

Introduction by the Board Chairman

Sound corporate governance means that a company is managed with the owners' interests in mind. However, this alone is not sufficient. Owners, the capital markets and the general public must have access to adequate information to themselves be able to determine if this is the case, something which requires transparency. Only through openness can people outside the company make a sound assessment of how well the Board of Directors and management live up to the responsibilities assigned to them.

In recent years, we have seen both an economic downturn and upturn in our operating environment and we have had occasion to note that times of economic unrest tend to increase demand for clarity and transparency. However, the requirement for transparency cannot be limited to times of adversity. Alfa Laval's business principles require openness to be at the core of all dialogue, this applies equally in upturns and downturns, just as we strive to maintain the highest levels of quality and maximum clarity in respect of leadership, control and supervision at every single opportunity.

At the start of 2010, Alfa Laval had come through both a financial crisis and two savings programs that were implemented to adapt capacity and costs to a new, lower level of demand. At the end of the year, we could look back on 2010 as a year in which demand recovered; a positive trend that also impacted the work of the Board. The strategy remained firm, also in regard to acquisitions, and the work during the year was thus characterized by a forceful element that resulted in a number of acquisitions, some of which were very substantial. Through acquisitions, we not only consolidate our positions, but build completely new ones, something we are convinced will strengthen Alfa Laval's future growth in value.

Lund, Sweden, March 2011
Anders Narvinger
Chairman of the Board



Corporate Governance Report 2010

Alfa Laval is a public company listed on the NASDAQ OMX Exchange Stockholm. The company's governance is therefore based on the Swedish Companies Act, the Annual Accounts Act and the rules of the exchange. It also complies, with only one exception, with the Swedish Code of Corporate Governance. Alfa Laval's Corporate Governance Report for 2010 is presented below, and has been reviewed by the company's auditors. The report provides a detailed description of the division of areas of responsibility in Alfa Laval and also how the company's three decision-making bodies – The Annual General Meeting, the Board of Directors and the President – act and interact. The report is available on www.alfalaval.com.

Shareholders

Alfa Laval's share was listed as early as 1901, but was delisted when the company was bought out from the Stockholm Stock Exchange in 1991. The company remained in private ownership until 2002, when it was relisted on the NASDAQ OMX Exchange Stockholm. The number of shares outstanding amounts to 422,039,466 and the number of shareholders totalled 33,565 at December 30, 2010. Tetra Laval was the largest owner with a share stake of 18.7 percent and the only owner with a stake larger than 10 percent. Legal entities accounted for about 93 percent of holdings, while individuals represented slightly less than 7 percent.

Alfa Laval – the company

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 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 flow technology, and to administer fixed and movable property, and other related operations. The Articles of Association does not include any limitations regarding the number of votes a shareholder can cast at an AGM. Nor does

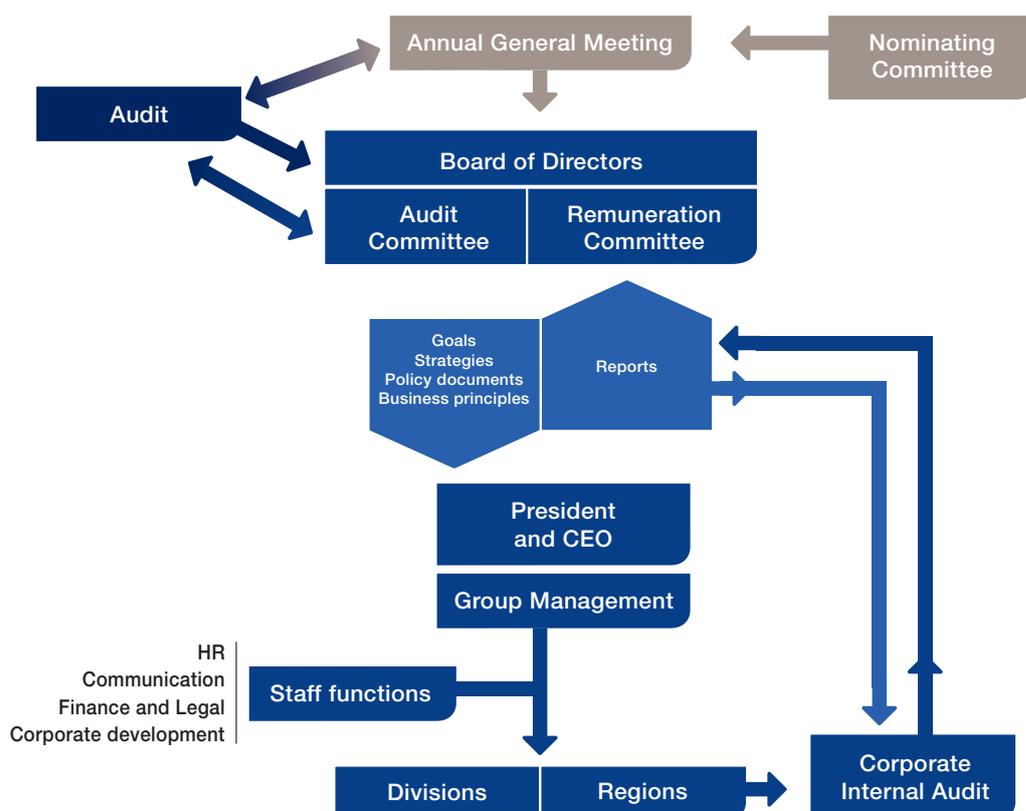
it include any specific rules regarding the appointment and dismissal of board members or changes in the Articles of Association. The Articles of Association are available in their entirety on Alfa Laval's website: www.alfalaval.com. Alfa Laval's currently prevailing Articles of Association were adopted 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 that, each year, appoints the members and Chairman of the Board of Directors, based on proposals from the Nominating Committee.

All shareholders are entitled to participate at the AGM and each share has one vote. According to Alfa Laval's Articles of Association, the Annual General Meeting

Governance Model



shall be held annually within six months of the close of the fiscal year in either Lund or Stockholm. Normally, the AGM takes place in April or May in Lund.

The AGM for the 2009 fiscal year was held at Färs och Frosta Sparbank Arena in Lund on April 26, 2010. The AGM was attended by 469 shareholders, in person or by proxy, and represented 56.78 percent of the total number of shares and votes. Both of the company's external auditors attended.

Board Chairman Anders Narvinger was elected as the Meeting Chairman.

The full register of all resolutions made at the AGM is available as minutes published on Alfa Laval's website. A number of the resolutions are listed below:

- The AGM adopted the income statement and balance sheet and resolved that the Board of Directors and President be discharged from liability.
- The AGM resolved in accordance with the Board's proposal that a dividend of SEK 2.50 per share be paid for fiscal year 2009.
- A resolution was passed for the re-election of Board members Gunilla Berg, Björn Häggglund, Anders Narvinger, Finn Rausing, Jörn Rausing, Lars Renström and Ulla Litzén, and, the election of Arne Frank who replaced Waldemar Schmidt, who declined re-election.
- A resolution was passed that fees paid to non-executive directors on the Board shall amount to SEK 3,060,000. In addition, fees to Board members that are the Chairman or a member of the Audit Committee and Remuneration Committee, shall be paid as follows: to the Chairman of the Audit Committee SEK 125,000, to members of the Audit Committee SEK 75,000 and to the Chairman and members of the Remuneration Committee SEK 50,000.
- A resolution was passed accepting the Board's proposal for principles for remuneration to company management.
- A resolution was passed empowering the Board, on one or more occasions before the next AGM, to buy back a maximum of 5 percent of the company's shares outstanding.

Nominating Committee For the 2011 AGM

In accordance with a resolution passed at Alfa Laval AB's Annual General Meeting 2010, the Chairman of the Board was instructed to contact the company's largest shareholders at the end of the third quarter and to encourage them to each appoint one member of the Nominating Committee

before the AGM on April 27, 2011.

The composition of the Nominating Committee, as communicated by a press release and on Alfa Laval's website on October 19, 2010 is as follows: Jörn Rausing (Tetra Laval), Lars-Åke Bokenberger (appointed by AMF Pension), Jan Andersson (appointed by Swedbank Robur Funds), Bo Selling (appointed by Alecta) and Peter Rönström (appointed by Lannebo Funds). The Chairman of the Nominating Committee is Jörn Rausing. The Nominating Committee appointed Board Chairman Anders Narvinger to be a member of the Nominating Committee and its secretary. The Nominating Committee represented just over 38 percent of the number of shares outstanding at September 30, 2010. Jörn Rausing's position as Chairman of the Nominating Committee is a deviation from the Swedish Code of Corporate Governance. The reason for this is that the Nominating Committee considers Jörn Rausing as exceptionally suitable to efficiently lead its work and thus achieve the optimal result for the company's shareholders.

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.

Composition of the Nominating Committee

The Nominating Committee shall not comprise more than five members, of which the majority may not be Board members. The Chairman of the Board shall contact representatives of the major shareholders at the end of the third quarter and invite them to each appoint one member. In addition, the Nominating Committee can decide to include the Chairman of the Board and other Board members. If any of the five largest shareholders resigns their right to appoint a member then the next largest shareholder in terms of size is provided the opportunity to appoint a member. If several shareholders waive their right to appoint a member to the Nominating Committee, then no more than the eight largest shareholders

need to be approached, unless this is required to ensure the Nominating Committee comprises at least three members. If a member resigns from the Nominating Committee before the work of the Committee is completed, the shareholder that appointed said member shall be entitled to appoint a replacement.

The Chairman of the Nominating Committee shall be an owner representative who can also be Board member. However, the Chairman of the Board of Directors shall not serve as Chairman of the Nominating Committee. The composition of the Nominating Committee must be published at least six months prior to the AGM. Should an owner represented on the Nominating Committee significantly reduce its shareholding and no longer qualify for a seat on the Nominating Committee, and providing that the Nominating Committee so decides, the representative of the owner shall be dismissed and another of the company's largest shareholders shall be offered the opportunity to appoint a member.

The work of the Nominating Committee

The Nominating Committee shall prepare and submit proposals to shareholders at the AGM regarding the election of Board members, Chairman of the Board and, if applicable, auditors. It shall also submit proposals in respect of remuneration of the Board and members of the Board committees.

The annual evaluation of the work of the Board, which is initiated by the Chairman of the Board, comprises part of the supporting documentation utilized by the Nominating Committee for the nomination of Board members and for proposing remuneration levels. The Nominating Committee can call upon the assistance of external resources in its search for suitable candidates.

The Board of Directors

The Board of Directors, whose responsibilities are governed by laws and regulations as well as by its own rules of procedure, bears responsibility for setting the long-term goals and strategy for the company. Alfa Laval's Board consists of a minimum of four and maximum of ten members with a maximum

Composition of the Nominating Committee for the 2011 Annual General Meeting		
Name	Representing	Shareholding in Alfa Laval ¹⁾ , %
Jörn Rausing, Chairman	Tetra Laval	18.71
Bo Selling	Alecta	8.93
Jan Andersson	Swedbank Robur Fonder	5.56
Lars-Åke Bokenberger	AMF Pension	3.54
Peter Rönström	Lannebo Fonder	1.98
Anders Narvinger	Board Chairman	
Total		38.72

¹⁾ As of September 30, 2010

of four deputy members. Today the board consists of eight members 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 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, Thomas Thuresson participates in all meetings and Alfa Laval's Chief Legal Counsel, Mikael Wahlgren, serves as Board Secretary. For further information about the Board's members, see pages 128–129.

Arne Frank was elected a new member of the Board in 2010 since Waldemar Schmidt declined re-election. The other Board members were reelected. Every new member of the Board is offered an introductory program. In addition, every year, a combined educational and study trip is undertaken to one of Alfa Laval's plants around the world. In 2010, the trip was to Alonte, Italy.

The Board's formal work plan

The work of the Board is governed by a formal work plan which is determined annually following the AGM. This formal work plan describes the Board's work assignments and the division of responsibility between the Board and the President. It also defines the role of the Board Chairman and stipulates that the Board has a Remuneration Committee and an Audit Committee.

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 material 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, must reach the Board members not later than one week prior to the date of the meeting.

The formal work plan contains particular instruction for the company's President regarding the financial reporting required by the Board so that it can make ongoing judgments of the financial situation. Minutes from Board meetings are numbered, and all Board members receive copies. The President is responsible for the safe storage of the original of the minutes. Matters discussed by the Board are by definition confidential, and every Board member is subject to a duty of confidentiality.

Board work during 2010

During 2010, the number of Board meetings held totaled 19 (eight were regularly scheduled meetings). Each regular meeting lasted four hours on average and was held in Lund or

Stockholm. One circular meeting was held and 10 were held by phone. The normal agenda items for Board meetings include earnings results, order trends, investments, acquisitions and shareholder developments. Board decisions are made based on open discussions led by the Chairman.

In light of the mandate given to the Board by the AGM, a committee was commissioned consisting of Anders Narvinger, Finn Rausing and Ulla Litzén to execute the buyback of shares, via the Group management, during the period up to the next AGM.

Evaluation of the Board's work

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board. This is carried out through open discussions and interviews with the individual members. The evaluation focuses on the Board's work methods, its work climate and the access to and need for particular Board competence. The evaluation forms part of the supporting documentation for the Nominating Committee when nominating Board members and proposing remuneration levels.

The Board's responsibilities

In line with 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 and deciding on major investments and significant changes in Alfa Laval's organization and operations.

Additionally, the Board (through its Audit Committee) procures auditing services and maintains ongoing contact with the company's auditors. The Board appoints the President and defines the instructions that the President must follow. The Board (through the Remuneration Committee) determines salaries and remuneration to the President and members of the executive management.

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 ensuring that the other members receive, 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 elected by the AGM 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 and Jörn Rausing. They cannot be considered independent due to their relation to Tetra Laval, which, on December 31, 2010, owned 18.7 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 required to further the interests of the company and its shareholders in the best possible manner.

Audit Committee

The Audit Committee formulates guidelines for the company's financial reporting and follow-up, it also has the right to determine the focus of the internal audit. The Committee examines the procedures for reporting and financial controls, the work of the external auditors, their qualifications and independence. In addition, it follows up the effectiveness of the internal controls, evaluates and discusses significant issues in the areas of accounting and financial reporting as well as monitoring other significant issues connected with the 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. Members of the Audit Committee are appointed annually at the Board of Directors statutory meeting. During 2010, it comprised Finn Rausing (Chairman), Gunilla Berg and Anders Narvinger. Alfa Laval's General Counsel, Mikael Wahlgren, is the Committee secretary.

During 2010, three meetings were held that averaged two hours in length. Minutes are kept of each meeting and distributed to the Board members. Thomas Thuresson, Chief Financial Officer, Jacques Christens, Head of internal audit, and the company's auditors were also present at all meetings.

Remuneration Committee

The Remuneration Committee acts in conjunction with recruitment and appointments and is involved when other conditions of employment relating to the President or members of Group Management require discussion. 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 and conditions for the President.

In addition, the Committee handles matters for the Board regarding salary and employment terms and conditions for senior executives who report directly to the President. Alfa Laval's Remuneration Committee is appointed on an annual basis at the Board's inaugural meeting. In 2010, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Björn Häggglund. The Remuneration Committee held three meetings at which all members were in attendance. Minutes are kept at all meetings and the contents are distributed to the Board members.

Remuneration to the Board

Remuneration to the Board members elected by the AGM is determined by the AGM based on the proposals 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, except Lars Renström, who is President and CEO. The table further down summarizes the remuneration paid by Alfa Laval to Board members for the period from the 2010 AGM until the 2011 AGM.

President and Group Management

The President directs the daily operations and is responsible for ensuring that the Board receives information and the necessary supporting documentation for decision-making. The President is also responsible for ensuring that the company's accounting complies with applicable laws and provisions. In support of sound corporate governance and to ensure the requisite guidelines are instilled in the company's actions, Alfa Laval has produced and implemented a number of business principles. These affect how the company and its employees act in respect of the Group's environmental impact, social responsibility, business ethics and transparency. The principles are described in full on Alfa Laval's website, www.alfalaval.com.

The President has the support of the management group, an executive management, to which responsibilities and powers are delegated. The members of the management group are responsible for their respective areas of operation, which comprise divisions or geographic regions, and collectively for the Group as a whole. The Group's management comprises the CEO and those individuals who, on the CEO's recommendation, have been appointed by the Board. For further information regarding the management group, see pages 130–131.

The management group held six minuted meetings during 2010. In addition, quarterly

Attendance at Board meetings and committee meetings				
	Name	Board	Remuneration Committee	Audit Committee
Elected by the AGM	Anders Narvinger	● 19	● 3	3
	Gunilla Berg	17	–	3
	Björn Häggglund	19	3	–
	Ulla Litzén	16	–	–
	Finn Rausing	19	–	● 3
	Jörn Rausing	18	3	–
	Lars Renström	19	–	–
	Waldemar Schmidt <i>Resigned in conjunction with AGM in April</i>	3	–	–
	Arne Frank	9	–	–
	Employee representatives	Arne Kastö	17	–
Jan Nilsson		18	–	–
Susanna Norrby		14	–	–
	Number of meetings	19	3	3

● Chairman

reviews are held of business development in the company's divisions and geographical regions, which deal with items including the business situation, earnings, earnings projections for the next 12 months and specific issues for the respective business areas.

Remuneration, pensions and severance pay/termination of employment

The principles of remuneration to the President and other members of the management group are determined by the AGM. For additional information, see pages 93 and 94.

The Company's Auditors

Alfa Laval's auditors constitute a supervisory body appointed by the AGM. 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 second quarter. The result of the audit, that is the auditor's report, is communicated to shareholders in the annual report and at the AGM. Additionally, the

auditors make a statement of opinion regarding the granting of discharge of liability for the Board of Directors. The number of auditors must be a minimum of one and maximum of two with at most two deputies. An authorized public accountant or registered auditing firm is appointed as auditor and where applicable as deputy auditor. The 2008 AGM elected the company's auditors for a period of four years. Authorized Public Accountants Kerstin Mouchard and Staffan Landén are the company's auditors. Authorized Public Accountants Håkan Olsson and Thomas Swenson are the company's deputy auditors. All are Authorized Public Accountants with Ernst & Young AB. 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 to auditors

(refer to Note 7 on page 95)

Remuneration to the Board			
Name	Board	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
Arne Frank	360,000	0	0
Total	3,060,000	150,000	275,000

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

Board of Directors' report on internal control

The Board is responsible for ensuring that a strong internal control function is in place. The overriding aim is to safeguard the company's assets and thus the shareholders' investments. The internal control function shall ensure the reliability of Alfa Laval's financial reporting, and its compliance with legislation, regulations, the applicable accounting policies and the company's business principles.

Control environment

To ensure good internal control, the Board has established clear operating processes and formal work plans that cover the work of the Board and its Committees. The Board has also prepared a clear internal distribution of tasks:

The Board monitors and bears overall responsibility for the company's financial reporting. Another key component of the Board's work is the formulation and approval of fundamental rules and guidelines aimed at creating the basis for good internal control. These guidelines and rules, which are regularly revised and updated, apply to such aspects as the company's finance policy, its business principles, rules for resolving on investments, requirements on financial reporting and its communications policy. The Board shall also ensure that the organizational structure is logical and transparent, and that it clearly defines roles, responsibilities and processes. The Board shall also assess the operations' performances and earnings through a package of reports that include results, forecasts and analyses of key indicators. The Board administers the company's interim reports and its year-end report.

The Board's Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. This Committee also evaluates and manages the company's relationships with its external auditors. The Audit Committee examines the company's financial reports and reviews its risk reports, the information from risk assessments, disputes and potential improprieties. The Audit Committee holds meetings with the internal auditors, the external auditors and various specialists in the executive management and its support functions. The Board receives feedback from these meetings. The Audit Committee's work also includes regularly reviewing the

efficiency of the internal controls, and evaluating and discussing key auditing and reporting matters. In 2010, the entire Board received reports from the company's external auditors on two occasions. On one occasion, this was conducted without the presence of the President or members of the executive management. The Board's Audit Committee has separately received additional reports from the company's external auditors on three occasions.

The President is subject to instructions issued by the Board and shall ensure the existence of an efficient control environment. The President is also responsible for regular work on the internal control. The executive management shall manage and maintain the internal control systems required to manage key risks in the company's operating activities. The management shall also clearly ensure that all employees understand the requirements for, and the individual's role in, maintaining a strong internal control.

The internal auditors report to the CFO and comprise the function that practically reviews and pursues improvements to the internal control function, reports these results to the Audit Committee and proposes plans for the coming six to eight months. The internal auditors also issue reports from individual audits to the members of executive management concerned. A procedure to perform regular reviews of the agreed actions is in place to ensure that specific actions are taken following the internal audit. This is based on a schedule agreed on with the party responsible for the individual activities.

The internal audit function comprises two internal auditors, supplemented by internal specialist company resources and auditors from the auditing company KPMG. In 2010, 32 internal audits were performed. These encompassed a broad spectrum of functions and areas of inquiry. The scope was

determined by the Board and involved examining such aspects as:

- 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 implemented, 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.

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. This identification process creates stronger opportunities for accurate financial reporting. The procedures encompass risk assessments in conjunction with strategic planning, forecasts and acquisition activities, as well as processes to identify amendments to the accounting policies to ensure that these amendments are accurately reflected in the financial reporting.

Control structures

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

The control structures comprise (i) an organization with clearly defined roles that enable an effective, and from an internal control perspective, appropriate division of responsibility, and (ii) specific control activities that are intended for discovery and timely prevention of risks becoming reality. Examples of control activities include clearly

defined decision-making processes and the policy for decision-making in relation 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.

Governance instruments

As governance instruments, the Board deploys a number of policy documents, which are used in the company's daily operations. These encompass such instruments as the Board's operating procedures, the President's instructions, reporting instructions, business principles, investment policies, and the finance and communications policy. The Board annually reviews how relevant and current these instruments are.

A feedback function, known as an annual sign-off, is also in place, which is geared toward the company's senior executives. This feedback function shall ensure that Alfa Laval's internal instructions and rules are fully implemented. All managers who report directly to Group management shall review the guidelines and rules that apply to their respective areas on an annual basis. They must sign and submit a docu-

ment confirming their understanding of the significance of and compliance with these guidelines. 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 external and internal auditors.

Information and communication

The company's principal governing documents in terms of regulations, guidelines and manuals are communicated through several internal channels. In addition, all other guidelines that exist to ensure good control are communicated. 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.

For communication with external parties, a clearly defined policy has been formulated, including guidelines on how this communication is to be conducted. The aim is to ensure that all obligations with regard to information are met in a correct and complete manner.

Review

The internal control process is mainly monitored by two entities: the Audit Committee and Internal audit. 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 Audit Committee also meets with the external auditors 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 and continuously to Group Management so that any necessary measures may be taken. The scope of the internal audit includes operational efficiency, compliance with regulations and guidelines and the quality of financial reporting from the subsidiaries. The report not only comprises a description of how internal control is organized, but also an opinion on how well it functions.

Lund, March 2011
The Board of Directors

Auditors' statement on the corporate governance report

To the annual meeting of the shareholders of Alfa Laval AB, corporate identity number 556587-8054

Assignment and allocation of responsibilities

We have examined the Corporate Governance Report (pages 120–127) for Alfa Laval AB for 2010. The Board of Directors bears responsibility for the Corporate Governance Report and its compliance with the Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

The objective and scope of the audit

The audit has been performed in accordance with RevU 16, Auditors' review of the corporate governance report. This requires that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the Corporate Governance Report is free of material misstatement. An audit includes examining, on a test basis, a selection of the underlying evidence for the

Corporate Governance Report. We believe that our audit provides us with a reasonable basis for our opinion set out below.

Opinion

The Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated accounts.

Lund, March 4, 2011

Kerstin Mouchard
Authorized Public Accountant

Staffan Landén
Authorized Public Accountant

Board of Directors and Auditors

Elected by the Annual General Meeting



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 TeliaSonera AB, Trelleborg AB and Coor Service Management AB.
Board member of JM AB and Pernod Ricard SA. Independent of company and major shareholders. Number of shares in Alfa Laval: 40,000* (40,000**).



Gunilla Berg
Board member since 2004.

Born: 1960.
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 of L E Lundbergföretagen AB and DnB NOR ASA. Independent of company and major shareholders. Number of shares in Alfa Laval: 1,000* (0**).



Björn Häglund
Board member since 2005.

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



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 of, among others, Atlas Copco AB, Boliden AB, Husqvarna AB, NCC AB and SKF AB. Independent of company and major shareholders. Number of shares in Alfa Laval: 15,600* (15,600**).



Finn Rausing
Board member since 2000.

Born: 1955.
Education: B.L., MBA from 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 and TeliaSonera AB. Independent of major shareholders. Number of shares in Alfa Laval: 40,400* (40,400**).



Arne Frank
Board member since 2010.

Born: 1958
President and CEO of AarhusKarlshamn AB
Education: BSc. Eng in industrial economics from Linköping Institute of Technology
Chairman of the Board of Contex Holding A/S
Independent of the company and major shareholders. Number of shares in Alfa Laval: 8,000* (0**)



Waldemar Schmidt
Board member since 2000.

Stepped down in conjunction with the 2010 Annual General Meeting.

* Holdings as of December 31, 2010.
** Holdings as of December 31, 2009.

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* (5,000**).

Deputy employee representatives

Henrik Nielsen*Deputy member since 2008.*

Born: 1968.
Employed by Alfa Laval since 2005.
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

**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 long experience in auditing exchange-listed and internationally active companies. Among other assignments, she is auditor for Cardo AB, Profilgruppen AB, Strålfors AB and a number of companies in the Lantmännen Group.

**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 and internationally active companies. Among other assignments, he is auditor for Capio AB, Papyrus AB, Academedia AB, Lindab AB and Bure Equity AB.

Deputy auditors

Håkan Olsson*Authorized Public Accountant, Ernst & Young AB, Malmö.*

Born: 1961.
Deputy auditor for Alfa Laval since 2000.

Thomas Swenson*Authorized Public Accountant, Ernst & Young AB, Malmö.*

Born: 1957.
Deputy auditor for Alfa Laval since 2004.

Group Management



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.
Board member of ASSA ABLOY AB and TeliaSonera AB.
Education: BSc. Eng, BSc. Econ.
Number of shares in Alfa Laval: 40,400* (40,400**).



Thomas Thuresson
Chief Financial Officer.

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



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



Svante Karlsson
President, Process Technology Division.

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



Susanne Pahlén Åklundh
President, Equipment Division.

Born: 1960.
Employed by Alfa Laval since 1983.
President of the Equipment Division since 2009.
Previously responsible for Mid Europe, Nordic and the Process Industry segment.
Education: MSc. Eng.
Number of shares in Alfa Laval: 756* (756**).



Peter Leifland
Executive Vice President in charge of the Western Europe, North America, and India Region.

Born: 1954.
Employed by Alfa Laval since 1985.
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* (480,000**).



Lars Henriksson

Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa Region.

Born: 1950.

Employed by Alfa Laval since 1977.

Regional manager since September 1, 2004. Prior to this, he was President of Alfa Laval Inc. in Canada and held executive positions in Alfa Laval in Sweden, Spain and Brazil.

Education: BSc. Eng.

Number of shares in Alfa Laval: 24,000* (24,000**).



Ray Field

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

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 in Alfa Laval: 54,588* (54,588**).



Peter Torstensson

Senior Vice President, Corporate Communications.

Born: 1955.

Employed by Alfa Laval since 1999.

Senior Vice President, Corporate Communications since 1999. Formerly held such positions as President of Borstahusen Informationsdesign.

Board member of LU Food Science AB.

Number of shares in Alfa Laval: 76,000* (76,000**).



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.

* Holdings as of December 31, 2010.

** Holdings as of December 31, 2009.