through the Remuneration Committee) also determines salaries and remuneration to the President and members of executive management.

The Board's formal work plan

The Board's formal work plan is determined annually in a statutory meeting following the AGM. The formal work plan describes the Board's work assignments and the division of responsibility between the Board and the President. The formal work plan also prescribes that the Board shall have a Remuneration Committee and an Audit Committee, and defines the role of the Board Chairman. The company's President prepares an agenda for each meeting in consultation with the Board Chairman. Board members who wish to discuss a particular matter must inform the Board Chairman well in advance, so that the requisite information or documentation on which to base decisions can be prepared.

Notices of meetings, with the meeting agenda and the requisite information or documentation on which to base decisions, shall reach Board members no later than one week prior to the date of the meeting. Minutes from Board meetings shall be numbered, and all Board members shall receive copies. The original shall be stored in a safe manner by the company. This is the responsibility of the company President. Matters discussed by the Board are by definition confidential, and every Board member is subject to a duty of confidentiality regarding matters that could harm the company.

Board Chairman

The Board Chairman directs the work in a manner that ensures compliance with the Swedish Companies Act. The Chairman is also responsible for ensuring that the Board's work is well organized and efficiently conducted, so that the Board fulfills its tasks. In dialogue with the company's President, the Chairman monitors operational developments and is responsible for the other members receiving, on an ongoing basis, information necessary for Board work to be performed in the most effective manner. The Chairman is responsible for evaluating the Board's work and participates in evaluation and development matters with respect to the Group's senior executives. The Chairman represents the company in ownership issues.

Independent Board members

All members of the Alfa Laval Board selected by the AGM are considered to be independent of the company, except Lars Renström, who is President and CEO of the company. All other members are considered independent of the company's major shareholders, except Finn Rausing and Jörn Rausing who,

due to their relation to Tetra Laval, are not considered to be independent in relation to the company's major shareholders. On December 31, 2008, Tetra Laval owned 18.39 percent of the shares in the company. Board members have a duty to devote the necessary time and attention to their Board work and to possess the knowledge this requires to further the interests of the company and its shareholders in the best possible manner.

Board work during 2008

Twelve Board meetings were held during 2008, of which seven were regularly scheduled meetings. Board members have attended meetings as follows: Anders Narvinger 12 meetings, Gunilla Berg 10 meetings, Björn Hägglund 12 meetings, Ulla Litzén 12 meetings, Finn Rausing 11 meetings, Jörn Rausing 12 meetings, Lars Renström 12 meetings and Waldemar Schmidt 11 meetings. The general duration of meetings was four hours. Board meetings are generally held in Lund or Stockholm. Circular meetings were held on two occasions and four meetings were held by phone. The normal agenda items for Board meetings include earnings results, order trends, investments, acquisitions and shareholder developments. In addition to the normal agenda items, the Board meetings held during 2008 addressed the following matters:

- the company's ongoing strategic direction
- review and revision of the company's financial objectives
- asbestos-related lawsuits
- pension issues concerning senior executives
- audit planning
- overall funding
- share repurchasing
- Alfa Laval's business principles
- environmental considerations
- staffing

Board decisions are made based on open discussion led by the Chairman. During the year, no dissenting opinion on any issue was entered in the minutes.

Audit Committee

Alfa Laval has had a special Audit Committee since 2006. Members of the Audit Committee are appointed annually within the Board. During 2008, the committee comprised Finn Rausing (Chairman), Gunilla Berg and Anders Narvinger. Alfa Laval's General Counsel is the Committee Secretary.

During 2008, the Audit Committee held four meetings averaging approximately three hours in length. Members attended the meetings as follows: Finn Rausing four meetings, Anders Narvinger four meetings and Gunilla Berg three meetings.

Minutes are kept at all meetings of the Audit Committee and are distributed to Board

members. The Audit Committee has the right to make decisions regarding the focus of the internal audit and the formulation of guidelines for financial reporting and follow-up. The Audit Committee also makes decisions, in consultation with the external auditors, regarding the focus of the external audit. The Audit Committee's work also includes continually monitoring the effectiveness of internal controls. The Audit Committee's duties also involve evaluation and discussion of significant issues within the areas of accounting and financial reporting.

The Audit Committee examines the procedures for reporting and financial controls, the auditors' work, their qualifications and their independence. Its supervision also encompasses other key matters related to financial reporting. The Audit Committee assists management in identifying and evaluating the primary operational risks and ensures that management directs its efforts to addressing these matters.

Remuneration Committee

Alfa Laval's Remuneration Committee is appointed on an annual basis within the Board. During 2008, it comprised Anders Narvinger (Chairman) and Jörn Rausing and Björn Häggglund from the AGM onward. The Remuneration Committee held five meetings during 2008 where all members were in attendance of which two were held by phone and one by circular. In addition, the committee acts in conjunction with recruitment and is involved when other conditions of employment relating to the President or other members of Group Management require discussion. Minutes are kept at all meetings of the Remuneration Committee and the contents are distributed to Board members.

The Remuneration Committee's assignment is to handle matters relating to salary and employment conditions for the President and senior executives who report directly to the President and to propose principles regarding employment conditions for the executive management to be submitted to the AGM for approval.

Extra committee for repurchasing

A work committee for the repurchasing of shares was established during the year within the Board due to the AGM's decision to authorize the Board to acquire shares in the company.

During 2008, the committee comprised three members: Anders Narvinger (Chairman), Finn Rausing and Ulla Litzén. They held eight meetings during the year, of which seven were by telephone.

Evaluation of the Board's work

The Board Chairman ensures that the work of the Board is evaluated annually. This evaluation occurs on an ongoing basis through

Present at Board meetings and committee meetings

	Board	Remuneration Committee	Audit Committee
Elected at AGM			
Anders Narvinger	12 	5 	4 
Gunilla Berg	10 	-	3 
Björn Häggglund	12 	5 	-
Ulla Litzén	12 	-	-
Finn Rausing	11 	-	4 
Jörn Rausing	12 	5 	-
Lars Renström	12 	-	-
Employee representatives			
Waldemar Schmidt	11 	-	-
Arne Kastö	12 	-	-
Jan Nilsson	12 	-	-
Susanna Norrby	11 	-	-
Number of meetings	12	5	4

open discussions and interviews between the Board Chairman and individual Board members. The evaluation of the Board's work focuses on the forms in which the work is carried out, the work climate and the availability of and the need for special Board expertise. The purposes of the evaluation include assisting the Nominating Committee in its task of nominating Board members and proposing remuneration levels.

Remuneration to the Board

Remuneration to Board members elected at the AGM is determined by the AGM based on the proposals submitted by the Nominating Committee. Supplements are paid to the chairman of the Audit Committee and to members of the Audit Committee and the Remuneration Committee. No Board member is entitled to pension payments from the company.

The table below summarizes the remuneration received by all Board members from

Alfa Laval for the period from the 2008 AGM until the 2009 AGM.

Group Management

Alfa Laval's executive management comprises ten persons led by President Lars Renström, who is also CEO of the Alfa Laval Group. The President directs daily operations and is responsible for the Board receiving information and the necessary decision-making foundation. The President is responsible for ensuring that the company's accounting complies with applicable laws and provisions.

Alfa Laval's management group consists of the CEO and those individuals who, on the CEO's recommendation, have been appointed by the Board. For further information about Group Management, see pages 120-121.

The persons in the management group are responsible both for their own areas of

Remuneration to the Board

Remuneration is fixed. No variable portion exists. No remuneration to elected Board members who are employees of the company is paid.

	Board of Directors	Remuneration Committee	Audit Committee
Anders Narvinger	900,000	50,000	75,000
Gunilla Berg	360,000	0	75,000
Björn Häggglund	360,000	50,000	0
Ulla Litzén	360,000	0	0
Finn Rausing	360,000	0	125,000
Jörn Rausing	360,000	50,000	0
Lars Renström	0	0	0
Waldemar Schmidt	360,000	0	0
Total	3,060,000	150,000	275,000

operation and, collectively, for the Group as a whole. The management group held six minuted meetings during 2008. In addition to minuted meetings of the management group, quarterly reviews of operations are held with the heads of divisions and geographical regions. These deal with the business situation, earnings, earnings projections for the forthcoming 12 months and specific questions for the various components of operations.

Remuneration, pensions and severance pay/termination of employment

The principles of remuneration to the President and other members of senior management are decided by the AGM. For additional information regarding Group management's fixed and variable remuneration, pensions and severance pay, see pages 87 and 88.

GOVERNANCE AND CONTROL

Financial reporting

The Board oversees financial reporting through instructions to the President. The Audit Committee prepares all the financial reports issued by the company, while the Board as a whole addresses the company's quarterly reports and year-end report. The Audit Committee also handles quarterly risk reporting and information about risk assessments, legal disputes and any irregularities that may occur.

Policy documents

As governance instruments, the Board has decided on a number of policy documents, which are to be used in daily work within the company. Examples of such documents include the Board's procedural rules, the President's instructions, reporting instructions, business principles, investment policy, financial policy and communications policy. The Board annually checks that these instructions and policies remain relevant and up to date.

Internal controls

The Board is responsible for the company's internal controls, the overall purpose of which is to protect shareholders' investments

and the company's assets. The Board as a whole received reports from the company's external auditors at three Board meetings during 2008. In addition, the Board's Audit Committee received reports from the company's external auditors on four occasions. On one occasion, the Board received a report from the company's external auditors without the President or any other representative of executive management being present.

The internal audit team took part in all meetings with the Audit Committee

For further information about internal controls, see the Board's report on internal controls provided in the Corporate Governance Report (see page 117). It describes the control environment, risk assessment, control activities, information and communication, and the supervision of the internal control system.

Internal audit

The internal audit consists of two auditors supplemented by internal specialist company resources and auditors from the KPMG organization for internal auditing.

During 2008, 19 internal audits were carried out. The audits encompassed a broad spectrum of functions and areas of inquiry. The scope was determined by the Board and involved examining, for example:

- efficiency within the current units
- the processes that ensure that the principles for best practice are applied and that the controls that have been systematically built in are relevant
- the existence of systems to ensure that financial transactions are implemented, archived and reported in an accurate and lawful manner
- the systems and processes established by the management group to ensure that business operations are conducted in accordance with the policies and procedures that management has established.

Opportunities to improve management control, the company's profitability and the organization's image may be identified during audits.

The internal audit team reports to the Audit Committee on the results of the audits performed. On these occasions, the planning

parameters for the next six to eight months are also established.

The internal audit team also distributes reports from individual audits to the Group Management members concerned. To ensure that specific effects result from the internal audits, a procedure for continuous follow-up of agreed measures has been established.

Risk management

Alfa Laval's risk management processes are explained in the Risk management section on pages 78-83 of the Annual Report.

Audits and auditors

The AGM decided to reelect Authorized public accountant Kerstin Mouchard and to appoint Authorized Public Accountant Staffan Landén as the company's auditor. The AGM also decided to reelect the Authorized Public Accountants Håkan Olsson and Thomas Swensson as the company's deputy auditors. All are Authorized Public Accountants with Ernst & Young AB.

Kerstin Mouchard, born in 1952, has been an auditor for Alfa Laval since 2004. Staffan Landén, born in 1963, has been an auditor for Alfa Laval since 2008. Håkan Olsson, born in 1961, has been a deputy auditor for Alfa Laval since 2000. Thomas Swensson, born in 1957, has been a deputy auditor for Alfa Laval since 2004.

In Alfa Laval's judgment, none of these auditors has any relationship to Alfa Laval, or a company close to Alfa Laval, that could affect their independent status in relation to the company. All of the auditors also possess the requisite competence to be able to execute their assignment as auditors for Alfa Laval.

Remuneration of auditors (see Note 4 on page 88)

An audit assignment involves examining the Annual Report, evaluating the accounting principles employed, making significant judgments concerning corporate management, evaluating the general presentation in the Annual Report and conducting an overall review of the interim report for the third quarter. It also involves a review on which to base a decision on discharging the Board from liability. Any other tasks performed are defined as other assignments.

As an extension of our auditing assignment, which has now been completed as a result of our Audit Report dated March 2, 2009, we have reviewed the Corporate Governance Report (pages 112-116) for Alfa Laval AB for 2008. Based on our review, nothing has come to our attention that causes us to believe that the Corporate Governance Report does not comply with the guidelines contained in the Swedish Code of Corporate Governance.

Lund, March 2, 2009

Kerstin Mouchard
Authorized Public Accountant

Staffan Landén
Authorized Public Accountant

Board of Directors' report on internal control for fiscal year 2008

The Board's description of the internal control.

Control environment

Effective work by the Board forms the foundation for good internal control. The Board has established clearly defined processes and priorities for its work and the Board's committees. An important part of the Board's work is to formulate and approve fundamental rules and guidelines. These include finance policy, business principles, rules for investment decisions, financial reporting requirements and communications policy. These rules and guidelines are intended to create the foundation for good internal control. They are revised and updated continuously as the need arises. The Board has also ensured that the organizational structure is logical and transparent, with clearly defined roles, responsibilities and processes that facilitate effective management of operational risks and enable the company to fulfill its goals. The responsibility structure includes evaluations by the Board of business performance and results through a purpose-adapted package of reports that contains results, forecasts and analyses of important key factors. The Audit Committee has meetings with the internal audit team, the external auditors and various specialists in senior management and support functions. The Board receives reports on these meetings. The Audit Committee's work also includes continually monitoring the effectiveness of internal controls. The Audit Committee's duties also involve evaluation and discussion of significant issues within the areas of accounting and financial reporting. Group Management maintains and manages the system of internal controls needed to manage significant risks in ongoing business operations.

This work includes ensuring that there are appropriate rules and guidelines for such areas as HR matters, staffing and skills development.

Management's responsibility also

includes a commitment to active efforts to ensure that all employees understand the requirement for, and the individual's role in, maintaining effective internal control.

Risk assessment

The framework for ongoing business operations and follow-up includes procedures for risk assessment and thus also for ensuring the production of accurate financial reporting. These procedures include, for example, the following areas:

- Risk assessments related to strategic planning, forecasts and acquisition activities that are intended to identify events in the market or in business operations that could, for example, lead to changes in valuations of assets and currency exchange-rate effects on earnings.
- Processes to track changes in accounting regulations that ensure that these changes are implemented correctly in the financial reporting.

Control structures

The control structures have been designed to manage risks that the Board and management consider to be significant for business operations, internal control and financial reporting.

The control structures consist, firstly, of an organization with clearly defined roles that support an effective, and from an internal control perspective, appropriate division of responsibility, and secondly, specific control activities that are intended to discover or prevent the risk of errors in the reports.

Examples of control activities include clearly defined decision-making processes and priorities for important decisions (investments, agreements, acquisitions, divestments, etc.) earnings analyses and other forms of analytical follow-up, reconciliations, inventory-taking and automatic controls in the key IT systems related to financial reporting.

Information and communication

The company's main control documents in terms of regulations, guidelines and manuals, to the extent they are related to financial

reporting, are updated continuously and communicated via the intranet, memorandums, internal meetings, etc. The effectiveness of this communication is monitored continuously to ensure reception of the information.

There are also formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors.

A clearly defined policy has been formulated for communication with external interests, including guidelines for modes of communication. The policy is intended to ensure accurate and complete compliance by all persons responsible for the dissemination of information.

Follow-up

The internal control process is monitored mainly by three entities outside the line organization: the Audit Committee, External Audit and Internal Audit.

The Audit Committee established the principles that apply for the company with respect to accounting and financial reporting, and monitors compliance with these regulations.

The Audit Committee meets with the external auditors regularly to secure information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits.

The Audit Committee also establishes the direction, extent and time schedules for the internal audit team's work. The internal audit team reports the results of its audits to the Audit Committee at the latter's meetings. Results of the audit reviews are also reported continuously to Group Management so that any necessary measures may be taken.

The extent of the internal audit includes operational efficiency, compliance with regulations and guidelines and the quality of financial reporting from the subsidiaries.

This report comprises only a description of how internal control is organized without expressing an opinion on how well it functions.

Lund, March 2009
Board of Directors

Elected by the Annual General Meeting



Anders Narvinger
Chairman since 2003.

Born: 1948.
President of Teknikföretagen and formerly President and CEO of ABB Sweden.
Education: BSc. Eng and BSc. Econ.
Chairman of Trelleborg AB, V&S Vin & Sprit AB and Coor Service Management AB.
Board member of Volvo Car Corporation.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 40,000* (10,000**).



Gunilla Berg
Board member since 2004.

Born: 1960.
CFO SAS Group, formerly Executive Vice President and CFO of KF Group.
Education: BSc. Econ.
Board member of LE Lundbergföretagen AB.
Independent of company and major shareholders.



Björn Hägglund
Board member since 2005.

Born: 1945.
Former positions include Deputy CEO of Stora Enso.
Education: PhD. (For.)
Board Chairman of Swedish Industrial Institute for Economics and Social Research, SweTree Technologies and World Wildlife Fund, Sweden.
Board member of among others Bergvik Skog AB, the Knut and Alice Wallenberg Foundation, Mistra and AB Karl Hedin.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 12,000* (0**).



Ulla Litzén
Board member since 2006.

Born: 1956.
Previously President of W Capital Management and held various positions at Investor.
Education: BSc. Econ from the Stockholm School of Economics, MBA from the Massachusetts Institute of Technology.
Board member of among others Atlas Copco AB, Boliden AB, NCC AB, Rezidor Hotel Group AB and SKF AB.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 15,600* (2,400**).



Finn Rausing
Board member since 2000.

Born: 1955.
Education: B.L., MBA (Insead).
Chairman of R.R. Institute of Applied Economics AB.
Board member of Tetra Laval Group, De Laval Holding AB and Swede Ship Marine AB.
Independent of company.



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 of the Tetra Laval Group, Ocado Ltd. and De Laval Holding AB.
Independent of company.



Lars Renström
Board member since 2005.

Born: 1951.
President and CEO of Alfa Laval.
Education: BSc. Eng., BSc. Econ.
Board member of ASSA ABLOY AB.
Independent of major shareholders.
Number of shares in Alfa Laval: 40,400* (10,100**).



Waldemar Schmidt
Board member since 2000.

Born: 1940.
Former President and CEO of ISS Group.
Education: BSc. Eng.
Chairman of Superfos Industries A/S, Thrane & Thrane A/S and Scan Energy A/S. Vice Chairman of Majid Al Futtaim Group LLC, Dubai.
Board member of Kwintet AB.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 60,000* (15,000**).

*Holdings as at December 31, 2008. **Holdings as at December 31, 2007.

Employee representatives



Arne Kastö
Employee representative since 2000.
Born: 1948.
Employed by Alfa Laval since 1980.
Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).



Jan Nilsson
Employee representative since 2000.
Born: 1952.
Employed by Alfa Laval since 1974.
Employee representative for the Swedish Metal Workers' Union (IF Metall).



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* (0**).

Deputy employee representatives

Maria Fröberg
Deputy member since 2005.
Born: 1973.
Employed by Alfa Laval since 2001.
Deputy employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

Henrik Nilsson
Deputy member since 2007.
Born: 1971.
Employed by Alfa Laval since 1995.
Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).
Resigned: June 5, 2008

Stefan Sandell
Deputy member since 2005.
Born: 1971.
Employed by Alfa Laval since 1989.
Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Henrik Nielsen
Deputy member since 2008.
Born: 1968.
Employed by Alfa Laval since 2005.
Deputy employee representative for the Swedish Industrial Workers/Swedish Metal Workers' Union (IF Metall).
Effective: June 5, 2008

Auditors



Staffan Landén
Authorized Public Accountant,
Ernst & Young AB, Gothenburg.
Born: 1963.
Auditor for Alfa Laval since 2008.
Elected auditor at 2008 Annual General Meeting.
Staffan Landén has years of experience in auditing exchange-listed companies and among other assignments is auditor for Lindab International AB and Bure Equity AB.



Kerstin Mouchard
Authorized Public Accountant,
Ernst & Young AB, Malmö.
Born: 1952.
Auditor for Alfa Laval since 2004.
Elected auditor at 2004 Annual General Meeting.
Kerstin Mouchard has years of experience in auditing exchange-listed companies and among other assignments is auditor for Cardo AB and Strålfors AB.

Deputy auditors

Håkan Olsson
Authorized Public Accountant
Ernst & Young AB, Malmö.
Born: 1961.
Deputy auditor for Alfa Laval since 2000.

Thomas Swensson
Authorized Public Accountant,
Ernst & Young AB, Malmö.
Born: 1957.
Deputy auditor for Alfa Laval since 2004.



Lars Renström



Thomas Thuresson

Lars Renström
President and CEO.

Born: 1951.
CEO since October 1, 2004.
Joined Alfa Laval from Seco Tools AB, where he was President and CEO from 2000 to 2004. Previously served as a division manager at Ericsson AB and Atlas Copco AB. Board member of ASSA ABLOY AB.
Education: BSc. Eng., BSc. Econ.
Number of shares in Alfa Laval: 40,400* (10,100**).

Thomas Thuresson
Executive Vice President,
Chief Financial Officer.

Born: 1957.
Employed by Alfa Laval since 1988.
CFO since 1995.
Previous assignments include Controller of the Flow business area and Group Controller of the Alfa Laval Group. Board member of PartnerTech AB.
Education: BSc. Econ.
Number of shares in Alfa Laval: 140,800* (35,300**).



Göran Mathiasson



Ulf Granstrand

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.
Education: BSc. Eng.
Number of shares in Alfa Laval: 6,588* (1,647**).

Ulf Granstrand
President, Process Technology Division.

Born: 1947.
Employed by Alfa Laval since 1975.
President of the Process Technology Division since 2003. Previously responsible, among other roles, for the Operations Division, parts of the regional sales operations and the Thermal business area.
Education: BSc. Eng.
Number of shares in Alfa Laval: 182,288* (45,672**).



Svante Karlsson

Svante Karlsson
President, Equipment Division.

Born: 1955.
Employed by Alfa Laval since 1984.
President of the Equipment Division since 2001. Former head of the Thermal business area and President of Marine & Power.
Education: BSc. Econ.
Number of shares in Alfa Laval: 82,744* (20,686**).

*Holdings as at December 31, 2008. **Holdings as at December 31, 2007.

Peter Leifland

Executive Vice President in charge of the Western Europe and North America Region.

Born: 1954.
Employed by Alfa Laval since 1985.
Peter Leifland has been a regional manager since 1999.
Formerly President of Alfa Laval International Engineering AB.
Board member of Cision AB.
Education: B.L., lic.spec. IMD (PED).
Number of shares in Alfa Laval: 480,000* (116,716**).



Lars Henriksson

Executive Vice President in charge of the Central and Eastern Europe and Latin America Region.

Born: 1950.
Employed by Alfa Laval since 1977.
Responsible for the Central and Eastern Europe and Latin America Region since September 1, 2004. Prior to this he was President of Alfa Laval Inc. in Canada and held executive positions for Alfa Laval in Sweden, Spain and Brazil.
Education: BSc. Eng.
Number of shares in Alfa Laval: 24,000* (9,000**).

Ray Field

Executive Vice President in charge of the Asia, Oceania and Middle East Region.

Born: 1954.
Employed by Alfa Laval since 1985.
Responsible for the Asia, Oceania and Middle East Region since September 1, 2004. Prior to this, he served as President of Alfa Laval China for slightly more than ten years.
Education: BSc. Eng.
Number of shares in Alfa Laval: 54,588* (13,647**).



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 with Volvo Cars, most recently as head of Group Human Resources
Education: Master of Sociology.

Peter Torstensson

Senior Vice President, Corporate Communications.

Born: 1955.
Employed by Alfa Laval since 1999.
Senior Vice President, Corporate Communications since 1999. Formerly President of Borstahusen Informationsdesign.
Number of shares in Alfa Laval: 76,000* (19,000**).



Events after the end of the period.

On January 1, 2009, Svante Karlsson assumed the position as President of the Process Technology Division and Susanne Pahlén Åklundh as President of the Equipment Division.