Fourth quarter and full year 2011

"Order intake during the fourth quarter was SEK 6.8 billion, an increase with 6 percent compared to the corresponding quarter 2010. Compared to the third quarter order intake decreased with 15 percent, influenced by a lower demand from the shipbuilding industry and an awaiting attitude to making decisions concerning projects by certain customers. Order intake for the aftermarket and the base business – excluding marine – was unchanged sequentially.

Sales increased by 14 percent to SEK 8.1 billion compared to the fourth quarter 2010 at the same time as the operating result was SEK 1.4 billion, corresponding to an operating margin of 17.0 percent. The operating margin was influenced by an adaptation to a lower production pace, higher share of project deliveries and continued investments in increased presence in BRIC countries.

2011 was a successful year where order intake grew by 20 percent and invoicing by 16 percent at the same time as the operating result increased 13 percent to SEK 5.3 billion."

Lars Renström, President and CEO

Summary

	Fourth quarter				Full year			
SEK millions	**2011**	**2010**	**%**	**% ***	**2011**	**2010**	**%**	**% ***
Order intake	6,774	6,379	6	9	28,671	23,869	20	28
Net sales	8,149	7,169	14	17	28,652	24,720	16	24
Adjusted EBITA	1,387	1,337	4		5,287	4,682	13	
- adjusted EBITA margin (%)	17.0	18.6			18.5	18.9		
Result after financial items	1,381	1,273	8		4,676	4,364	7	
Net income for the period	934	905	3		3,251	3,116	4	
Earnings per share (SEK)	2.21	2.14	3		7.68	7.34	5	
Cash flow**	1,291	1,081	19		3,429	4,098	-16	
Impact on EBITA of:								
- foreign exchange effects	-80	32			-468	356		
Impact on result after financial items of:								
- Aalborg integration costs	-	-			-80	-		
- restructuring costs/reversals	-90	-			-90	80		

* excluding exchange rate variations ** from operating activities

The Board of Directors will propose a dividend of SEK 3.25 (3.00) 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 that demand during the first quarter 2012 will be in line with or somewhat higher than in the fourth quarter."

Earlier published outlook (October 21, 2011): "We expect that demand during the fourth quarter 2011 will be in line with or somewhat lower than in the third quarter."

The fourth quarter and full year 2011 report has been reviewed by the company's auditors, see page 24 for the review report.

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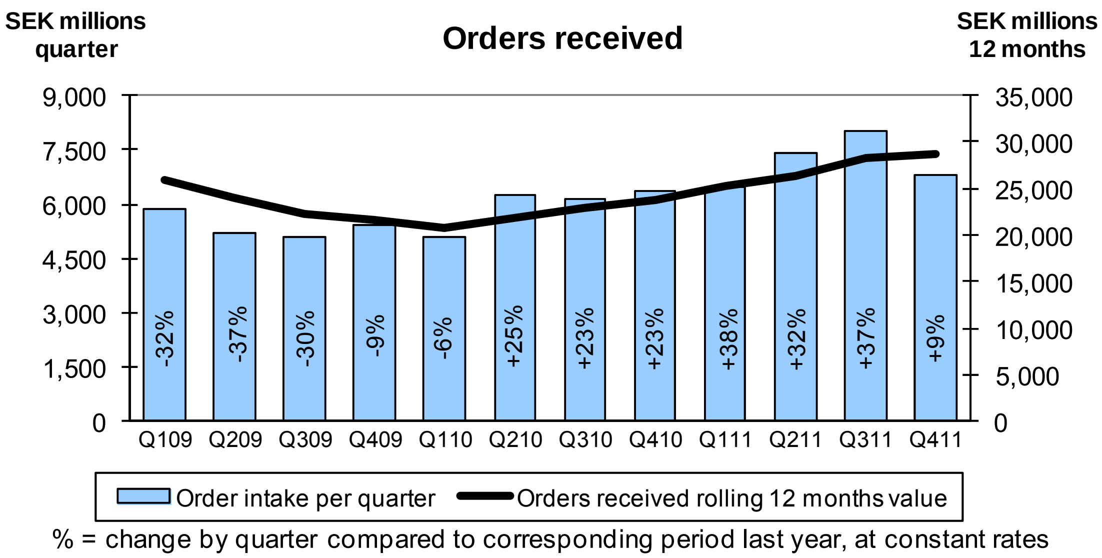
Management's discussion and analysis



Order bridge

SEK millions	Fourth quarter 2010	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Fourth quarter 2011
Order intake	6,379	10.8	-2.5	-2.1	6.2	6,774

Orders received amounted to SEK 6,774 (6,379) million for the fourth quarter. Excluding exchange rate variations, the order intake for the Group was 8.7 percent higher than the fourth quarter last year and 16.1 percent lower than the third quarter 2011. Excluding exchange rate variations, the order intake for Parts & Service in the fourth quarter increased by 14.9 percent compared to the corresponding quarter last year and decreased by 0.6 percent compared to the third quarter 2011.

Orders received amounted to SEK 28,671 (23,869) million for the full year 2011. Excluding exchange rate variations, the order intake for the Group was 28.3 percent higher than last year. Adjusted for acquisitions of businesses [1)], the corresponding figure is an increase by 17.8 percent.

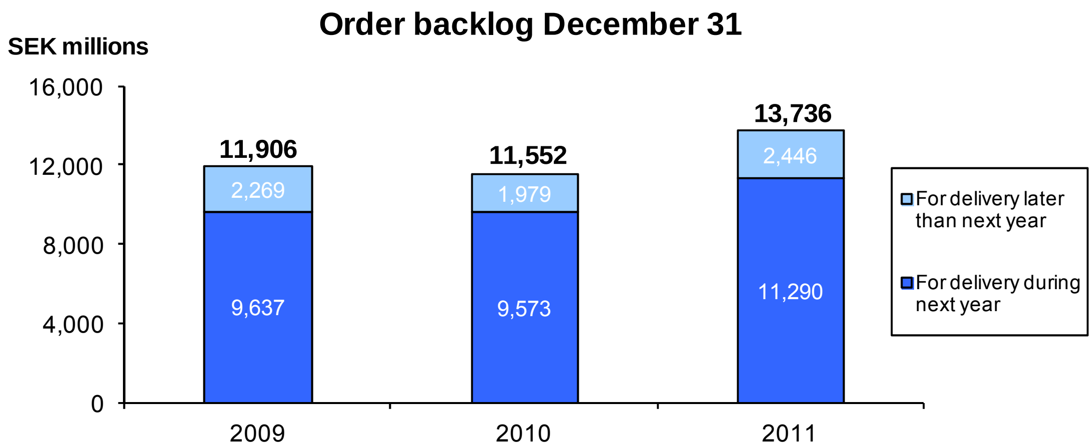
Orders received from the aftermarket Parts & Service constituted 26.1 (28.5) percent of the Group's total orders received for the full year 2011. Excluding exchange rate variations, the order intake for Parts & Service increased by 17.7 percent during the full year 2011 compared to last year.

1. Acquired businesses are: Aalborg Industries at May 1, 2011, a service company in the US at May 1, 2011, 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.

Large orders [1] in the fourth quarter:

During the fourth quarter 2011 Alfa Laval received large orders for SEK 220 (310) million:

- An order to supply equipment to an edible oil company in Indonesia. The order value is approximately SEK 85 million and delivery is scheduled for 2012.
- An order from Wärtsilä Corporation, to supply air cooled heat exchangers, boilers and separators for a combined cycle power plant for a gold mine in Dominican Republic. The order value is approximately SEK 65 million and delivery is scheduled for 2012.
- An order for compact heat exchangers from a refinery in Russia. The order value is approximately SEK 70 million and delivery is scheduled for 2012.



The order backlog at December 31, 2011 was SEK 13,736 (11,552) million. Excluding exchange rate variations and adjusted for acquisitions of businesses the order backlog was 3.4 percent higher than the order backlog at the end of 2010.

Net sales

Sales bridge

SEK millions	Fourth quarter 2010	Structural change (%)	Currency effects (%)	Organic development (%)	Total (%)	Fourth quarter 2011
Net sales	7,169	7.9	-3.4	9.2	13.7	8,149

Net invoicing was SEK 8,149 (7,169) million for the fourth quarter. Excluding exchange rate variations, the net invoicing was 17.1 percent higher than the fourth quarter last year and 7.2 percent higher than the third quarter 2011.

Net invoicing was SEK 28,652 (24,720) million for the full year 2011. Excluding exchange rate variations, the invoicing was 23.7 percent higher than last year. Adjusted for acquisitions of businesses, the corresponding figure is an increase by 12.7 percent.

Net invoicing relating to Parts & Service constituted 25.9 (26.5) percent of the Group's total net invoicing for the full year 2011.

1. Orders with a value over EUR 5 million.

CONSOLIDATED COMPREHENSIVE INCOME

	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Net sales	8,149	7,169	28,652	24,720
Cost of goods sold	-5,177	-4,436	-17,829	-15,029
Gross profit	2,972	2,733	10,823	9,691
Sales costs	-821	-828	-3,410	-3,156
Administration costs	-660	-392	-1,601	-1,224
Research and development costs	-175	-211	-648	-625
Other operating income *	136	144	403	494
Other operating costs *	-264	-184	-876	-779
Operating income	1,188	1,262	4,691	4,401
Dividends and changes in fair value	-5	-2	0	2
Interest income and financial exchange rate gains	148	102	436	327
Interest expense and financial exchange rate losses	50	-89	-451	-366
Result after financial items	1,381	1,273	4,676	4,364
Taxes	-447	-368	-1,425	-1,248
Net income for the period	934	905	3,251	3,116
Other comprehensive income:				
Cash flow hedges	-197	-90	-335	122
Translation difference	-227	4	-206	-554
Deferred tax on other comprehensive income	40	30	120	-36
Comprehensive income for the period	550	849	2,830	2,648
Net income attributable to:				
Owners of the parent	928	899	3,223	3,088
Non-controlling interests	6	6	28	28
Earnings per share (SEK)	2.21	2.14	7.68	7.34
Average number of shares **	419,456,315	419,456,315	419,456,315	420,494,001
Comprehensive income attributable to:				
Owners of the parent	547	842	2,812	2,625
Non-controlling interests	3	7	18	23

* 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.

The gross margin has been affected by negative exchange rate effects and a negative mix effect mainly through a lower share of parts & service sales. In addition the gross margin in the quarter has been affected among others by somewhat lower metal prices and lower margins on certain contract based sales. A lower utilisation in certain factories based on the demand combined with inventory reduction has also influenced the margin negatively.

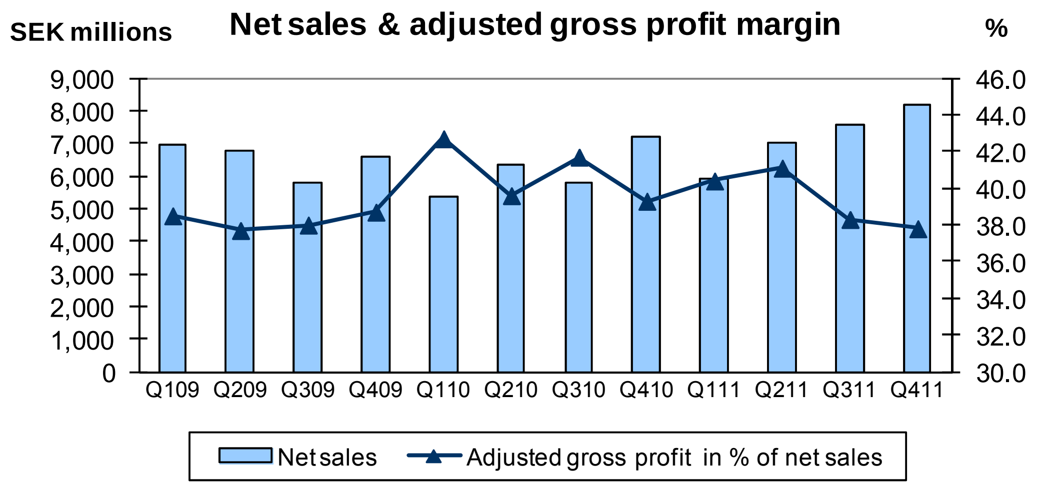
Sales and administration expenses amounted to SEK 5,011 (4,380) million during 2011. Adjusted for exchange rate variations and acquisitions of businesses, sales and administration expenses were 11.4 percent higher than last year. The increase is mainly explained by a generally much higher activity level and a continued development of the organisation in above all the BRIC countries.

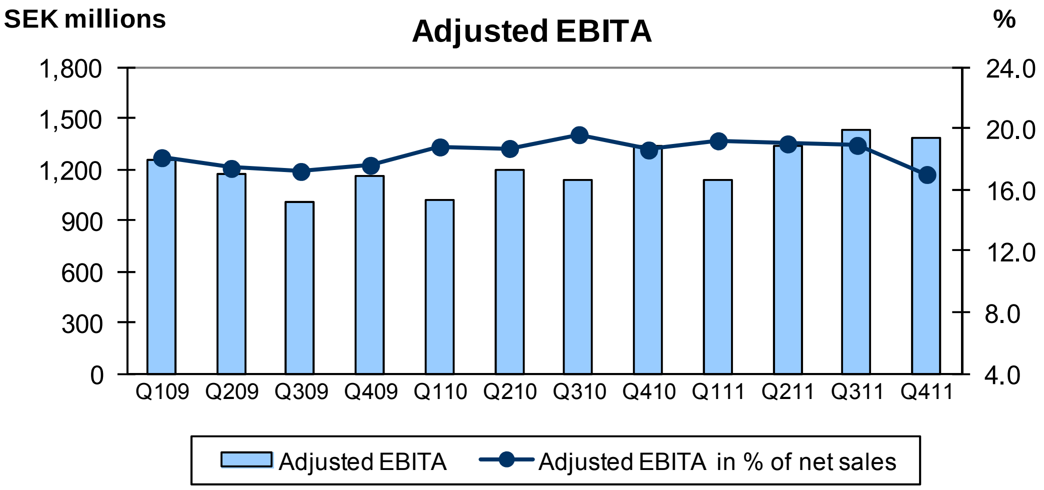
The costs for research and development have amounted to SEK 648 (625) million during 2011, corresponding to 2.3 (2.5) percent of net sales. Adjusted for exchange rate variations and acquisitions of businesses, the costs for research and development have increased by 3.3 percent compared to last year.

Consolidated	Income analysis			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Net sales	8,149	7,169	28,652	24,720
Adjusted gross profit *	3,081	2,818	11,249	10,062
- in % of net sales	***37.8***	***39.3***	***39.3***	***40.7***
Expenses **	-1,574	-1,362	-5,513	-4,955
- in % of net sales	*19.3*	*19.0*	*19.2*	*20.0*
Adjusted EBITDA	**1,507**	**1,456**	**5,736**	**5,107**
- in % of net sales	*18.5*	*20.3*	*20.0*	*20.7*
Depreciation	-120	-119	-449	-425
Adjusted EBITA	**1,387**	**1,337**	**5,287**	**4,682**
- in % of net sales	***17.0***	***18.6***	***18.5***	***18.9***
Amortisation of step up values	-109	-85	-426	-371
Comparison distortion items	-90	10	-170	90
Operating income	1,188	1,262	4,691	4,401

* 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 8.42 (8.02) per share for the full year 2011.





Consolidated	Comparison distortion items			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Operational				
Other operating income	136	134	403	404
Comparison distortion income	-	10	-	90
Total other operating income	136	144	403	494
Other operating costs	-174	-184	-706	-779
Comparison distortion costs	-90	-	-170	-
Total other operating costs	-264	-184	-876	-779

The operating income for the full year 2011 has been affected by comparison distortion items of SEK -170 (90) million. When applicable these are reported gross in the comprehensive income statement as a part of other operating income and other operating costs.

The comparison distortion costs during 2011 of SEK -170 million is related to structural costs for saving measures of SEK -90 million and non-recurring integration costs of SEK -80 million in connection with the acquisition of Aalborg Industries respectively. The saving measures are mainly relating to capacity adjustments and cost reductions in the manufacturing due to the demand for certain products as well as cost reductions in the sales companies primarily in Western Europe. The measures are expected to affect approximately 250 employees. The comparison distortion income during 2010 of SEK 80 million related to reversal of unused parts of the provisions made in connection with the saving measures that were initiated during 2009. Since the actual costs for the measures became SEK 80 million lower the amount was reversed. The remaining SEK 10 million related to realised gains on sale of properties in France and India.

Consolidated financial result and taxes

The financial net for the full year 2011 has amounted to SEK -130 (-111) 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 -34 (-1) million, interest on the bilateral term loans SEK -62 (-7) million, interest on the private placement of SEK -17 (-21) million and a net of dividends and other interest income and interest costs of SEK -17 (-82) million. The net of realised and unrealised exchange rate differences amounts to SEK 115 (74) million.

Consolidated	Key figures	
	December 31	
	2011	2010
Return on capital employed (%) *	31.3	37.4
Return on equity capital (%) *	22.9	24.4
Solidity (%) **	43.9	50.0
Net debt to EBITDA, times *	0.59	-0.09
Debt ratio, times **	0.22	-0.04
Number of employees **	16,064	12,618

* Calculated on a 12 months' revolving basis.

** At the end of the period.

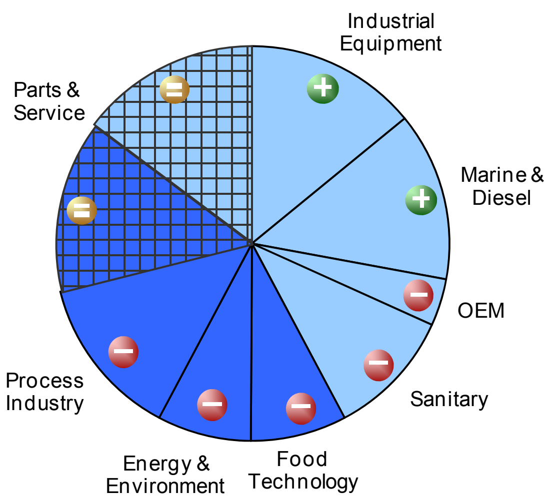
Operating segments

Consolidated	Orders received			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Equipment	3,874	3,344	15,931	12,945
Process Technology	2,898	3,043	12,738	10,923
Other	2	-8	2	1
Total	6,774	6,379	28,671	23,869

For the full year 2011 orders received for Equipment increased by 31.1 percent and net sales increased by 24.7 percent excluding exchange rate variations compared to last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 16.2 percent and 8.5 percent respectively.

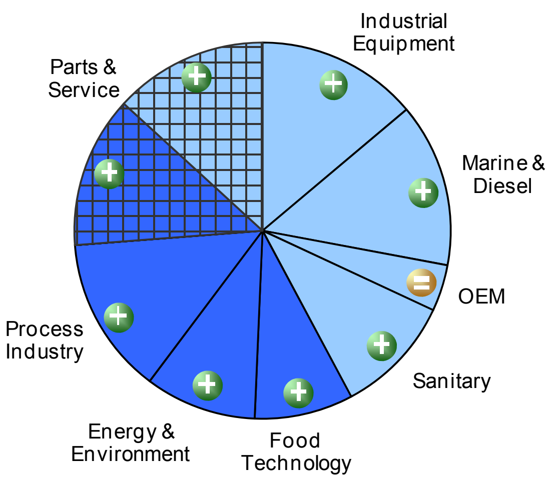
For the full year 2011 orders received for Process Technology increased by 25.0 percent and net sales increased by 22.7 percent excluding exchange rate variations compared to last year. Adjusted for acquisitions of businesses, the corresponding figures are an increase by 19.7 percent and 18.5 percent respectively.

Orders received by customer segment Q4 2011



If the fourth quarter 2011 in the same way instead had been compared to the third quarter 2011 Sanitary would show a plus sign (i.e. growth), Parts & Service for both Equipment and Process Technology an equals sign and the remaining segments a minus sign.

Orders received by customer segment 2011



= increase

= decrease

= unchanged (+/- 3 %)

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

= Equipment

= Process Technology

= Parts & Service

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

Order intake for the division was down somewhat in the fourth quarter compared to the third quarter, affected by the development in Marine & Diesel and seasonal variations affecting district heating and cooling, as well as part of the OEM business. Compared with the fourth quarter 2010 order intake was slightly up.

Industrial Equipment was down somewhat compared to the third quarter, influenced by the mentioned development for comfort-related applications. Other areas, however, such as the engine & transport market had a positive development, as new products continued to attract the customers' interest. At the same time, the refrigeration market benefitted from the division's focus on further developing the distribution channels. Both markets also faced a continued demand stemming from the customers' interest in energy efficient solutions. Compared with the fourth quarter last year Industrial Equipment reported an increase in order intake. In OEM activity was somewhat lower in the fourth quarter compared with the third as customers continued to adjust their manufacturing pace to reflect actual demand. Sanitary had a positive development compared with the third quarter, boosted by demand from industries including pharmaceuticals, personal care, food, dairy and beverages. This development was particularly noticeable in Western Europe and North America. Compared with the fourth quarter 2010, order intake was still down somewhat. Order intake for the Marine & Diesel segment decreased compared to the third quarter. Demand for marine equipment was down reflecting lower ship contracting volumes at the yards. Compared with the fourth quarter last year, order intake for the segment was higher, with strong growth reported in diesel and marine environment applications.

Parts & Service had a continued stable development compared to both the third quarter 2011 and the fourth quarter 2010.

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

Order intake was down in the fourth quarter compared with the record-strong third quarter, affected by the development for large orders in the capital sales segments. Aftermarket demand was still unchanged and the base business* also remained on a flat level compared with the previous quarter. Geographically most regions noted a decline, with the exception of Central & Eastern Europe and Nordic, which were up.

Energy & Environment was down compared to the third quarter as a result of a lower order intake in the power as well as oil & gas market units. The latter was negatively affected by some large orders of a non-repeat nature in the third quarter, influencing the comparison. The environment market unit grew, lifted by a strong development for the base business. Compared with the fourth quarter of last year Energy & Environment was unchanged and the oil & gas market unit was significantly stronger, boosted by a continued strong investment activity stemming from the high energy prices. Process Industry was down, both versus the previous quarter and the corresponding quarter of last year. The reduction compared to the previous quarter was seen for base business and large orders alike. But, even as the segment noted an overall decline, demand in the BRIC countries continued to grow. Food Technology also dropped compared with the third quarter, affected by the development in the market units beverage, viscous food and vegetable oil. The latter still reported continued growth in Asia, driven by continued capacity investments in the industry. Compared to the same quarter last year, Food Technology also noted a decline.

A particularly good demand from customers in Energy & Environment, contributed to an overall stable development for Parts & Service.

* 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	2011	2010	2011	2010
Equipment	4,491	3,906	16,490	14,065
Process Technology	3,656	3,259	12,160	10,632
Other	2	4	2	23
Total	8,149	7,169	28,652	24,720

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

Consolidated	Order backlog	
	December 31	
SEK millions	2011	2010
Equipment	6,847	4,983
Process Technology	6,889	6,569
Other	0	0
Total	13,736	11,552

Consolidated	Operating income in management accounts			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Equipment	724	658	2,994	2,604
Process Technology	776	713	2,508	2,159
Other	-200	-103	-568	-405
Total	1,300	1,268	4,934	4,358
Reconciliation with Group total:				
Comparison distortion items	-90	10	-170	90
Consolidation adjustments *	-22	-16	-73	-47
Total operating income	1,188	1,262	4,691	4,401
Financial net	193	11	-15	-37
Result after financial items	1,381	1,273	4,676	4,364

* Difference between management accounts and IFRS.

The increase in operating income for both Equipment and Process Technology during the full year 2011 compared to last year is mainly explained by increased volume, mitigated by higher costs and negative foreign exchange effects as well as a changed mix.

Consolidated	Assets		Liabilities	
	December 31		December 31	
SEK millions	2011	2010	2011	2010
Equipment	14,613	9,283	4,366	2,166
Process Technology	9,779	8,482	5,432	4,127
Other	5,178	4,456	3,396	2,286
Subtotal	29,570	22,221	13,194	8,579
Corporate	4,933	4,948	6,165	5,008
Total	34,503	27,169	19,359	13,587

Consolidated	Depreciation			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Equipment	102	67	338	256
Process Technology	42	60	222	198
Other	85	77	315	342
Total	229	204	875	796

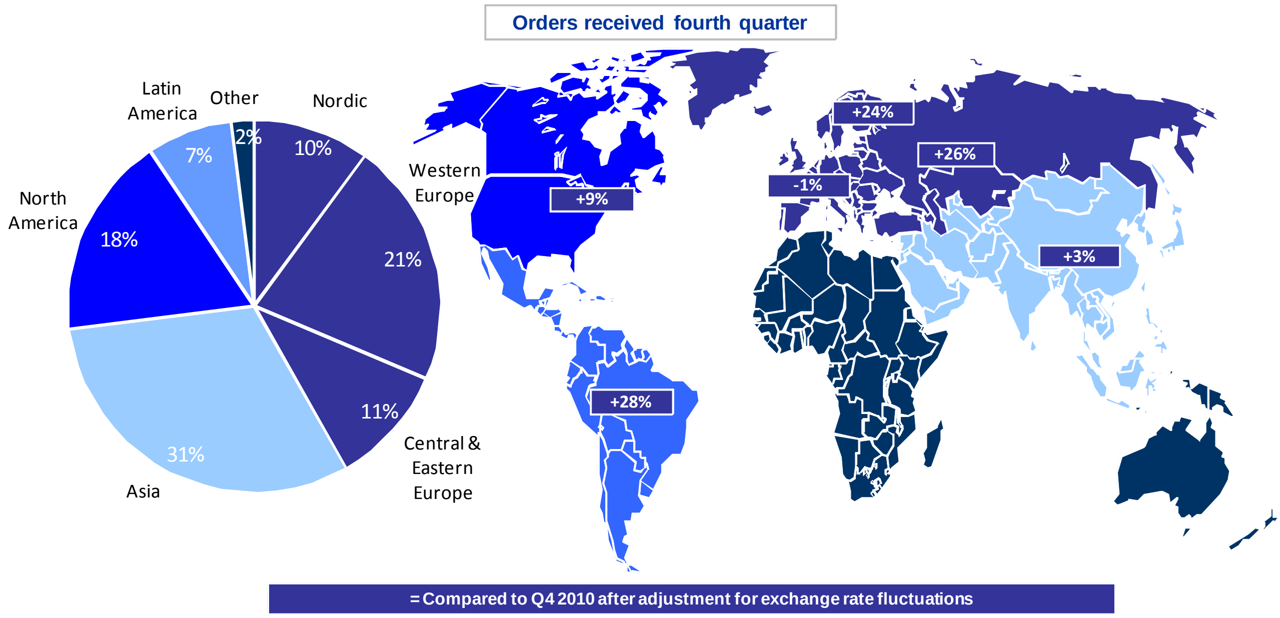
Consolidated	Investments			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Equipment	51	29	111	75
Process Technology	61	10	127	85
Other	160	163	317	269
Total	272	202	555	429

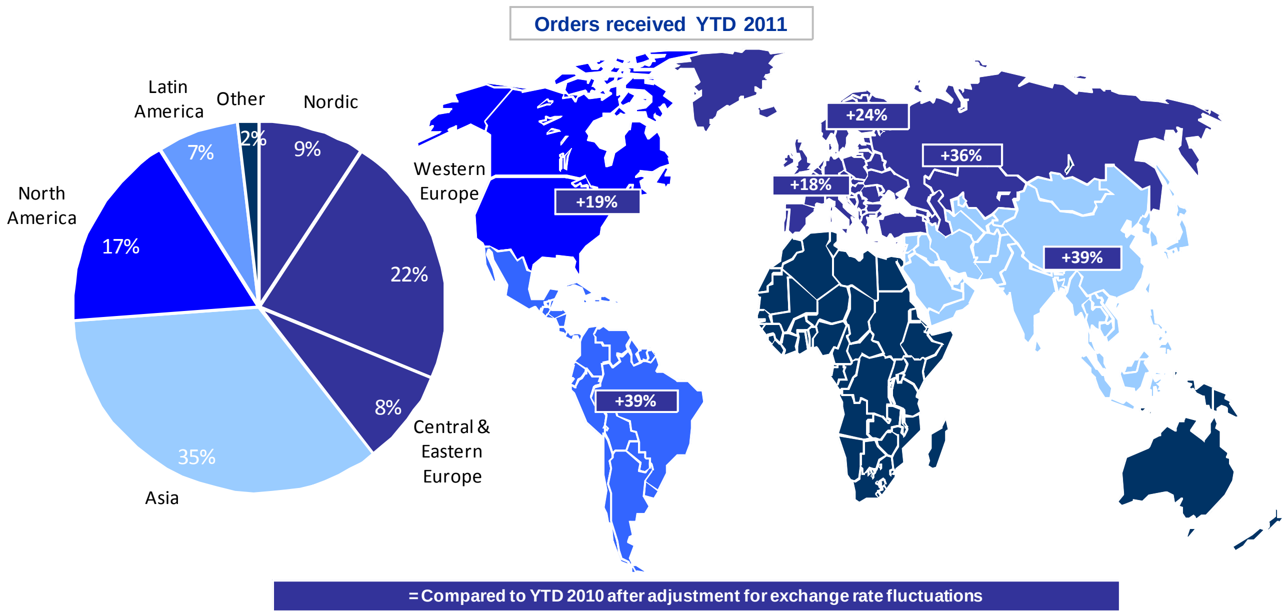
Information about products and services

Consolidated	Net sales by product/service *			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Own products within:				
Separation	1,790	1,718	6,345	6,043
Heat transfer	4,295	3,772	15,480	13,092
Fluid handling	775	771	3,006	2,700
Other	231	181	670	550
Associated products	684	360	1,881	1,144
Services	374	367	1,270	1,191
Total	8,149	7,169	28,652	24,720

* 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 complement 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

Overall order intake declined in the fourth quarter compared with the third quarter, affected by the development for large orders in the Process Technology division. The base business*, however, showed continued growth and a good development was reported for Industrial Equipment, Sanitary and Food Technology. Geographically the picture was mixed, with a flat development in the Nordics, continued growth in Benelux, France and Adriatic and a drop in demand in Mid Europe, Iberica and the UK. Compared to the fourth quarter 2010 order intake was up for the region as a whole.

* 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 strong in the fourth quarter compared with the third quarter. The development was boosted by large orders for segments in the Process Technology Division such as Energy & Environment, Food Technology and Process Industry, which all did very well. The Equipment Division showed a small decline even as Marine & Diesel continued to report a good order intake. Countries such as Turkey, the Central European countries and Russia all reported solid growth.

North America

Order intake declined in the fourth quarter compared to the third quarter, explained by a large order in the third quarter which was not repeated in the fourth. The base business was unchanged compared with the previous quarter. Otherwise, Industrial Equipment, OEM and Food Technology all did well. Compared with the fourth quarter 2010 order intake grew.

Latin America

In Latin America order intake was down somewhat in the fourth quarter compared to the third quarter, explained by large orders that were not repeated in the Process Technology Division. Still, the Energy & Environment segment showed good growth, as did the Equipment Division as a whole. Looking at the separate countries, Argentina was down due to the non-repeats, while Chile, Mexico and the North Andean countries had a good order development.

Asia

Order intake declined in the fourth quarter compared to the third, affected by a drop in orders in the Marine & Diesel segment. Another factor explaining the development was the Process Industry segment, which had tough numbers to beat since the third quarter included some very large orders. Worth noting is that the third quarter was the strongest since the second quarter of 2008. When comparing the fourth quarter with the corresponding quarter last year, orders were still on a substantially higher level for the region. From a geographical perspective, India recorded a slower quarter for large projects compared to the third quarter, but the base business still grew. China had a similar development as larger projects were deferred. South East Asia, however, reported order intake in line with the previous quarter with Indonesia showing a particularly strong performance.

Consolidated	Net sales			
	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
To customers in:				
Sweden	255	259	942	849
Other EU	2,278	2,042	7,634	6,879
Other Europe	673	521	2,313	1,953
USA	1,028	948	3,832	3,354
Other North America	182	295	788	757
Latin America	532	386	1,981	1,531
Africa	64	54	216	242
China	1,004	852	3,772	3,144
Other Asia	2,027	1,703	6,774	5,648
Oceania	106	109	400	363
Total	8,149	7,169	28,652	24,720

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	2011	2010
Sweden	1,553	1,598
Denmark	4,672	789
Other EU	4,361	3,877
Other Europe	329	349
USA	2,251	2,016
Other North America	121	125
Latin America	500	167
Africa	1	1
Asia	3,096	3,026
Oceania	97	97
Subtotal	16,981	12,045
Other long-term securities	25	32
Pension assets	346	235
Deferred tax asset	1,293	1,301
Total	18,645	13,613

The large increase in non-current assets for Denmark in 2011 is due to the acquisition of Aalborg Industries and above all the goodwill and other step up values that this resulted in.

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 a volume amounting to about 4 percent of net sales.

CONSOLIDATED CASH FLOWS

	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Operating activities				
Operating income	1,188	1,262	4,691	4,401
Adjustment for depreciation	229	204	875	796
Adjustment for other non-cash items	119	-45	167	145
	1,536	1,421	5,733	5,342
Taxes paid	-415	-256	-1,446	-1,215
	1,121	1,165	4,287	4,127
Changes in working capital:				
Increase(-)/decrease(+) of receivables	-111	91	-157	360
Increase(-)/decrease(+) of inventories	89	-24	-1,172	-536
Increase(+)/decrease(-) of liabilities	382	-59	611	332
Increase(+)/decrease(-) of provisions	-190	-92	-140	-185
Increase(-)/decrease(+) in working capital	**170**	**-84**	**-858**	**-29**
	1,291	1,081	3,429	4,098
Investing activities				
Investments in fixed assets (Capex)	-272	-202	-555	-429
Divestment of fixed assets	13	27	14	31
Acquisition of businesses	-2	-596	-4,956	-1,019
	-261	-771	-5,497	-1,417
Financing activities				
Received interests and dividends	34	-21	91	52
Paid interests	-123	-31	-271	-139
Realised financial exchange differences	53	-22	285	3
Repurchase of shares	-	-	-	-253
Dividends to owners of the parent	-	-	-1,258	-1,055
Dividends to non-controlling interests	-	-	-10	-9
Increase(-)/decrease(+) of financial assets	-236	-143	-17	-389
Increase(+)/decrease(-) of borrowings	-915	19	3,497	-641
	-1,187	-198	2,317	-2,431
Cash flow for the period	-157	112	249	250
Cash and bank at the beginning of the period	1,722	1,201	1,328	1,112
Translation difference in cash and bank	-1	15	-13	-34
Cash and bank at the end of the period	1,564	1,328	1,564	1,328
Free cash flow per share (SEK) *	2.46	0.74	-4.93	6.38
Capex in relation to sales	3.3%	2.8%	1.9%	1.7%
Average number of shares **	419,456,315	419,456,315	419,456,315	420,494,001

* 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 the full year 2011 cash flows from operating and investing activities amounted to SEK -2,068 (2,681) million. The change compared to last year is mainly due to the increase in acquisitions of businesses in 2011. Depreciation, excluding allocated step-up values, was SEK 449 (425) million during 2011, whereas investments in fixed assets were SEK 555 (429) million.

CONSOLIDATED FINANCIAL POSITION

SEK millions	December 31 2011	December 31 2010
ASSETS		
Non-current assets		
Intangible assets	13,045	8,533
Property, plant and equipment	3,936	3,512
Other non-current assets	1,664	1,568
	18,645	13,613
Current assets		
Inventories	6,148	4,769
Accounts receivable	5,080	4,181
Other receivables	2,280	2,059
Derivative assets	303	644
Other current deposits	483	575
Cash and bank *	1,564	1,328
	15,858	13,556
TOTAL ASSETS	34,503	27,169
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Owners of the parent	14,982	13,427
Non-controlling interests	162	155
	15,144	13,582
Non-current liabilities		
Liabilities to credit institutions	1,353	292
Swedish Export Credit	1,787	-
European Investment Bank	1,162	-
Private placement	758	749
Provisions for pensions and similar commitments	852	847
Provision for deferred tax	1,930	1,617
Other provisions	520	632
	8,362	4,137
Current liabilities		
Liabilities to credit institutions	132	173
Accounts payable	2,668	2,239
Advances from customers	2,020	1,357
Other provisions	1,612	1,496
Other liabilities	4,137	4,035
Derivative liabilities	428	150
	10,997	9,450
Total liabilities	19,359	13,587
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	34,503	27,169

* 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 139 (276) 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	2011	2010
Credit institutions	1,485	465
Swedish Export Credit	1,787	-
European Investment Bank	1,162	-
Private placement	758	749
Capitalised financial leases	118	137
Interest-bearing pension liabilities	1	1
Total debt	5,311	1,352
Cash, bank and current deposits	-2,047	-1,903
Net debt	3,264	-551

Alfa Laval has a senior credit facility of EUR 301 million and USD 420 million, corresponding to SEK 5,590 million with a banking syndicate. At December 31, 2011 SEK 1,051 million of the facility was utilised. The facility matures in April 2016, with two one-year extension options. Alfa Laval also has a bilateral term loan with SHB of EUR 25 million, corresponding to SEK 223 million that matures in 2013.

The bilateral term loan with Swedish Export Credit is split on one loan of EUR 100 million that matures in 2014 and one loan of EUR 100 million that matures in 2021. The loan from the European Investment Bank of EUR 130 million matures in 2018. The private placement of USD 110 million matures in 2016.

CHANGES IN CONSOLIDATED EQUITY

SEK millions	Full year 2011	Full year 2010
At the beginning of the period	13,582	12,229
Changes attributable to:		
Owners of the parent		
Comprehensive income		
Comprehensive income for the period	2,812	2,625
Transactions with shareholders		
Repurchase of shares	-	-253
Cancellation of repurchased shares	-7	-
Bonus issue of shares	7	-
Increase of ownership in subsidiaries with non-controlling interests	1	-3
Dividends	-1,258	-1,055
	-1,257	-1,311
Subtotal	1,555	1,314
Non-controlling interests		
Comprehensive income		
Comprehensive income for the period	18	23
Transactions with shareholders		
Decrease of non-controlling interests	-1	-2
Non-controlling interests in acquired companies	0	27
Dividends	-10	-9
	-11	16
Subtotal	7	39
At the end of the period	15,144	13,582

Cancellation of repurchased shares and a corresponding bonus issue

On March 21, 2011 when the notice to the Annual General Meeting was sent the number of repurchased shares was 2,583,151. The Annual General Meeting 2011 decided to cancel these repurchased shares. Cancellation of these shares means that the share capital will decrease with SEK 7 million. At the same time the Annual General Meeting decided to increase the share capital through a bonus issue of the same amount without issuing any shares. In this way the size of the share capital was restored and the company did not have to obtain permission from Bolagsverket or if disputed the local court to cancel the repurchased shares. This means that the number of shares has developed as follows:

Specification of number of shares	Number
Number of shares at January 1, 2011	422,039,466
Cancellation of re-purchased shares	-2,583,151
Number of shares at December 31, 2011	419,456,315

Ownership and legal structure

Alfa Laval AB (publ) is the parent company of the Alfa Laval Group. The company had 36,567 (33,566) shareholders on December 31, 2011. The largest owner is Tetra Laval B.V., the Netherlands who owns 26.1 (18.7) percent. The increase in ownership is to 0.1 percent due to the cancellation of the shares repurchased by the company and for the remaining part to the acquisitions of shares that Tetra Laval B.V. made in the third and fourth quarters 2011. Next to the largest owner there are nine institutional investors with ownership in the range of 7.2 to 1.1 percent. These ten largest shareholders own 53.5 (44.3) percent of the shares.

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 2010 is still correct. For additional information reference is also made to the coming Annual report for 2011.

Asbestos-related lawsuits

The Alfa Laval Group was as of December 31, 2011, named as a co-defendant in a total of 714 asbestos-related lawsuits with a total of approximately 800 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 September 19, 2011 Alfa Laval communicated its proposal to buy all outstanding shares in its subsidiary Alfa Laval (India) Ltd and seek delisting of the shares from Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The proposal comes on the back of regulatory changes in India which requires Alfa Laval (India) Ltd to have a minimum public float of 25 percent or seek delisting. At present, Alfa Laval holds 88.8 percent of the share capital of Alfa Laval (India), meaning the public float is 11.2 percent. The objective is to achieve full ownership of the subsidiary, which will provide Alfa Laval with increased operational flexibility to support the business and meet the customers' needs. Alfa Laval has requested that the Board of Directors of Alfa Laval (India) Ltd. take all actions required under the delisting regulations, including arranging a postal ballot for the shareholders to consider the delisting proposal. The delisting process is expected to take approximately four to five months. As a part of the process a floor price of INR 2,045 per share for the acquisition of the minority's shares has been established. Furthermore Alfa Laval has published an indicative offer of INR 2,850 per share. If all shareholders tender their shares to Alfa Laval at this indicative price the acquisition will incur a consideration of SEK 759 million. If the final price per share gets higher the consideration will increase correspondingly. If not all shareholders tender their shares the consideration decreases to the same extent. In order for the acquisition to get completed two thirds of all voting minority shareholders must first vote in favour of Alfa Laval's proposal, which happened on November 15, 2011. Then minority shareholders together holding at least 50 percent of the public float must be willing to sell at the final price that Alfa Laval accepts based on a reverse book building process. When Alfa Laval has achieved an ownership of 94.4 percent, Alfa Laval (India) Ltd can apply for delisting. Should Alfa Laval not succeed to achieve an ownership of 94.4 percent in the currently ongoing process the company is required to increase the public float to 25 percent latest in June 2013.

On May 1, 2011 Alfa Laval acquired a well established service company in the US. The company is a leading provider on the North American market specialized in serving equipment for centrifugal separation. “The acquisition is another step in the ambition to serve the market with alternative offerings”, says Lars Renström, President and CEO of the Alfa Laval Group. The company will remain a separate organization as they will continue to offer their own products and services to the industry, under their own brand.

During the period May to December 2011 the company has added SEK 68 million in orders received, SEK 74 million in invoicing and SEK 20 million in adjusted EBITA to Alfa Laval. If the company had been acquired at January 1, 2011 the corresponding figures would have been SEK 102 million, SEK 110 million and SEK 30 million respectively. At the end of December 2011 the number of employees was 48.

In a press release on December 21, 2010, Alfa Laval announced that an agreement had been signed to acquire Aalborg Industries Holding A/S from Altor 2003 Fund, LD Equity and the Company’s management. Aalborg Industries had some 2,750 employees and generated sales of about SEK 3.3 billion in 2010. Clearances from all concerned regulatory authorities were received at the beginning of May 2011. Aalborg Industries are consolidated into the Alfa Laval Group as of May 1, 2011. Aalborg will be fully integrated into Alfa Laval. Non-recurring costs for the integration are estimated at SEK 80 million. During the latter part of 2013 the annual synergy is estimated at SEK 100 million. The acquisition, which adds complementary energy-efficient and environmental solutions, represents a significant business opportunity as it supports Alfa Laval’s existing offer to the marine and off-shore markets. Another opportunity lies in the introduction of Aalborg’s products to customers in completely new end markets, through Alfa Laval’s sales network.

“Aalborg Industries is an excellent fit and I’m very pleased to welcome a strong and well-run company into Alfa Laval”, says Lars Renström, President and CEO of the Alfa Laval Group. The acquisition further strengthens Alfa Laval’s product offering in heat transfer. It adds market-leading positions with products such as boilers and thermal fluid systems, as well as inert gas systems, with significant barriers to entry. These include extensive certification processes, a strong innovation track record and a global service network. The company’s strong manufacturing and engineering presence in fast-growing markets such as China, Vietnam and Brazil, as well as the aftermarket potential generated by a large installed base, are also highly attractive attributes.

During the period May to December 2011 Aalborg has added SEK 1,765 million in orders received, SEK 2,143 million in invoicing and SEK 532 million in adjusted EBITA to Alfa Laval. If Aalborg had been acquired at January 1, 2011 the corresponding figures would have been SEK 2,915 million, SEK 3,242 million and SEK 776 million respectively. At the end of December 2011 the number of employees was 2,692. Four business segments are concerned by the integration: Marine & Diesel, Process Industry and Parts & Service for both Equipment and Process Technology. For the period May to December 2011 the orders received for Aalborg is referring to Marine & Diesel to 61%, to Process Industry to 7 %, to Equipment Parts & Service to 28 % and to Process Technology Parts & Service to 4 %.

The acquisitions during 2011 can be summarized as follows:

Consolidated	Acquisitions 2011						
	Aalborg Industries			Others			Total
SEK millions	Book value	Adjustment to fair value	Fair value	Book value	Adjustment to fair value	Fair value	Fair value
Property, plant and equipment [1]	160	248	408	-	-	-	408
Patents and unpatented know-how [2]	-	430	430	-	-	-	430
Trademarks [2]	-	860	860	-	150	150	1,010
Licenses, renting rights and similar rights	1	-	1	-	-	-	1
Inventory	253	-	253	29	-	29	282
Accounts receivable	596	-	596	9	-	9	605
Other receivables	306	-	306	-	-	-	306
Current deposits	22	-	22	-	-	-	22
Liquid assets	421	-	421	-	-	-	421
Other provisions	-194	-	-194	-1	-	-1	-195
Loans	-421	-	-421	-	-	-	-421
Accounts payable	-325	-	-325	-4	-	-4	-329
Advance payments and other liabilities	-304	-	-304	-	-	-	-304
Other liabilities	-286	-	-286	-4	-	-4	-290
Tax liabilities	-46	-	-46	-	-	-	-46
Deferred tax	51	-399	-348	-	-61	-61	-409
Acquired net assets	234	1,139	1,373	29	89	118	1,491
Goodwill [3]			3,630			117	3,747
Purchase price			-5,003			-235	-5,238
Costs directly linked to the acquisitions [4]			-22			-2	-24
Retained part of purchase price [5]			-			60	60
Liquid assets in the acquired businesses			421			-	421
Payment of amounts retained in prior years			-			-175	-175
Effect on the Group's liquid assets			-4,604			-352	-4,956

1. The step up value for property in Aalborg is amortised over 20 years.
2. The step up values for patents and unpatented know-how as well for trademarks are amortised over 10 years.
3. The goodwill is relating to estimated synergies in procurement, logistics and corporate overheads and the companies' ability to over time recreate its intangible assets. The value of the goodwill is still preliminary.
4. Refers to fees to lawyers, due diligence and assisting counsel. Has been expensed as other operating costs.
5. Contingent on certain warranties in the contract not being triggered or that certain profitability goals are fulfilled. The probable outcome has been calculated.

Parent company

The parent company's result after financial items was SEK 2,187 (3,431) million, out of which dividends from subsidiaries were SEK 1,679 (2,288) million, group contributions SEK 405 (1,154) million, net interests SEK 113 (16) million, realised and unrealised exchange rate gains and losses SEK -0 (-3) million, costs related to the listing SEK -3 (-2) million, fees to the Board SEK -5 (-5) million, cost for annual report and annual general meeting SEK -3 (-5) million and other operating income and operating costs the remaining SEK 1 (-12) million.

PARENT COMPANY INCOME *

	Fourth quarter		Full year	
SEK millions	2011	2010	2011	2010
Administration costs	-4	-4	-11	-12
Other operating income	-5	-	6	-
Other operating costs	-3	-12	-5	-12
Operating income	-12	-16	-10	-24
Revenues from interests in group companies	2,084	3,278	2,084	3,442
Interest income and similar result items	37	13	115	17
Interest expenses and similar result items	-1	-1	-2	-4
Result after financial items	2,108	3,274	2,187	3,431
Appropriation to tax allocation reserve	-115	-232	-115	-232
Tax on this year's result	-89	-250	-110	-248
Net income for the period	1,904	2,792	1,962	2,951

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

PARENT COMPANY FINANCIAL POSITION

	December 31	
SEK millions	2011	2010
ASSETS		
Non-current assets		
Shares in group companies	4,669	4,669
Current assets		
Receivables on group companies	9,287	8,265
Other receivables	42	6
Cash and bank	-	-
	9,329	8,271
TOTAL ASSETS	13,998	12,940
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Restricted equity	2,387	2,387
Unrestricted equity	9,668	8,964
	12,055	11,351
Untaxed reserves		
Tax allocation reserves, taxation 2006-2012	1,549	1,434
Current liabilities		
Liabilities to group companies	393	100
Accounts payable	0	1
Tax liabilities	1	54
Other liabilities	0	-
	394	155
TOTAL EQUITY AND LIABILITIES	13,998	12,940

Proposed disposition of earnings

The parent company has unrestricted funds of SEK 9,668 (8,964) million. The figures have been affected by repurchase of shares by SEK - (-253) million.

The Board of Directors propose a dividend of SEK 3.25 (3.00) per share corresponding to SEK 1,363 (1,258) million and that the remaining income available for distribution in Alfa Laval AB (publ) of SEK 8,305 (7,706) million be carried forward.

The Board of Directors are of the opinion that the proposed dividend is consistent 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 2011 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, 2011 Alfa Laval has not made any repurchases.

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 interim report for the fourth quarter 2011 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.

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 "Accounting for legal entities" issued by the Council for Financial Reporting in Sweden.

Date for the next financial reports

Alfa Laval will publish interim reports during 2012 at the following dates:

Interim report for the first quarter	April 23
Interim report for the second quarter	July 17
Interim report for the third quarter	October 23

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 Monday April 23, 2012, at 16.00 (CET).

Annual Report 2011

The Annual Report for 2011 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 interim report has been issued on February 7, 2012 at CET 7.30 a.m. by the President and Chief Executive Officer Lars Renström by proxy from the Board of Directors.

Lund, February 7, 2012,

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

Review report

Introduction

We have performed a review of the condensed interim financial statements (fourth quarter and full year report) for Alfa Laval AB (publ) at December 31, 2011 and the twelve months' period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this fourth quarter and full year report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this fourth quarter and full year 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 International Standards on Auditing, ISA 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 2011 report, in all material aspects, is not prepared for the Group 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 7, 2012,

Kerstin Mouchard Authorised Public Accountant	Staffan Landén Authorised Public Accountant