Fourth quarter and full year 2010

"It was the best demand since the third quarter 2008. Order intake increased with 18 percent to SEK 6.4 billion. Most business segments and regions reported growth. Food and Sanitary did especially well, benefitting from a good activity level for the food and pharmaceutical industries in the world's emerging regions. Geographically, Central and Eastern Europe and North America reported the strongest development. India also developed very positively and in the quarter the country grew to become Alfa Laval's third largest market after the US and China.

Sales increased to SEK 7.2 billion at the same time as the operating result of SEK 1.3 billion was the best in two years. The operating margin was 18.6 percent.

During the quarter agreements were made and acquisitions were closed that together add SEK 4.2 billion in sales, corresponding to 17 percent of the Group's sales. Aalborg Industries was the largest; an acquisition that will strengthen Alfa Laval's position within heat transfer for the marine as well as the oil & gas industries and add SEK 3.3 billion on a full year basis.

In order to better reflect the opportunities we see long term in our surrounding world Alfa Laval's growth target is adjusted upwards. The new target means that the company's sales should reach an average growth of at least 8 percent annually over a business cycle."

Lars Renström, President and CEO

Summary

SEK millions	Fourth quarter 2010	Fourth quarter 2009	%	% *	Full year 2010	Full year 2009	%	% *
Order intake	6,379	5,427	18	23	23,869	21,539	11	16
Net sales	7,169	6,556	9	14	24,720	26,039	-5	-1
Adjusted EBITA	1,337	1,153	16		4,682	4,585	2	
- adjusted EBITA margin (%)	18.6	17.6			18.9	17.6		
Result after financial items	1,273	899	42		4,364	3,760	16	
Net income for the period	905	632	43		3,116	2,737	14	
Earnings per share (SEK)	2.14	1.48	45		7.34	6.42	14	
Cash flow **	1,081	1,566	-31		4,098	5,347	-23	
Impact on EBITA of:								
- foreign exchange effects	32	-140			356	166		

* excluding exchange rate variations ** from operating activities

The Board of Directors will propose a dividend of SEK 3.00 (2.50) per share and a mandate for repurchase of up to 5 percent of the issued shares to the Annual General Meeting.

Outlook for the first quarter

"We expect demand during the first quarter 2011 to be on about the same level as during the fourth quarter 2010."

Earlier published outlook (October 22, 2010): "We expect demand during the fourth quarter to be on about the same level as during the third quarter."

The fourth quarter and full year 2010 report has been reviewed by the company's auditors, see page 23 for the review report.

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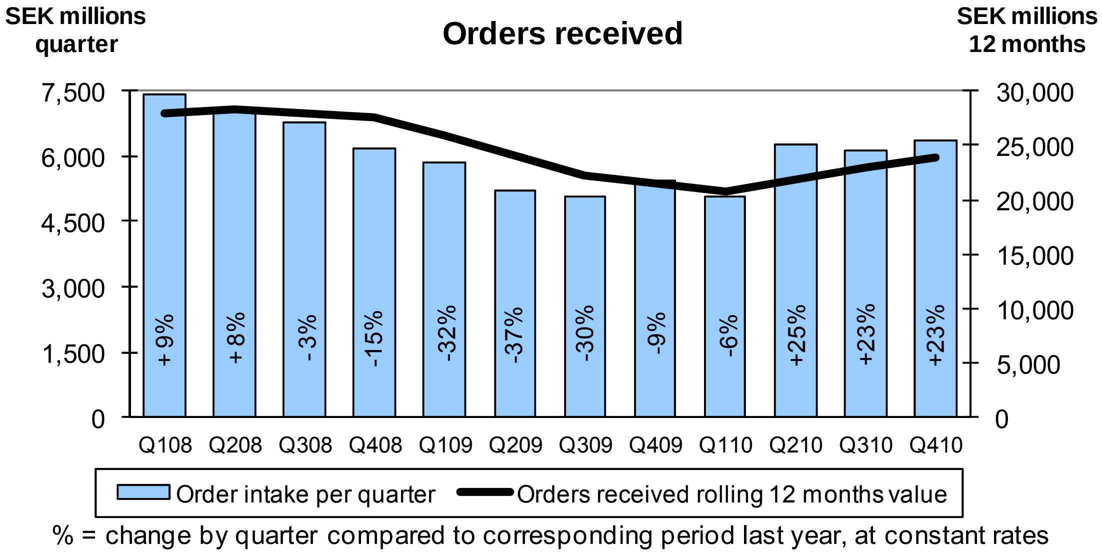
Management's discussion and analysis



Order bridge

SEK millions	Fourth quarter 2009	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Fourth quarter 2010
Order intake	5,427	3.4	-5.6	19.7	17.5	6,379

Orders received amounted to SEK 6,379 (5,427) million for the fourth quarter. Excluding exchange rate variations, the order intake for the Group was 23.1 percent higher than the fourth quarter last year. Adjusted for acquisitions of businesses [1)], the corresponding figure is an increase by 19.7 percent.

Orders received amounted to SEK 23,869 (21,539) million for the full year 2010. Excluding exchange rate variations, the order intake for the Group was 15.9 percent higher than the same period last year. Adjusted for acquisitions of businesses [1)], the corresponding figure is an increase by 11.8 percent.

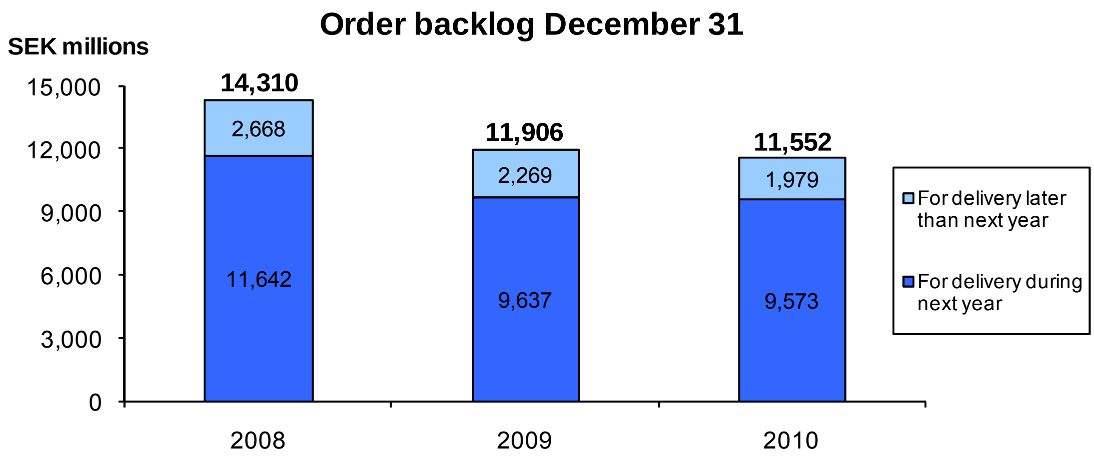
Orders received from the aftermarket ”Parts & Service” constituted 28.5 (28.3) percent of the Group's total orders received during 2010. Excluding exchange rate variations, the ”Parts & Service” order intake increased by 16.2 percent during the fourth quarter 2010 compared to the corresponding quarter last year and constituted 27.2 (28.4) percent of the Group’s total orders received during the quarter.

1. Acquired businesses are: Olmi S.p.A at December 6, 2010, Definox at November 1, 2010, Si Fang Stainless Steel Products Co. Ltd at April 1, 2010, Astepo S.r.l. at April 1, 2010, a leading service provider on the North American market at January 6, 2010, Champ Products Inc, at January 5, 2010, LHE Co. Ltd at September 1, 2009, PHE Indústria e Comércio de Equipamentos Ltda at August 1, 2009, HES at February 1, 2009, two providers of parts and service at January 14, 2009

Large orders [1] in the fourth quarter:

During the fourth quarter 2010 Alfa Laval received large orders for SEK 310 (480) million:

- An order for Alfa Laval Packinox heat exchangers to be used in an Indian refinery. The order value is about SEK 110 million and delivery will be finalized during 2011.
- An order for Alfa Laval Packinox heat exchangers to be used in a refinery in India. The order value is about SEK 50 million and delivery is scheduled for 2011.
- An order for compact heat exchangers from a refinery in Russia. The order value is about SEK 70 million and delivery is scheduled for 2011.
- An order for Alfa Laval Packinox heat exchangers to be used in the world's first full-scale IGCC (Integrated Gasification Combined Cycle) process for power generation with carbon capture, which will be placed in the US. The order value is about SEK 80 million and delivery is scheduled for 2012.



The order backlog at December 31, 2010 was SEK 11,552 (11,906) million. Excluding exchange rate variations and adjusted for acquisitions of businesses the order backlog was 5.3 percent lower than the order backlog at the end of 2009.

Net sales

Sales bridge

SEK millions	Fourth quarter 2009	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Fourth quarter 2010
Net sales	6,556	7.7	-4.7	6.4	9.4	7,169

Net invoicing was SEK 7,169 (6,556) million for the fourth quarter. Excluding exchange rate variations, the net invoicing was 14.1 percent higher than the fourth quarter last year. Adjusted for acquisitions of businesses, the corresponding figure is an increase by 6.4 percent.

Net invoicing was SEK 24,720 (26,039) million for the full year 2010. Excluding exchange rate variations, the net invoicing was 0.8 percent lower than last year. Adjusted for acquisitions of businesses, the corresponding figure is a decrease by 5.2 percent.

Net invoicing relating to ”Parts & Service” constituted 26.5 (24.6) percent of the Group's total net invoicing during 2010. This change of mix has a positive impact on the gross margin. ”Parts & Service” constituted 24.7 (25.0) percent of the net sales during the fourth quarter.

1. Orders with a value over EUR 5 million.

CONSOLIDATED COMPREHENSIVE INCOME

	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Net sales	7,169	6,556	24,720	26,039
Cost of goods sold	-4,436	-4,119	-15,029	-16,411
Gross profit	2,733	2,437	9,691	9,628
Sales costs	-828	-804	-3,156	-3,179
Administration costs	-392	-278	-1,224	-1,132
Research and development costs	-211	-182	-625	-654
Other operating income *	144	183	494	442
Other operating costs *	-184	-301	-779	-1,075
Operating income	1,262	1,055	4,401	4,030
Dividends and changes in fair value	-2	-4	2	-1
Interest income and financial exchange rate gains	102	22	327	404
Interest expense and financial exchange rate losses	-89	-174	-366	-673
Result after financial items	1,273	899	4,364	3,760
Taxes	-368	-267	-1,248	-1,023
Net income for the period	905	632	3,116	2,737
Other comprehensive income:				
Cash flow hedges	-90	53	122	551
Translation difference	4	182	-554	-392
Deferred tax on other comprehensive income	30	-16	-36	-175
Comprehensive income for the period	849	851	2,648	2,721
Net income attributable to:				
Owners of the parent	899	624	3,088	2,710
Non-controlling interests	6	8	28	27
Earnings per share (SEK)	2.14	1.48	7.34	6.42
Average number of shares **	419,456,315	422,039,466	420,494,001	422,039,466
Comprehensive income attributable to:				
Owners of the parent	842	831	2,625	2,684
Non-controlling interests	7	20	23	37

* The line has been affected by comparison distortion items, see separate specification on page 6.

** Average number of shares has been affected by repurchase of shares and the 4:1 split.

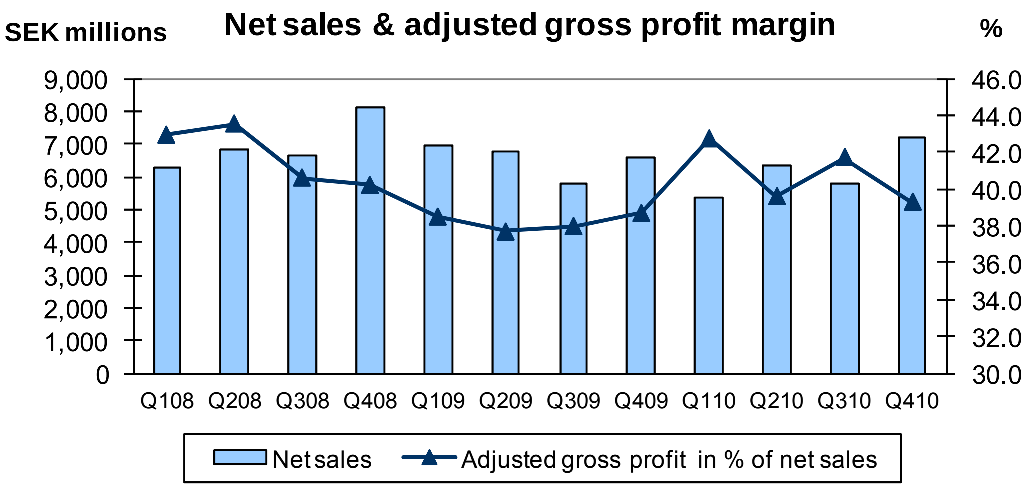
Sales and administration expenses amounted to SEK 4,380 (4,311) million during 2010. Adjusted for exchange rate variations and acquisitions of businesses, sales and administration expenses were 3.0 percent higher than last year.

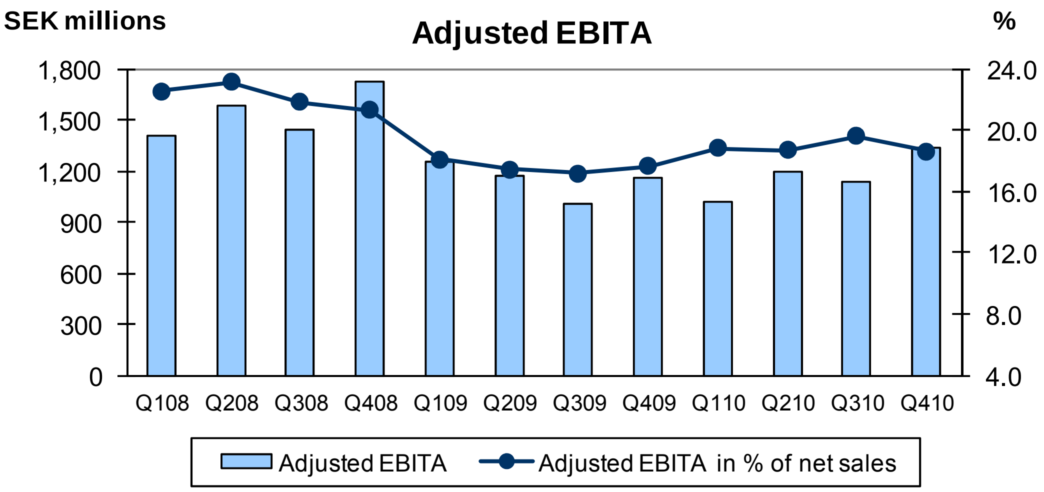
The costs for research and development have amounted to SEK 625 (654) million during 2010, corresponding to 2.5 (2.5) percent of net sales. Adjusted for exchange rate variations and acquisitions of businesses, the costs for research and development have decreased, by 1.1 percent compared to last year.

Consolidated	Income analysis			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Net sales	7,169	6,556	24,720	26,039
Adjusted gross profit *	2,818	2,535	10,062	9,958
- in % of net sales	***39.3***	***38.7***	***40.7***	***38.2***
Expenses **	-1,362	-1,276	-4,955	-4,982
- in % of net sales	*19.0*	*19.5*	*20.0*	*19.1*
Adjusted EBITDA	**1,456**	**1,259**	**5,107**	**4,976**
- in % of net sales	*20.3*	*19.2*	*20.7*	*19.1*
Depreciation	-119	-106	-425	-391
Adjusted EBITA	**1,337**	**1,153**	**4,682**	**4,585**
- in % of net sales	***18.6***	***17.6***	***18.9***	***17.6***
Amortisation of step up values	-85	-98	-371	-330
Comparison distortion items	10	-	90	-225
Operating income	1,262	1,055	4,401	4,030

* Excluding amortisation of step up values. ** Excluding comparison distortion items.

The net income attributable to the owners of the parent, excluding depreciation of step-up values and the corresponding tax, is SEK 8.02 (7.00) per share.





Consolidated	Comparison distortion items			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Operational				
Other operating income	134	183	404	442
Comparison distortion income	10	-	90	-
Total other operating income	144	183	494	442
Other operating costs	-184	-301	-779	-850
Comparison distortion costs	-	-	-	-225
Total other operating costs	-184	-301	-779	-1,075

The operating income for 2010 has been affected by comparison distortion items of SEK 90 (-225) million. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

SEK 80 million of the comparison distortion income relates to reversal of unused parts of the provisions made in connection with the savings' measures that were initiated during 2009. Since the actual costs for the measures became SEK 80 million lower this amount is reversed. The remaining SEK 10 million relates to realised gains on sale of properties in France and India.

2009 was burdened with a cost of SEK 225 million for restructuring measures.

Consolidated financial result and taxes

The financial net has amounted to SEK -111 (-208) million, excluding realised and unrealised exchange rate losses and gains. The main elements of costs were interest on debt to the banking syndicate of SEK -1 (-58) million, interest on the private placement of SEK -21 (-35) million and a net of dividends and other interest income and interest costs of SEK -89 (-115) million. The net of realised and unrealised exchange rate differences amounts to SEK 74 (-62) million.

Consolidated	Key figures	
	December 31	
	2010	2009
Return on capital employed (%) *	37.4	33.6
Return on equity capital (%) *	24.4	24.5
Solidity (%) **	50.0	46.7
Net debt to EBITDA, times *	-0.1	0.1
Debt ratio, times **	-0.04	0.04
Number of employees **	12,618	11,390

* Calculated on a 12 months' revolving basis.

** At the end of the period.

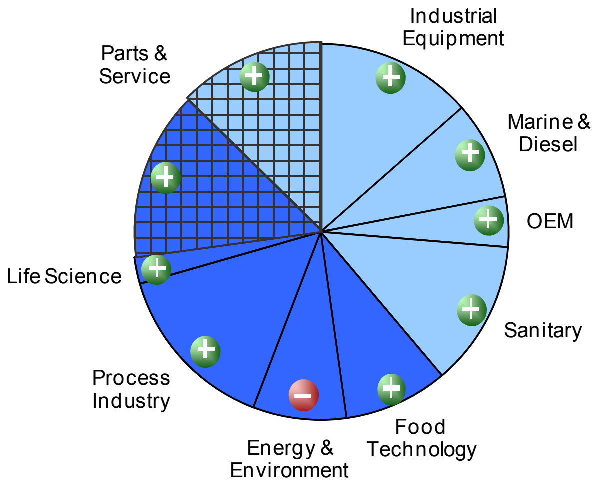
Operating segments

Consolidated	Orders received			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Equipment	3,344	2,713	12,945	11,751
Process Technology	3,043	2,713	10,923	9,767
Other	-8	1	1	21
Total	6,379	5,427	23,869	21,539

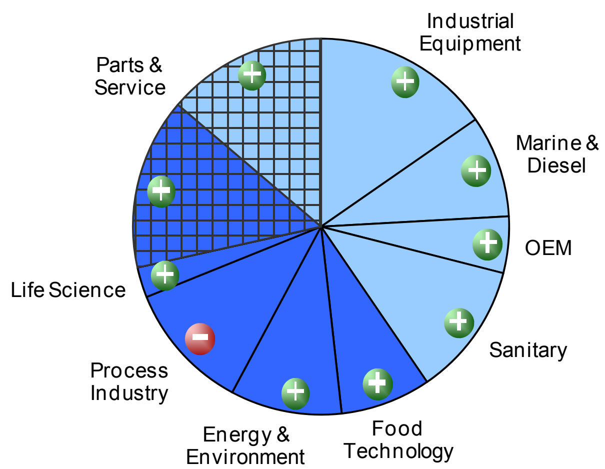
For the full year 2010 orders received for Equipment increased by 15.8 percent and net sales increased by 0.5 percent excluding exchange rate variations compared to last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 11.5 percent and a decrease by 3.0 percent respectively.

For the full year 2010 orders received for Process Technology increased by 16.3 percent and net sales decreased by 2.5 percent excluding exchange rate variations compared to last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 12.4 percent and a decrease by 8.1 percent respectively.

Orders received by customer segment Q4 2010



Orders received by customer segment 2010



= increase

= decrease

= unchanged (+/- 3 %)

compared to corresponding period last year, at constant rates adjusted for acquisitions of businesses

= Equipment

= Process Technology

= Parts & Service

Industrial Equipment is a combination of the two former customer segments Comfort & Refrigeration and Fluids & Utility Equipment.

Equipment *(all comments are after adjustment for exchange rate fluctuations)*

The Equipment division posted a strong fourth quarter, significantly outperforming the same period last year, with a very positive development reported by all segments.

The Sanitary segment stood out as investments in the food and pharmaceutical sectors fuelled growth. Demand was particularly strong for dairy, beverages and food applications across most regions, with the BRIC countries (Brazil, Russia, India and China) outperforming the more established markets in relative terms. In OEM demand continued to grow, predominantly for brazed heat exchangers. All three major application areas: air conditioners, boilers and heat pumps rose on the back of a new product portfolio which met good demand. The Industrial Equipment segment continued to show solid growth in all key markets, but the development was particularly good for refrigeration applications. Marine & Diesel was also up in the fourth quarter, helped by the recovery in the ship contracting levels to the ship yards that happened in the earlier part of 2010. Diesel power also reported a positive development, even as the market in general was continuously affected by delays in decision making.

Shipping activity and industrial utilisation rates increased throughout the year, having a positive impact on demand for Parts & Service.

Process Technology *(all comments are after adjustment for exchange rate fluctuations)*

Order intake for the Process Technology division showed a strong development in the fourth quarter compared to the corresponding quarter last year. The order intake was boosted by significant growth in the base business*, whereas larger orders remained on the same level as the fourth quarter last year.

Food Technology showed a particularly strong development, driven by the vegetable oil business. Edible oil benefitted from a high activity level in for example China and India, where capacity investments continued. Brewery also had strong growth. In general, improvement could be seen in most geographical areas, with a good growth in base business. Energy & Environment continued to enjoy strong growth within Oil & Gas, primarily in North America and Latin America but also in the Middle East. Environment, however, noted a considerable decrease due to fewer project orders. Even though the market unit Power was below last year's level, a positive signal was received in the form of a large order for the world's first full-scale IGCC process for power generation and carbon capture. The order is evidence of the growing interest in carbon capture solutions. In Process Industry order intake showed growth. Growth was solid as the previously noted recovery in the metals, process and petrochemical industries continued. The segment enjoyed overall very strong base business growth, whereas the value of large orders was lower. The order intake for Life Science was up significantly, deriving from a good base business development.

Parts & Service was another segment to show significant positive development, particularly driven by parts' sales. The demand for repair, maintenance and upgrades was stable. Notable was the strong development in industries such as process industry, environment and oil & gas.

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

Consolidated	Net sales			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Equipment	3,906	3,526	14,065	14,665
Process Technology	3,259	3,014	10,632	11,350
Other	4	16	23	24
Total	7,169	6,556	24,720	26,039

The orders received and the net invoicing during the period have resulted in the following order backlog:

Consolidated	Order backlog	
	December 31	
SEK millions	2010	2009
Equipment	4,983	6,399
Process Technology	6,569	5,486
Other	0	21
Total	11,552	11,906

Consolidated	Operating income			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Equipment	658	589	2,604	2,530
Process Technology	713	631	2,159	2,040
Other	-103	-19	-405	-138
Subtotal	1,268	1,201	4,358	4,432
Comparison distortion items	10	-	90	-225
Consolidation adjustments *	-16	-146	-47	-177
Total	1,262	1,055	4,401	4,030

* Difference between management accounts and IFRS

The increase in operating income for both Equipment and Process Technology during 2010 compared to last year is mainly explained by a change of mix in the sales, lower costs and positive foreign exchange effects, mitigated by decreased volume.

Consolidated	Assets		Liabilities	
	December 31		December 31	
SEK millions	2010	2009	2010	2009
Equipment	9,283	9,428	2,166	1,987
Process Technology	8,482	8,289	4,127	4,643
Other	4,456	4,507	2,286	1,866
Subtotal	22,221	22,224	8,579	8,496
Corporate	4,948	3,982	5,008	5,481
Total	27,169	26,206	13,587	13,977

Consolidated	Depreciation			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Equipment	67	68	256	200
Process Technology	60	44	198	153
Other	77	92	342	368
Total	204	204	796	721

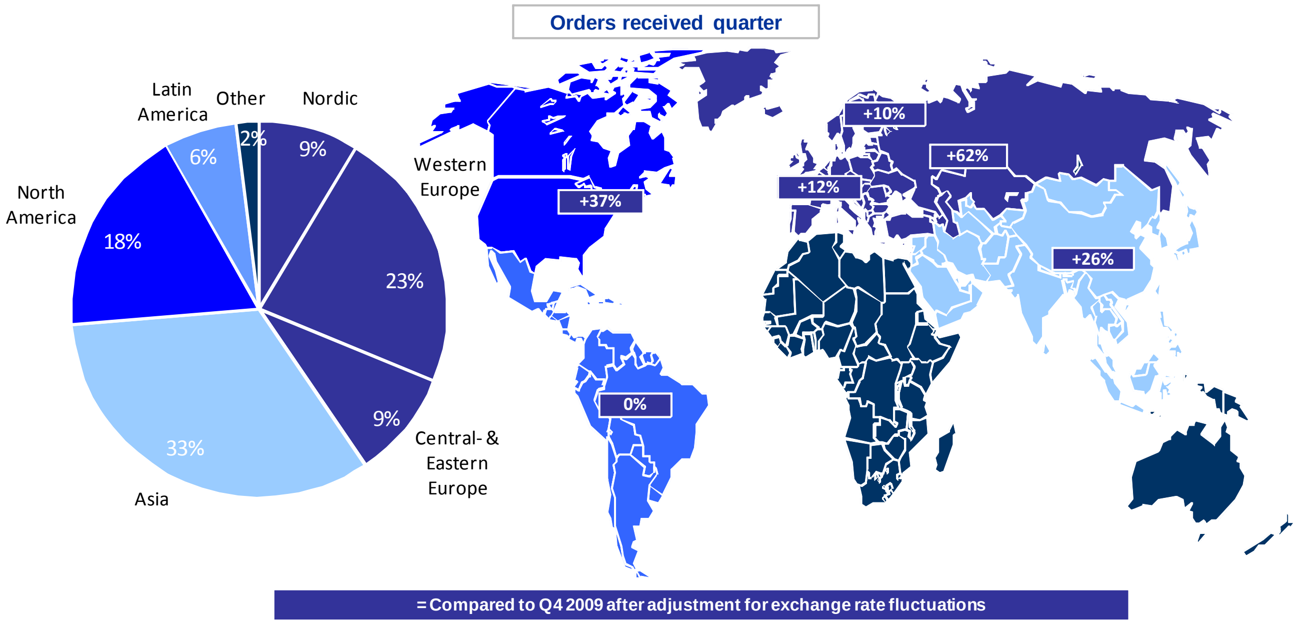
Consolidated	Investments			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Equipment	29	35	75	91
Process Technology	10	29	85	113
Other	163	83	269	247
Total	202	147	429	451

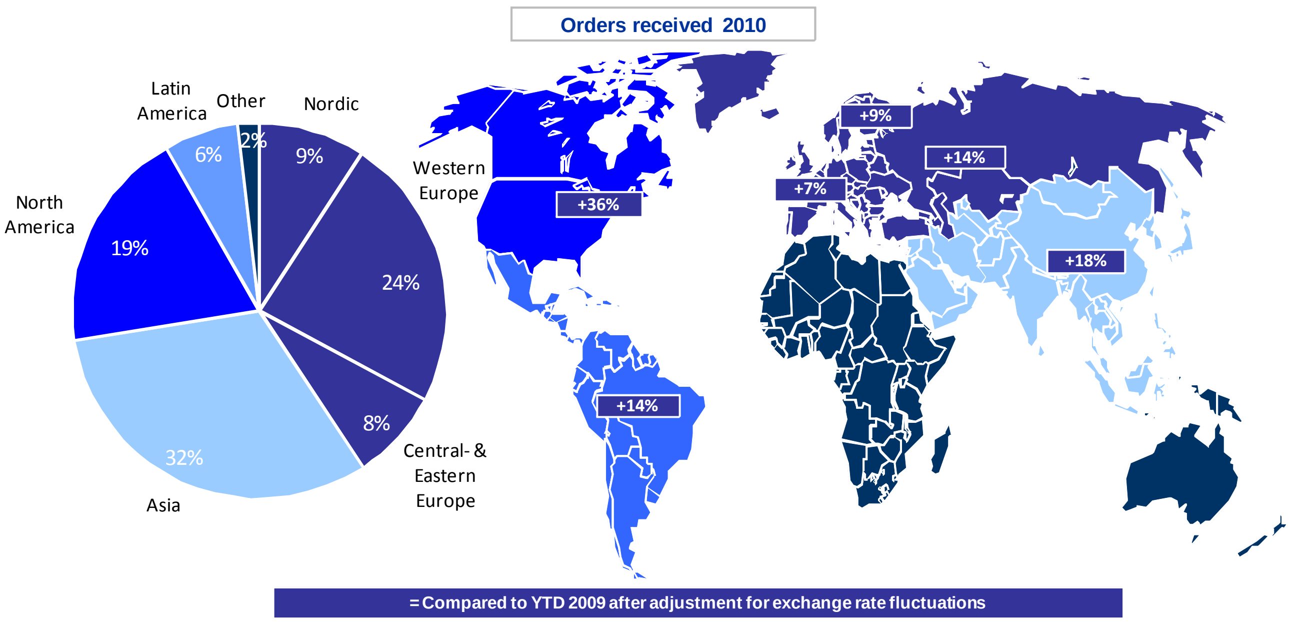
Information about products and services

Consolidated	Net sales by product/service *			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Own products within:				
Separation	1,718	1,685	6,043	6,586
Heat transfer	3,772	3,373	13,092	13,866
Fluid handling	771	610	2,700	2,427
Other	181	134	550	615
Associated products	360	384	1,144	1,339
Services	367	370	1,191	1,206
Total	7,169	6,556	24,720	26,039

* The split of own products within separation, heat transfer and fluid handling is a reflection of the current three main technologies. Other is own products outside these main technologies. Associated products are mainly purchased products that compliment Alfa Laval's product offering. Services cover all sorts of service, service agreements etc.

Information about geographical areas





All comments are after adjustment for exchange rate fluctuations.

Western Europe including Nordic

Orders received rose in the fourth quarter, versus the same quarter in 2009, with all countries reporting growth except France. The base business* grew across the line and did particularly well in Nordic and Mid Europe. On a segment level orders were up for all except Energy & Environment and Process Industry.

* Base business and base orders refer to orders with an order value of less than EUR 0.5 million.

Central and Eastern Europe

The development in Central & Eastern Europe was very strong in the fourth quarter compared with the same period last year. Growth was reported across the line which included the base business and large orders as well as Parts & Service. All segments reported growth with a particularly good development seen in the areas of marine, refinery and Parts & Service. The best performance was found in Russia and Turkey.

North America

Order intake grew substantially in the fourth quarter compared to the corresponding quarter last year. This development was visible not only for the base business but overall. Segment development was strong as all segments, except Process Industry, grew.

Latin America

In Latin America order development was flat in the fourth quarter versus the same period last year. The base business and Parts & Service both reported growth, while a negative impact came from a non-repeat of large orders. Argentina and Chile did very well while Brazil was affected by the non-repeats. From a segment perspective the largest growth was reported in Parts & Service, Sanitary Equipment and Energy & Environment.

Asia

Order intake continued to show a good development during the fourth quarter, compared to the same period last year, with particularly strong growth in India, Korea and China. Due to the positive development in 2010 India became Alfa Laval's third largest market by the end of the year, after the U.S. and China. All segments in the Equipment division reported a strong development. The picture was more mixed in the Process Technology division as Life Science and Food Technology both reported strong growth, while Process Industry and Energy & Environment were weaker than the same period last year, mainly due to non-recurring large projects within refinery and nuclear power. Parts & Service's solid performance continued in both divisions.

Consolidated	Net sales			
	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
To customers in:				
Sweden	259	233	849	840
Other EU	2,042	2,026	6,879	7,941
Other Europe	521	448	1,953	1,829
USA	948	753	3,354	3,736
Other North America	295	196	757	575
Latin America	386	416	1,531	1,432
Africa	54	62	242	259
China	852	803	3,144	2,876
Other Asia	1,703	1,538	5,648	6,238
Oceania	109	81	363	313
Total	7,169	6,556	24,720	26,039

Net sales are reported by country on the basis of invoicing address, which is normally the same as the delivery address.

Consolidated	Non-current assets	
	December 31	
SEK millions	2010	2009
Sweden	1,598	1,725
Other EU	4,679	4,745
Other Europe	349	379
USA	2,016	1,935
Other North America	125	128
Latin America	167	178
Africa	1	1
Asia	3,045	3,039
Oceania	97	90
Subtotal	12,077	12,220
Pension assets	235	136
Deferred tax asset	1,301	1,367
Total	13,613	13,723

Information about major customers

Alfa Laval does not have any customer that accounts for 10 percent or more of net sales. Tetra Pak within the Tetra Laval Group is Alfa Laval's single largest customer with about 4 percent of net sales.

CONSOLIDATED CASH FLOWS

SEK millions	Fourth quarter 2010	Fourth quarter 2009	Full year 2010	Full year 2009
Operating activities				
Operating income	1,262	1,055	4,401	4,030
Adjustment for depreciation	204	204	796	721
Adjustment for other non-cash items	-45	-91	145	37
	1,421	1,168	5,342	4,788
Taxes paid	-256	-298	-1,215	-1,533
	1,165	870	4,127	3,255
Changes in working capital:				
Increase(-)/decrease(+) of receivables	91	308	360	1,776
Increase(-)/decrease(+) of inventories	-24	503	-536	1,439
Increase(+)/decrease(-) of liabilities	-59	-76	332	-1,233
Increase(+)/decrease(-) of provisions	-92	-39	-185	110
Increase(-)/decrease(+) in working capital	**-84**	**696**	**-29**	**2,092**
	1,081	1,566	4,098	5,347
Investing activities				
Investments in fixed assets (Capex)	-202	-147	-429	-451
Divestment of fixed assets	27	2	31	8
Acquisition of businesses	-596	66	-1,019	-2,177
	-771	-79	-1,417	-2,620
Financing activities				
Received interests and dividends	-21	9	52	32
Paid interests	-31	-56	-139	-292
Realised financial exchange differences	-22	-65	3	-5
Repurchase of shares	-	-	-253	-
Dividends to owners of the parent	-	-	-1,055	-949
Dividends to non-controlling interests	-	-	-9	-6
Increase(-)/decrease(+) of financial assets	-143	32	-389	213
Increase(+)/decrease(-) of borrowings	19	-1,530	-641	-1,660
	-198	-1,610	-2,431	-2,667
Cash flow for the period	112	-123	250	60
Cash and bank at the beginning of the period	1,201	1,207	1,112	1,083
Translation difference in cash and bank	15	28	-34	-31
Cash and bank at the end of the period	1,328	1,112	1,328	1,112
Free cash flow per share (SEK) *	0.74	3.52	6.38	6.46
Capex in relation to sales	2.8%	2.2%	1.7%	1.7%
Average number of shares **	419,456,315	422,039,466	420,494,001	422,039,466

* Free cash flow is the sum of cash flows from operating and investing activities.
** Average number of shares has been affected by repurchase of shares.

During 2010 cash flows from operating and investing activities amounted to SEK 2,681 (2,727) million. Depreciation, excluding allocated step-up values, was SEK 425 (391) million during 2010, whereas investments in fixed assets were SEK 429 (451) million.

The decrease in cash flows from operating activities is explained by the decrease in working capital that was realised in connection with the down turn in the business climate in 2009, partly compensated by higher earnings in 2010.

CONSOLIDATED FINANCIAL POSITION

SEK millions	December 31 2010	2009
ASSETS		
Non-current assets		
Intangible assets	8,533	8,633
Property, plant and equipment	3,512	3,548
Other non-current assets	1,568	1,542
	13,613	13,723
Current assets		
Inventories	4,769	4,485
Accounts receivable	4,181	4,123
Other receivables	2,059	2,130
Derivative assets	644	331
Other current deposits	575	302
Cash and bank *	1,328	1,112
	13,556	12,483
TOTAL ASSETS	27,169	26,206
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	13,427	12,113
Non-controlling interests	155	116
	13,582	12,229
Non-current liabilities		
Liabilities to credit institutions	292	832
Private placement	749	794
Provisions for pensions and similar commitments	847	920
Provision for deferred tax	1,617	1,390
Other provisions	632	439
	4,137	4,375
Current liabilities		
Liabilities to credit institutions	173	165
Accounts payable	2,239	1,833
Advances from customers	1,357	2,019
Other provisions	1,496	1,926
Other liabilities	4,035	3,372
Derivative liabilities	150	287
	9,450	9,602
Total liabilities	13,587	13,977
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	27,169	26,206

* The item cash and bank is mainly relating to bank deposits.

Cash, bank and current deposits include bank and other deposits in the publicly listed subsidiary Alfa Laval (India) Ltd of SEK 276 (250) million. The company is not a wholly owned subsidiary of the Alfa Laval Group. It is owned to 88.8 percent.

Consolidated	Borrowings and net debt	
	December 31	
SEK millions	2010	2009
Credit institutions	465	997
Private placement	749	794
Capitalised financial leases	137	154
Interest-bearing pension liabilities	1	2
Total debt	1,352	1,947
Cash, bank and current deposits	-1,903	-1,414
Net debt	-551	533

Alfa Laval has a senior credit facility with a banking syndicate of EUR 268 million and USD 348 million, corresponding to SEK 4,776 million. At December 31, 2010, the facility was not utilised. The facility matures in April 2012.

The private placement of USD 110 million matures in 2016.

CHANGES IN CONSOLIDATED EQUITY

	Full year	
SEK millions	2010	2009
At the beginning of the period	12,229	10,493
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	2,625	2,684
Transactions with shareholders		
Repurchase of shares	-253	-
Increase of ownership in subsidiaries with non-controlling interests	-3	-
Dividends	-1,055	-949
	-1,311	-949
Subtotal	1,314	1,735
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	23	37
Transactions with shareholders		
Decrease of non-controlling interests	-2	-65
Non-controlling interests in acquired companies	27	35
Dividends	-9	-6
	16	-36
Subtotal	39	1
At the end of the period	13,582	12,229

Ownership, management and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 33,566 (33,780) shareholders on December 31, 2010. The largest owner is Tetra Laval B.V., the Netherlands who owns 18.7 (18.7) percent. Next to the largest owner there are nine institutional investors with ownership in the range of 8.8 to 1.1 percent. These ten largest shareholders own 44.3 (48.0) percent of the shares.

Alfa Laval's Board of Directors has prolonged the employment contract for Lars Renström, President and CEO, until 2015.

Material factors of risk and uncertainty

The main factors of risk and uncertainty facing the Group concern the price development of metals, fluctuations in major currencies and the business cycle. It is the company's opinion that the description of risks made in the Annual Report for 2009 is still correct. For additional information reference is made to the coming Annual report for 2010.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2010, named as a co-defendant in a total of 596 asbestos-related lawsuits with a total of approximately 683 plaintiffs. Alfa Laval strongly believes the claims against the Group are without merit and intends to vigorously contest each lawsuit.

Based on current information and Alfa Laval's understanding of these lawsuits, Alfa Laval continues to believe that these lawsuits will not have a material adverse effect on the Group's financial condition or results of operation.

Purchase of businesses

In a press release on December 21, 2010, Alfa Laval announced that an agreement had been signed to acquire Aalborg Industries Holding A/S for a total cash consideration of SEK 5.0 billion, on an enterprise value basis, from Altor 2003 Fund, LD Equity and the Company's management. Aalborg Industries has some 2,600 employees and is expected to generate sales of about SEK 3.3 billion in 2010. The acquisition will be accretive to EPS from 2011. The closing of the transaction is subject to clearance from regulatory authorities. For further information reference is made to the issued press releases.

On December 6, 2010 Alfa Laval acquired the Italian company Olmi S.p.A., a leading company specialized in the design and manufacture of shell & tube heat exchangers and air coolers for niche applications in the petrochemical, power and oil & gas industries. The acquisition expands Alfa Laval's product portfolio. Lars Renström, President and CEO of the Alfa Laval Group, commented: “The acquisition of Olmi will substantially strengthen our platform to expand into the high pressure, high temperature heat exchanger market. At the same time, Alfa Laval's strong global presence allows us to take the offering to new geographical markets and customers.” Olmi has sales of about SEK 700 million, with approximately 240 employees working in R&D, manufacturing and sales. The transaction was completed based on an enterprise value of approximately SEK 500 million. The purchase agreement includes a limited earn-out opportunity for the seller. The intention is to integrate Olmi into Alfa Laval as a competence centre based on their unique know-how.

On November 1, 2010 Alfa Laval acquired the Definox activities from Defontaine. Definox designs and manufactures stainless steel valves and equipment for the food processing, pharmaceutical and cosmetic industries. Definox will continue to offer its own product range, under its own brand and through its own sales network. Lars Renström, President and CEO of the Alfa Laval Group commented: “The acquisition of Definox fits our strategy to capture growth opportunities, in this case driven by quality and safety demands from the food and pharmaceutical industries. We will drive profitable growth by adding an independent channel to the very interesting food and pharma market.” Definox has annual sales of about SEK 200 million and some 120 employees. The transaction is based on an enterprise value of SEK 75 million. Definox has offices and manufacturing in Gétigné close to Nantes in France and subsidiaries in the US and China.

On April 1, 2010 Alfa Laval acquired Astepo S.r.l. in Italy. The company is recognized for its solid know-how in aseptic technology, with key products such as bag-in-box fillers and heat exchangers targeting the global fruit juice concentrate industry. The company had sales of about SEK 70 million in 2009 and some 20 employees. Lars Renström, President and CEO of the Alfa Laval Group commented: “The acquisition of Astepo is in line with our strategy to continue to strengthen our position within the food business. The enhanced offering in combination with our strong local presence will create new opportunities.”

On April 1, 2010 Alfa Laval acquired 65 percent of the shares in Si Fang Stainless Steel Products Co. Ltd in China, which is a leading fluid handling company in China. The company targets the food and beverage market in China with its sanitary product portfolio, including pumps, valves and fittings, with sales of about SEK 150 million in 2009 and some 400 employees. Si Fang will continue to offer its own product range, under its own brand and through its own sales network. Lars Renström, President and CEO of the Alfa Laval Group commented: “Si Fang fits our strategy to capture structural growth opportunities, i.e. structural changes in demand. We will drive profitable growth by adding an independent channel to the expanding food and beverage market in China.”

On January 6, 2010 Alfa Laval acquired a well established service company in the US, that is a leading service provider on the North American market specialized in plate heat exchangers. The company will add sales of about SEK 100 million. The company will remain a separate organisation as they will continue to offer their own products and services to the industry under their own brand. Lars Renström, President and CEO of the Alfa Laval Group commented: “The acquisition is another step in the ambition to serve the market with alternative offerings. The Parts and Service business is of high priority and we have during 2009 seen its resilience.”

On January 5, 2010 Alfa Laval acquired Champ Products Inc., based in Sarasota, Florida, the US. The company is recognized for its deep knowledge of engine cooling and is today perceived as a leading company in the North American market, with sales of about SEK 100 million in 2009 and some 75 employees. Lars Renström, President and CEO of the Alfa Laval Group commented: “By the acquisition of Champ Products we strengthen our position through an extended product range, reinforced application knowledge and further market penetration amongst engine and vehicle manufacturers in North America. In addition, we expect Champ’s product range and application knowledge to create opportunities in Europe and Asia as well.”

Parent company

The parent company's result after financial items was SEK 3,431 (4,079) million, out of which dividends from subsidiaries were SEK 2,288 (3,201) million, group contributions SEK 1,154 (878) million, net interests SEK 16 (11) million, realised and unrealised exchange rate gains and losses SEK -3 (-10) million, consideration from external captive SEK - (14), costs related to the listing SEK -2 (-2) million, fees to the Board

SEK -5 (-5) million, cost for annual report and annual general meeting SEK -5 (-4) million and other operating costs the remaining SEK -12 (-4) million.

PARENT COMPANY INCOME *

	Fourth quarter		Full year	
SEK millions	2010	2009	2010	2009
Administration costs	-4	-4	-12	-11
Other operating income	-	-	-	14
Other operating costs	-12	-1	-12	-4
Operating income/loss	-16	-5	-24	-1
Revenues from interests in group companies	3,278	3,878	3,442	4,079
Interest income and similar result items	13	3	17	23
Interest expenses and similar result items	-1	-1	-4	-22
Result after financial items	3,274	3,875	3,431	4,079
Appropriation to tax allocation reserve	-232	-225	-232	-225
Tax on this year's result	-250	-176	-248	-177
Net income for the period	2,792	3,474	2,951	3,677

* The statement over parent company income also constitutes its statement over comprehensive income.

PARENT COMPANY FINANCIAL POSITION

	December 31	
SEK millions	2010	2009
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	8,265	6,298
Other receivables	6	6
Cash and bank	-	-
	8,271	6,304
TOTAL ASSETS	12,940	10,973
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity capital	2,387	2,387
Unrestricted equity capital	8,964	7,321
	11,351	9,708
Untaxed reserves		
Tax allocation reserves, taxation 2006-2011	1,434	1,202
Current liabilities		
Liabilities to group companies	100	55
Accounts payable	1	0
Tax liabilities	54	8
	155	63
TOTAL EQUITY CAPITAL AND LIABILITIES	12,940	10,973

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 8,964 (7,321) million. The figures have been affected by repurchase of shares by SEK -253 (-) million.

The Board of Directors propose a dividend of SEK 3.00 (2.50) per share corresponding to SEK 1,258 (1,055) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 7,706 (6,266) million be carried forward.

The Board of Directors are of the opinion that the proposed dividend is in line with the requirements that the type and size of operations, the associated risks, the capital needs, liquidity and financial position put on the company.

Repurchase of shares

The Annual General Meeting 2010 gave the Board a mandate to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate referred to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase would be made through purchases on OMX Nordic Exchange Stockholm. Until December 31, 2010 Alfa Laval has made the following repurchases:

Specification of repurchase of shares

	Second quarter 2010	Third quarter 2010	Fourth quarter 2010	Total 2010
Number of repurchased shares	2,583,151	-	-	2,583,151
Percentage of outstanding shares	0.6%	0.0%	0.0%	0.6%
Cash-out and decrease in parent company and consolidated equity (SEK millions)	-253	-	-	-253

Proposal to cancel repurchased shares and make a bonus issue

The Board will propose to the Annual General Meeting 2011 to cancel the repurchased shares. Currently 2,583,151 shares are held by the company. Cancellation of these shares means that the share capital will decrease with SEK 7 million. At the same time the Board will propose that the share capital is increased by a bonus issue with the same amount decided by the Annual General Meeting. In this way the size of the share capital is restored and the company avoids to have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares.

Proposal on repurchase of shares

Alfa Laval's financial position is very strong. In order to adjust this to a more efficient structure while maintaining financial flexibility, the Board of Directors will propose the Annual General Meeting to mandate the Board to decide on repurchase of the company's shares – if the Board deems this appropriate – until the next Annual General Meeting. The mandate will refer to repurchase of up to 5 percent of the issued shares with the purpose to cancel the repurchased shares and reduce the share capital. The repurchase will be made through transactions on OMX Stockholm Stock Exchange.

Accounting principles

The fourth quarter and full year 2010 report is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are according to IFRS (International Financial Reporting Standards) as adopted by the European Union.

This means that closing has been affected by the changes in IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements:

- Transaction costs must be reported in the comprehensive income statement instead of as previously be added to the acquisition value, which affects reported goodwill.
- If the value of an additional purchase price is changed the difference must be reported in the comprehensive income statement instead of as previously adjust the acquisition price, which affects reported goodwill.
- In business combinations achieved in stages the goodwill must be calculated and valued when the acquirer obtains control over a business. If the acquirer previously has reported an equity interest in the company the accumulated change in value of the holding is to be recognised in the comprehensive income statement at the acquisition date. Previously the goodwill was calculated and reported at each acquisition date.
- Minority interests have been renamed to non-controlling interests.
- Non-controlling interests can be measured at fair value. This does not exclude that the non-controlling interest still can be measured based on the acquired company’s net assets.
- Changes in holdings in subsidiaries, where the majority owner does not loose its decisive influence, must be reported in equity. This has previously been an unregulated area. This means that these transactions no longer will generate goodwill or lead to any gains or losses.
- If the non-controlling interest’s share of reported losses is higher than its reported share of the equity, a negative non-controlling interest should be reported instead of as previously be charged to the equity attributable to the owners of the parent.

Fourth quarter refers to the period October 1 to December 31. Full year refers to the period January 1 to December 31.

In the report the measures adjusted EBITA and adjusted EBITDA are used. Adjusted EBITA is defined as earnings before interests, taxes, amortisation of step up values and comparison distortion items. Adjusted EBITDA is defined as earnings before interests, taxes, depreciation, amortisation of step up values and comparison distortion items.

The accounting and valuation principles of the parent company comply with the Swedish Annual Accounts Act and the recommendation RFR 2.3 “Accounting for legal entities” issued by the Council for Financial Reporting in Sweden.

Reporting of operating segments

Alfa Laval's business is divided into the two business divisions ”Equipment” and ”Process Technology” that sell to external customers and one division “Other” covering procurement, production and logistics as well as corporate overhead and non-core businesses. These three divisions constitute Alfa Laval’s three operating segments.

The business divisions (operating segments) are in turn split into a number of customer segments. The customers to the Equipment division purchase products whereas the customers to the Process Technology division purchase solutions for processing applications. The Equipment division consists of six customer segments: Comfort & Refrigeration, Fluids & Utility Equipment, Marine & Diesel, OEM (Original Equipment Manufacturers), Sanitary Equipment and the aftermarket segment Parts & Service. The Process Technology division consists of five customer segments: Energy &

Environment, Food Technology, Life Science, Process Industry and the aftermarket segment Parts & Service.

The operating segments are only responsible for the result down to and including operating income excluding comparison distortion items and for the operating capital they are managing. This means that financial assets and liabilities, pension assets, provisions for pensions and similar commitments and current and deferred tax assets and liabilities are a Corporate responsibility and not an operating segment responsibility. This also means that the financial net and income taxes are a Corporate responsibility and not an operating segment responsibility.

The operating segments are only measured based on their transactions with external parties.

Date for the next financial reports

Alfa Laval will publish interim reports during 2011 at the following dates:

Interim report for the first quarter	April 27
Interim report for the second quarter	July 19
Interim report for the third quarter	October 21

Annual General Meeting

The Annual General Meeting of Alfa Laval AB will be held at Färs & Frosta Sparbank Arena, Klostergårdens idrottsområde, Stattenavägen in Lund, Sweden on Wednesday April 27, 2011, at 16.00 (CET).

Annual Report 2010

The Annual Report for 2010 is estimated to be published and distributed to shareholders that have asked for a copy during week 14. The Annual Report will also be available on www.alfalaval.com.

The fourth quarter and full year report has been issued on February 8, 2011 by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, February 8, 2011,

Lars Renström
President and Chief Executive Officer
Alfa Laval AB (publ)

Review report

Introduction

We have reviewed this fourth quarter and full year 2010 report. The Board of Directors and the President are responsible for the preparation and presentation of this report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the fourth quarter and full year 2010 report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent company in accordance with the Swedish Annual Accounts Act.

Lund, February 8, 2011,

Kerstin Mouchard
Authorised Public Accountant

Staffan Landén
Authorised Public Accountant