

2009 Annual Results Presentation to Investors and Analysts

**High profitability in challenging markets**

SIX Swiss Exchange, Zurich – February 25, 2010



**Agenda**

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**Business Review**

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Financial Review

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Corporate Governance

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Outlook, Summary

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Discussion

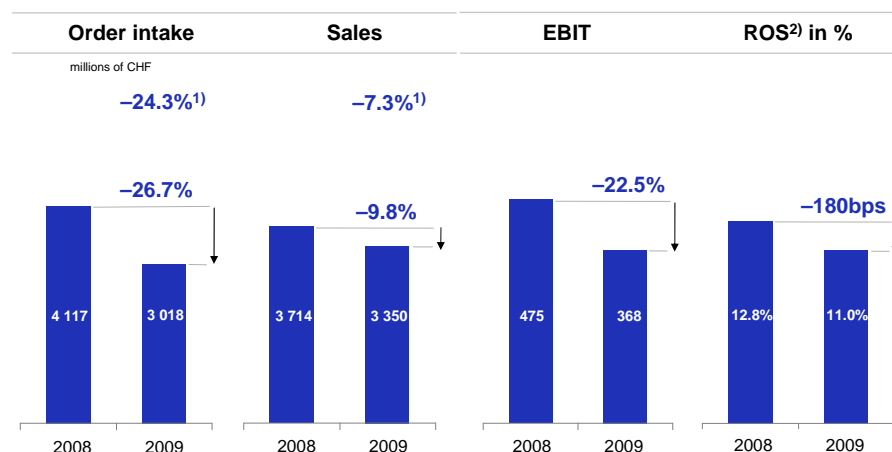
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**High profitability and initiatives for sustainable success**

- Sulzer was well prepared to respond to the global economic downturn and took early measures to adapt
- Good financial performance achieved with high profitability and strongly increased free cash flow
- Continued to invest in operational and strategic initiatives for further growth and future success
- Sulzer is well positioned based on its strong market positions, the operational and strategic initiatives and its sound financial situation
- The long-term outlook for Sulzer's performance-critical solutions remains positive

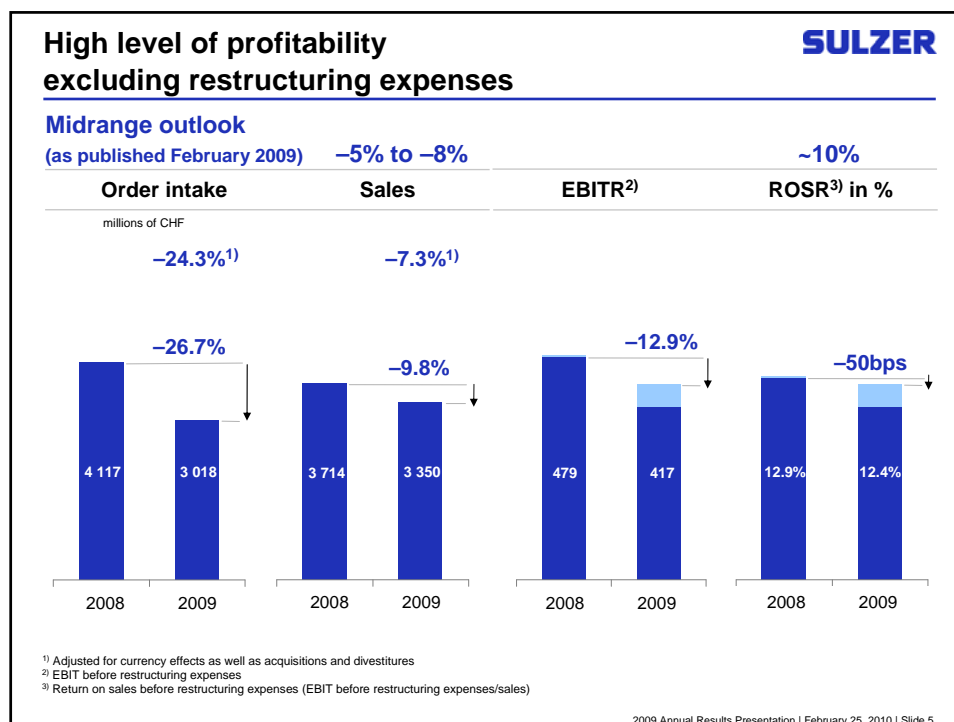
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**Sales down; double-digit profitability achieved**



<sup>1)</sup> Adjusted for currency effects as well as acquisitions and divestitures  
<sup>2)</sup> Return on sales (EBIT/sales)

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### Strong results in 2009

**SULZER**

millions of CHF	2009	2008	Δ%	Δ% adj. <sup>1)</sup>
Order intake	<b>3 017.6</b>	4 116.6	-26.7%	-24.3%
Order backlog <sup>2)</sup>	<b>1 871.7</b>	2 100.2	-10.9%	
Sales	<b>3 350.4</b>	3 713.5	-9.8%	-7.3%
EBITR <sup>3)</sup>	<b>416.6</b>	478.5	-12.9%	
ROSR <sup>4)</sup>	<b>12.4%</b>	12.9%		
EBIT	<b>368.0</b>	475.1	-22.5%	
ROS <sup>4)</sup>	<b>11.0%</b>	12.8%		
ROCE <sup>5)</sup>	<b>24.8%</b>	30.6%		
Net income <sup>6)</sup>	<b>270.4</b>	322.9	-16.3%	
EPS (in CHF)	<b>8.06</b>	9.59	-16.0%	
Free cash flow <sup>7)</sup>	<b>528.8</b>	363.1	+45.6%	
Net liquidity	<b>670.6</b>	306.1	-	
Employees <sup>2)</sup>	<b>12 183</b>	12 726	-4.3%	

- Order intake down substantially due to lower market activities
- Sales decreased by 7% adj. <sup>1)</sup> only based on high order backlog
- High level of profitability
- Solid net income
- Very strong free cash flow generation

**Midrange outlook**  
(as published in February 2009):  
**ROCE >20%**






<sup>1)</sup> Adjusted for currency effects as well as acquisitions and divestitures  
<sup>2)</sup> As of Dec. 31; Employees: full-time equivalents  
<sup>3)</sup> Operating income before restructuring expenses  
<sup>4)</sup> Return on sales before restructuring expenses (EBIT before restructuring expenses/sales) resp. return on sales (EBIT/sales)  
<sup>5)</sup> Return on capital employed (EBIT/average capital employed)  
<sup>6)</sup> Attributable to shareholders of Sulzer Ltd  
<sup>7)</sup> Cash flow from operating activities less capital expenditure plus sale of PP&E and intangible assets

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**Key areas of focus for Sulzer**

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<p><b>Corporation-wide operational excellence</b> based on <b>LEAN</b> principles</p>	
<p><b>Health and safety</b></p>	
<p><b>Increased and faster high-quality innovation</b></p>	
<p><b>Transition into emerging markets</b></p>	
<p><b>Increased focus on service</b></p>	

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**Market dynamics have changed**

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<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Operational improvements</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Operating leverage</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Raw material prices</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Payment terms</div> <div style="border: 1px solid black; padding: 5px;">Pricing conditions</div>	<div style="background-color: #0056b3; color: white; padding: 10px; margin-bottom: 20px;"> <p><b>Flexibility to adapt to changed environments</b></p> </div> <div style="background-color: #0056b3; color: white; padding: 10px;"> <p><b>Market developments influence the effects going forward</b></p> </div>
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### Global cost reduction program

Adaptation to new realities well on track

Global cost reduction program (announced in June 2009)	Measures taken, implementation ongoing	Status as of end 2009
<ul style="list-style-type: none"><li>■ Targeted annual cost savings of CHF 110 million after completion</li><li>■ Non-recurring charges of CHF 55 million</li><li>■ FTE reduction of ~1 400</li><li>■ Implementation expected to be completed in H1-2011</li></ul>	<ul style="list-style-type: none"><li>■ Reduction of FTE's in various sites depending on status in the business cycle</li><li>■ Various site closures</li><li>■ Reduction of subcontracting activities and focused sourcing</li><li>■ Continued net working capital management</li></ul>	<ul style="list-style-type: none"><li>■ Program ahead of track</li><li>■ Restructuring charge of CHF 49 million in 2009</li><li>■ FTE reduced by ~1 200 people</li></ul>

FTE: Full time equivalents

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**Sulzer's vision, mission and values:** **SULZER**

**We do what we say**


**Our vision**  
Sulzer's vision is to be a *recognized leader* in innovative, sustainable, engineered, and customer-focused solutions for *performance-critical applications* in six main markets and selected industries.

**Our values**




**Customer Partnership**

We exceed the expectations of our customers with innovative and competitive solutions.



**Operational Excellence**

We perform on the basis of structured work processes and LEAN principles.



**Committed People**

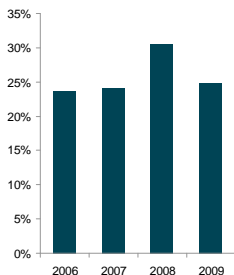
We are committed to high standards and show respect for people.

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**Quantifying and improving sustainability performance** **SULZER**

**Economic**  
"Sulzer's prime objective is sustainable value creation"

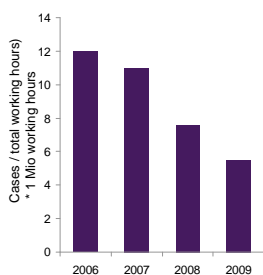
**Return on capital employed<sup>1)</sup>**



2006 2007 2008 2009

**Social**  
"Our aspiration is to have zero accidents"

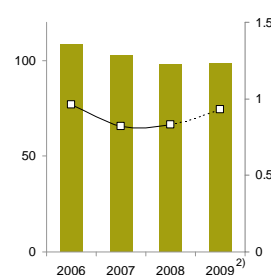
**Accident frequency rate**







2006 2007 2008 2009

**Ecological**  
"Efficient processes and solutions to minimize the ecological impact"

■ Energy/Net Value Added [GJ/1000 CHF]  
□ Energy/empl [GJ]



2006 2007 2008 2009<sup>2)</sup>

<sup>1)</sup> EBIT/average capital employed  
<sup>2)</sup> 2009: Preliminary data

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### Smaller acquisitions to strengthen service and portfolio extension

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		<b>Annual sales</b>
<b>2009</b>		
<b>Sulzer Chemtech</b>		
	<ul style="list-style-type: none"> <li>■ Manfred Preu Kolonnenservice, Germany Tower field service provider. Purchase price ~CHF 4 million. Consolidated since October 31, 2009.</li> <li>■ SAB Technical Services Ltd., India Tower field service provider. Purchase price ~CHF 6 million. ~550 employees. Consolidation since August 1, 2009.</li> <li>■ Kühni Ltd., Switzerland Thermal separation solutions provider. Purchase price ~CHF 46 million. ~80 employees. Consolidated since May 1, 2009.</li> <li>■ TowerTech, Australia Tower field service provider in Australia and Asia. Purchase price ~CHF 8 million. ~20 employees. Consolidated since February 1, 2009.</li> </ul>	<p>millions of CHF</p> <p>~4</p> <p>~4</p> <p>~37</p> <p>~8</p>
<b>2008</b>		
<b>Sulzer Turbo Services</b>		
	<ul style="list-style-type: none"> <li>■ Capime, Argentina Turbomachinery service provider active in Latin America. Purchase price ~CHF 20 million. ~90 employees. Consolidated since December 31, 2008.</li> </ul>	<p>~13</p>

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### Continued strengthening of global network; increased and faster innovation

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#### Expansions

- New pumps factory in China (open in 2010); expansion of Sulzer Pumps' service network
- Expansion of Sulzer Metco's local presence in China
- New Sulzer Chemtech facility in Russia
- Expansion of Sulzer Chemtech facility in India

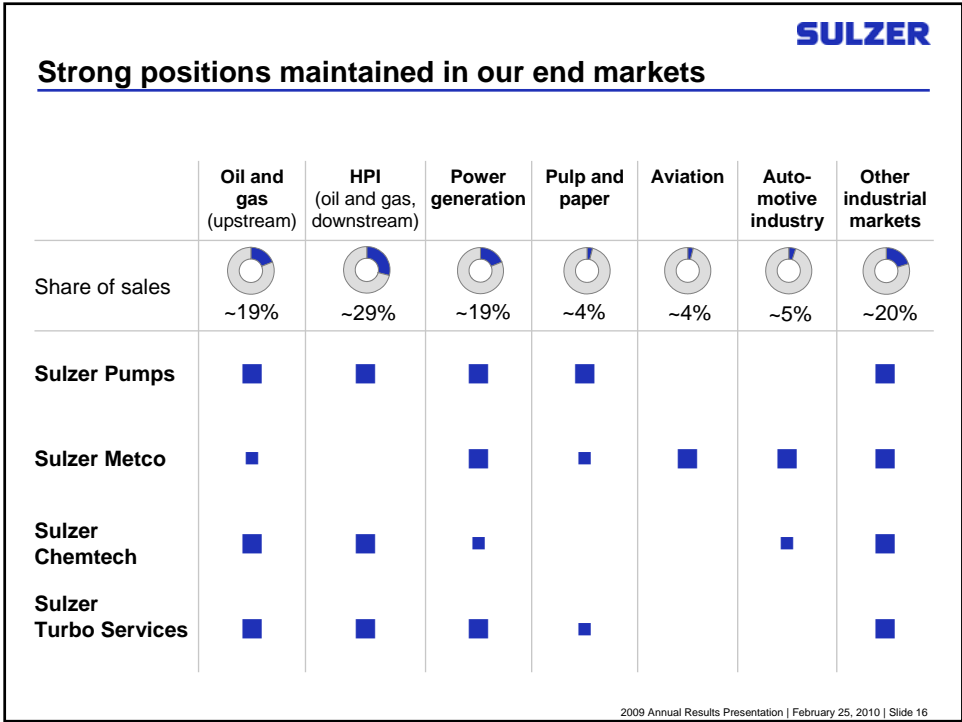
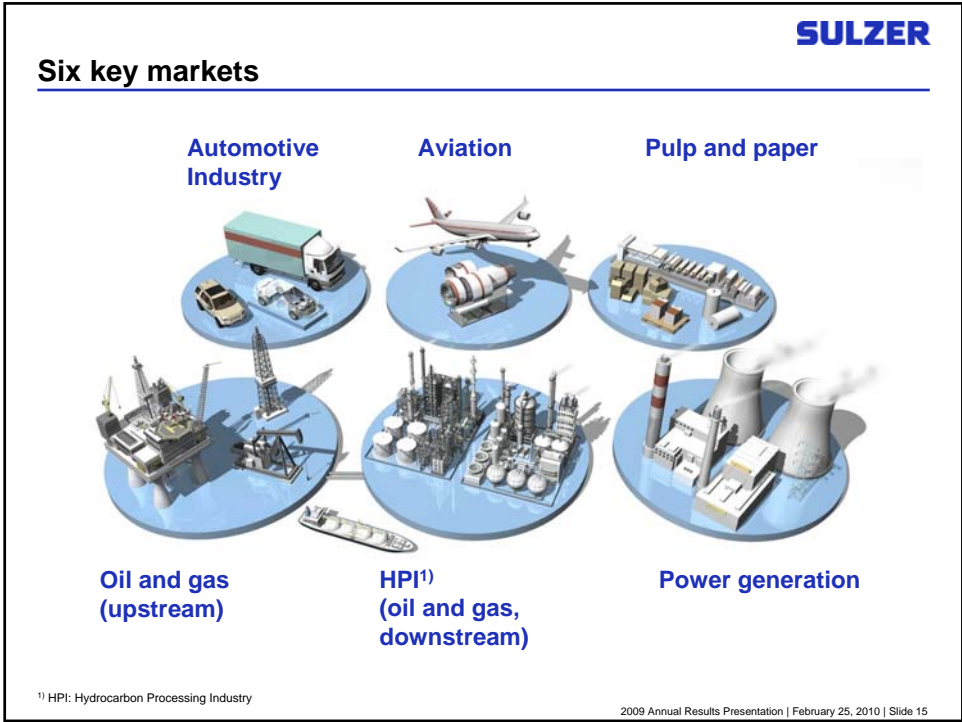
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#### Innovations

- Significant resources into development of subsea pumping systems
- Innovative sprayed coatings that replace cast-iron surfaces in combustion engines
- New polymerization process to produce high-quality bioplastics

Pump test bed in Switzerland

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**Four divisions and Sulzer Innotec**

**Sulzer Pumps**  
Pumping solutions and services

**Sulzer Metco**  
Surface technology solutions and services

**Sulzer Chemtech**  
Separation columns and static mixing

**Sulzer Turbo Services**  
Service and repair for thermal turbomachinery

**Sulzer Innotec**  
Contract research and technical services

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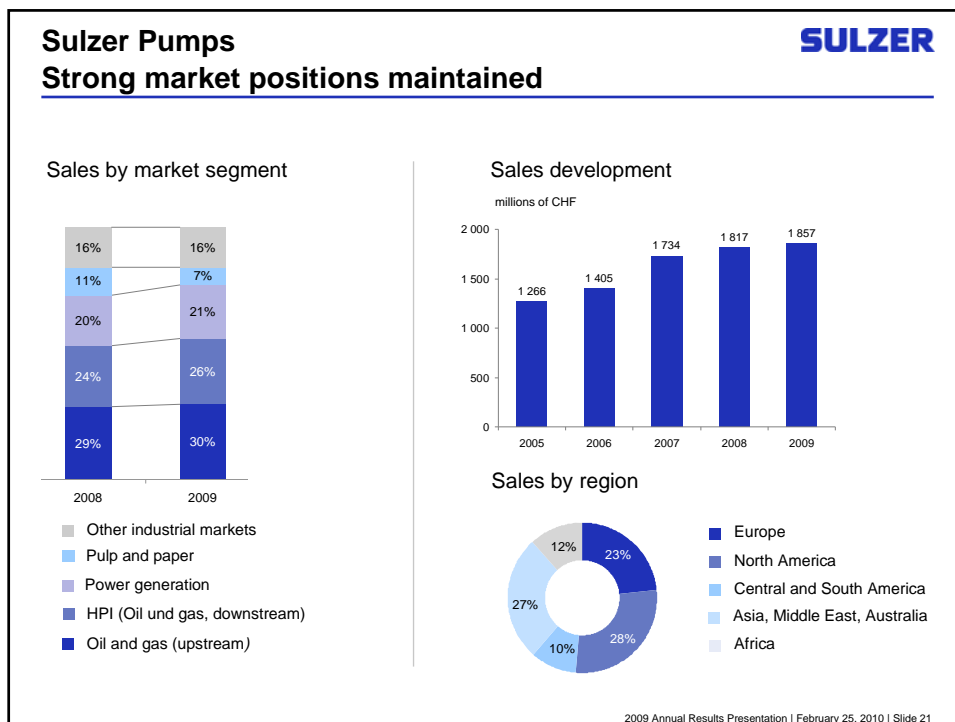
**Sulzer Pumps** **SULZER**

**Record sales in a challenging environment**

millions of CHF	2009	2008	△%	△% adj. <sup>1)</sup>	
Order intake	<b>1 684.5</b>	2 308.7	-27.0%	-22.9%	■ Substantially lower market activity resulted in fewer orders, especially for large projects
Order backlog <small>as of 12-31</small>	<b>1 436.0</b>	1 518.6	-5.4%		
Sales	<b>1 856.7</b>	1 817.0	+2.2%	+8.2%	■ Strong market positions maintained
EBITDA	<b>231.5</b>	257.0	-9.9%		
EBITR <sup>2)</sup>	<b>223.4</b>	232.3	-3.8%		■ Order backlog generated record-high sales and a high level of profitability
ROSR <sup>3)</sup>	<b>12.0%</b>	12.8%			
EBIT	<b>204.7</b>	231.9	-11.7%		■ Strategic focus on emerging markets
ROS <sup>4)</sup>	<b>11.0%</b>	12.8%			
Capital employed	<b>416.7</b>	433.8	-4.0%		
ROCE <sup>5)</sup>	<b>49.1%</b>	53.5%			
Employees <sup>6)</sup> <small>as of 12-31</small>	<b>5 928</b>	6 239	-5.0%		■ Outlook 2010: lower order intake, sales and return on sales expected; continue to adapt cost structure and capacities to new market realities

1) Adjusted for currency effects as well as acquisitions and divestitures  
2) Operating income before restructuring expenses  
3) Return on sales before restructuring expenses (EBIT before restructuring expenses/sales)  
4) Return on sales (EBIT/sales)  
5) EBIT/average capital employed  
6) Full-time equivalents

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**Sulzer Metco** **SULZER**

Leader in surface technology

- No. 1: Coating equipment
- No. 1: Coating materials
- No. 3: Coating services

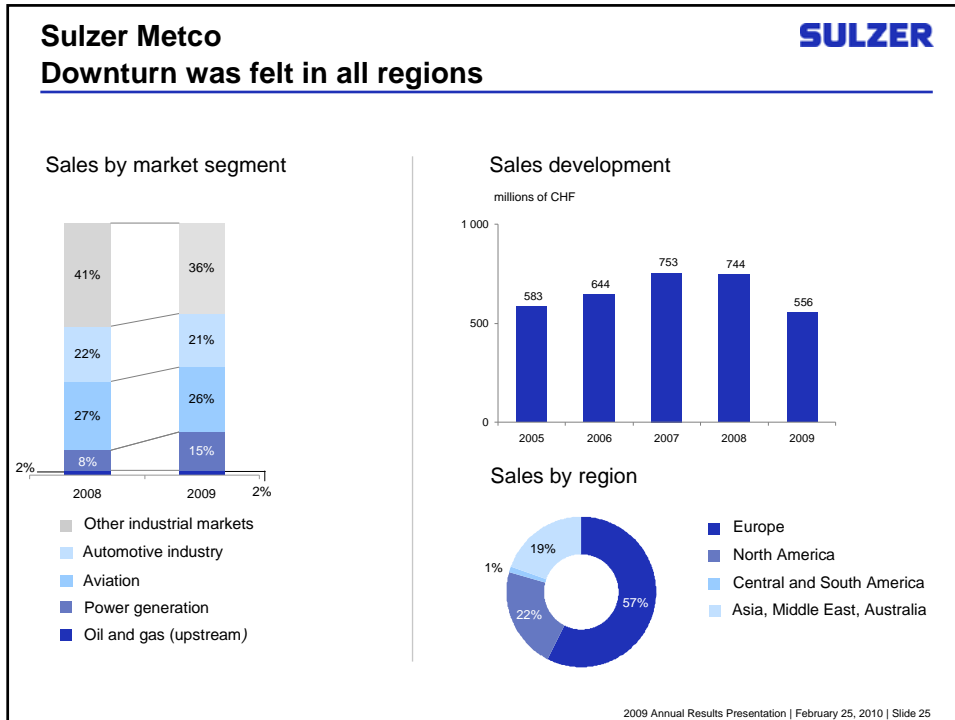
**Sulzer Metco** **SULZER**

**Adaptation measures and continued focus on innovation**

millions of CHF	2009	2008	△%	△% adj. <sup>1)</sup>	
Order intake	<b>545.5</b>	715.6	-23.8%	-21.4%	■ Weak demand in key markets
Order backlog <small>as of 12-31</small>	<b>57.2</b>	68.2	-16.1%		■ Material prices strongly affected revenues
Sales	<b>556.0</b>	743.5	-25.2%	-23.0%	
EBITDA	<b>46.3</b>	94.3	-50.9%		■ Notable decrease of profitability due to lower volumes
EBITR <sup>2)</sup>	<b>34.2</b>	71.2	-52.0%		
ROSR <sup>3)</sup>	<b>6.2%</b>	9.6%			■ Adaptation to changed markets
EBIT	<b>20.5</b>	69.6	-70.6%		■ Consistent innovation remains essential for future growth
ROS <sup>4)</sup>	<b>3.7%</b>	9.4%			
Capital employed	<b>412.1</b>	433.8	-5.0%		
ROCE <sup>5)</sup>	<b>5.0%</b>	16.0%			
Employees <sup>6)</sup> <small>as of 12-31</small>	<b>1 796</b>	2 105	-14.7%		■ Outlook 2010: some stabilization in order intake and sales; improvement of operating income expected

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**Sulzer Chemtech** **SULZER**

Components and services for separation technology and static mixing

- No. 1: Static mixers (at high viscosity)
- No. 1: Two component mixing and dispensing systems
- No. 2: Separation columns



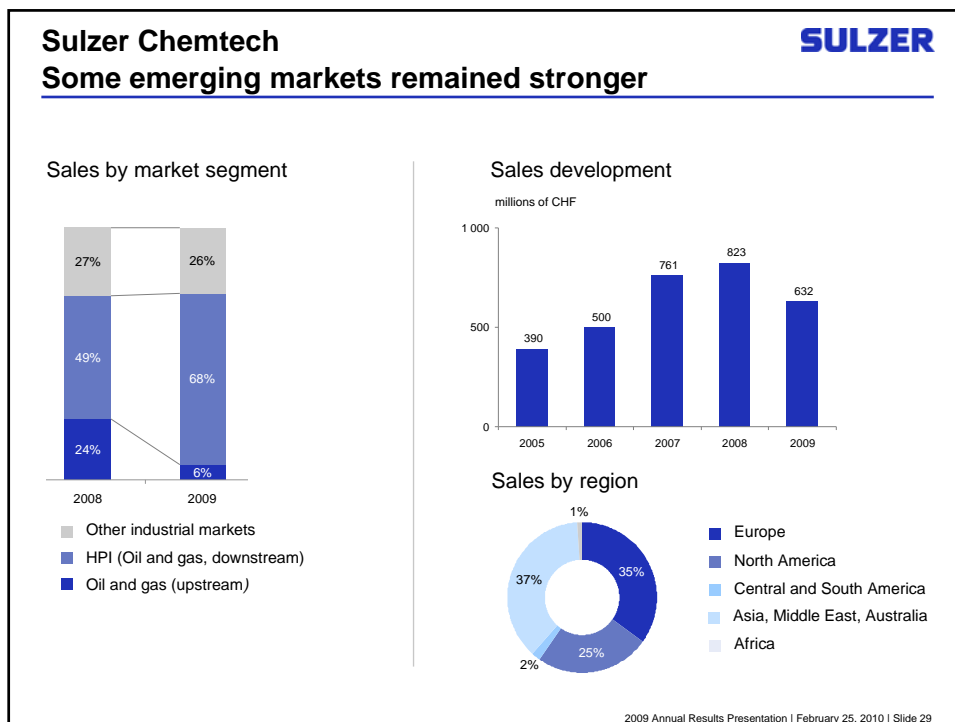
**Sulzer Chemtech** **SULZER**

**Adapting to lower market activity**

millions of CHF	2009	2008	Δ%	Δ% adj. <sup>1)</sup>	
Order intake	<b>498.4</b>	770.4	-35.3%	-36.8%	■ Overall lower market activity levels
Order backlog <small>as of 12-31</small>	<b>238.9</b>	347.9	-31.3%		
Sales	<b>632.3</b>	823.3	-23.2%	-26.3%	■ Decreased, but still double-digit, operational profitability due to lower volumes
EBITDA	<b>96.2</b>	171.8	-44.0%		
EBITR <sup>2)</sup>	<b>65.5</b>	140.4	-53.3%		■ Material prices affected revenues and operating income
ROSR <sup>3)</sup>	<b>10.4%</b>	17.1%			
EBIT	<b>54.5</b>	140.1	-61.1%		■ Strategic focus is to establish dedicated Process Technology activities and develop innovative solutions
ROS <sup>4)</sup>	<b>8.6%</b>	17.0%			
Capital employed	<b>417.9</b>	426.2	-1.9%		■ Outlook 2010: order intake expected to stabilize while sales are likely to decrease further. Return on sales anticipated to remain at similar level
ROCE <sup>5)</sup>	<b>13.0%</b>	32.9%			
Employees <sup>6)</sup> <small>as of 12-31</small>	<b>2 977</b>	2 769	+7.5%		

1) Adjusted for currency effects as well as acquisitions and divestitures  
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5) EBIT/average capital employed  
6) Full-time equivalents

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**Sulzer Turbo Services** **SULZER**

Leading independent service provider

- No. 1: Industrial gas turbines
- No. 1: Steam turbines
- No. 1: Turbo compressors

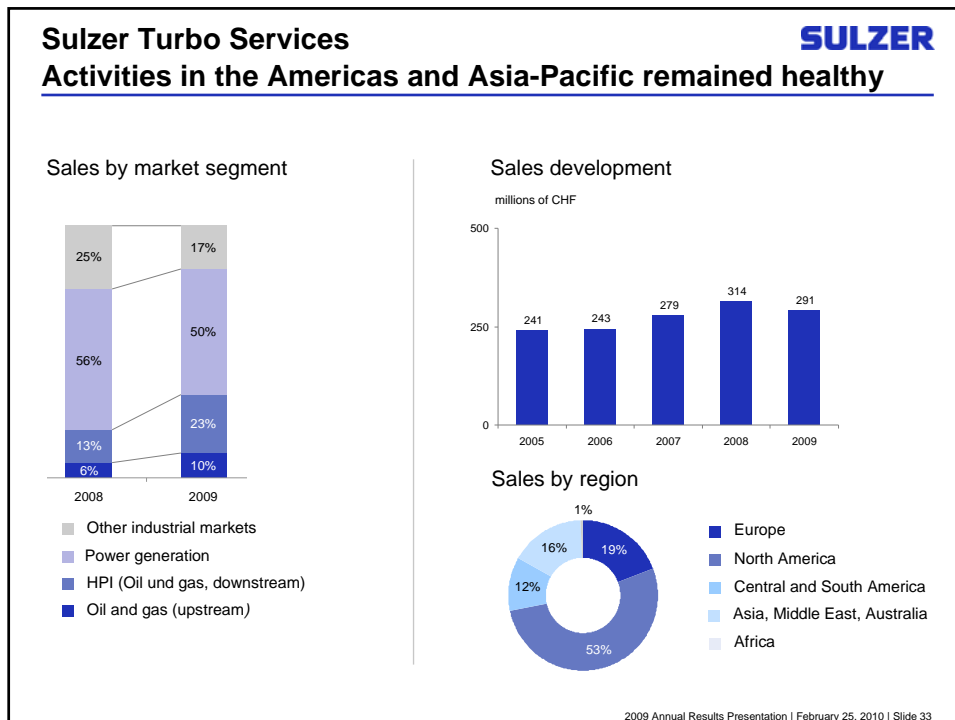
**Sulzer Turbo Services** **SULZER**

**Strong service business**

millions of CHF	2009	2008	△%	△% adj. <sup>1)</sup>	
Order intake	<b>278.3</b>	303.4	-8.3%	-9.8%	■ Relatively robust market activity
Order backlog <small>as of 12-31</small>	<b>137.2</b>	160.0	-14.3%		■ Notably increased profitability due to operational excellence and turnaround in the site in the Netherlands
Sales	<b>291.3</b>	313.6	-7.1%	-9.5%	
EBITDA	<b>41.0</b>	38.1	+7.6%		
EBITR <sup>2)</sup>	<b>38.2</b>	31.6	+20.9%		■ Capturing strong growth potential in emerging markets remains key strategic focus
ROSR <sup>3)</sup>	<b>13.1%</b>	10.1%			
EBIT	<b>33.0</b>	30.5	+8.2%		
ROS <sup>4)</sup>	<b>11.3%</b>	9.7%			■ Outlook 2010: comparable levels of order intake, sales and operating income expected
Capital employed	<b>190.1</b>	179.5	+5.9%		
ROCE <sup>5)</sup>	<b>17.4%</b>	17.0%			
Employees <sup>6)</sup> <small>as of 12-31</small>	<b>1 189</b>	1 314	-9.5%		

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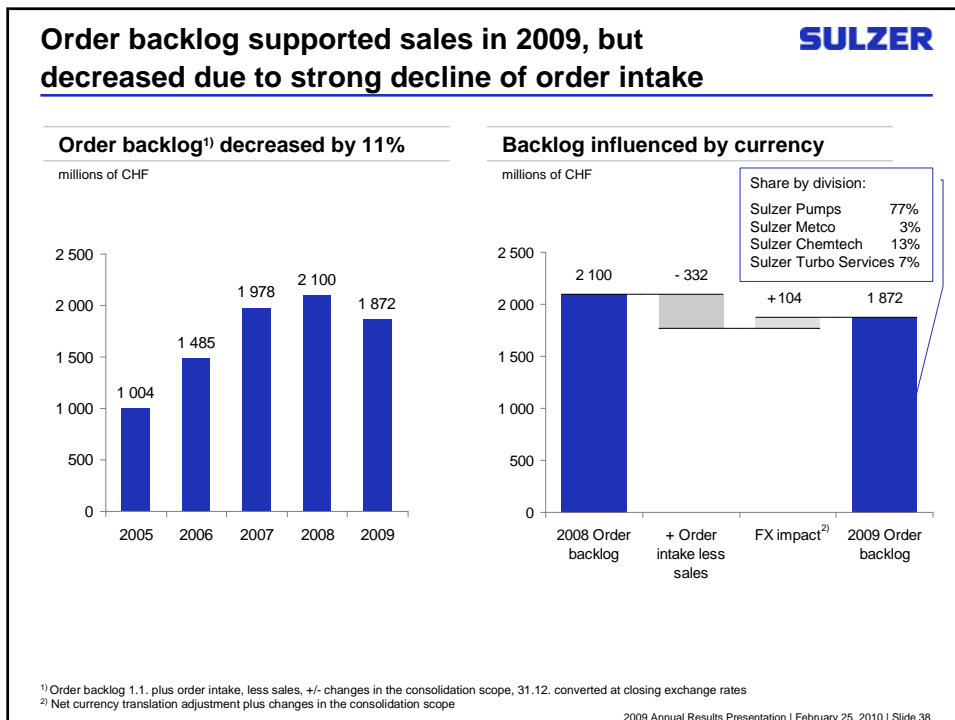
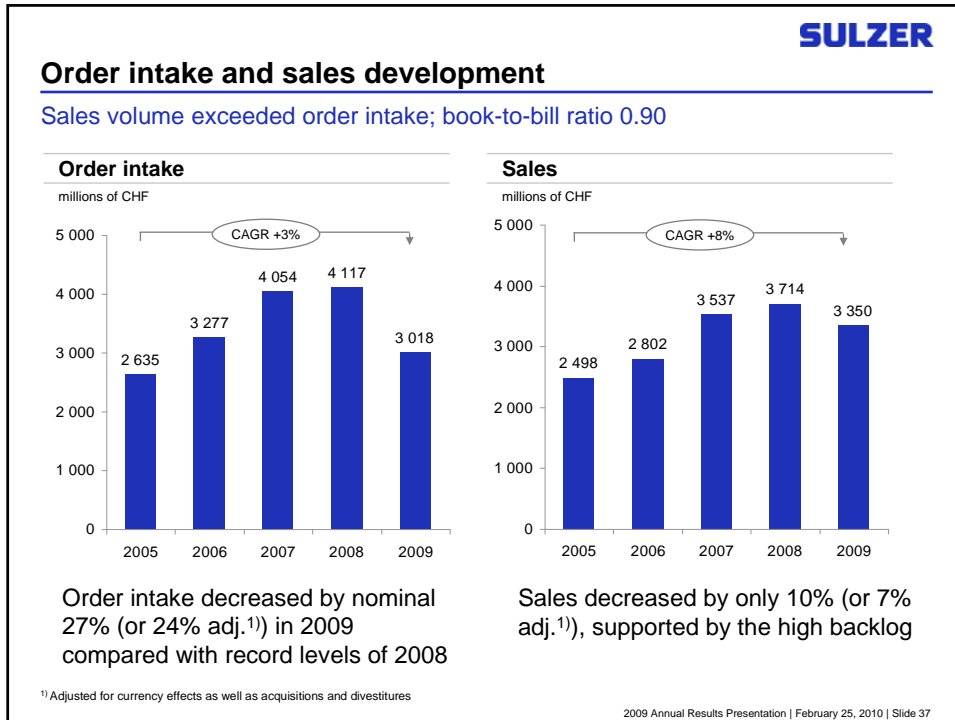
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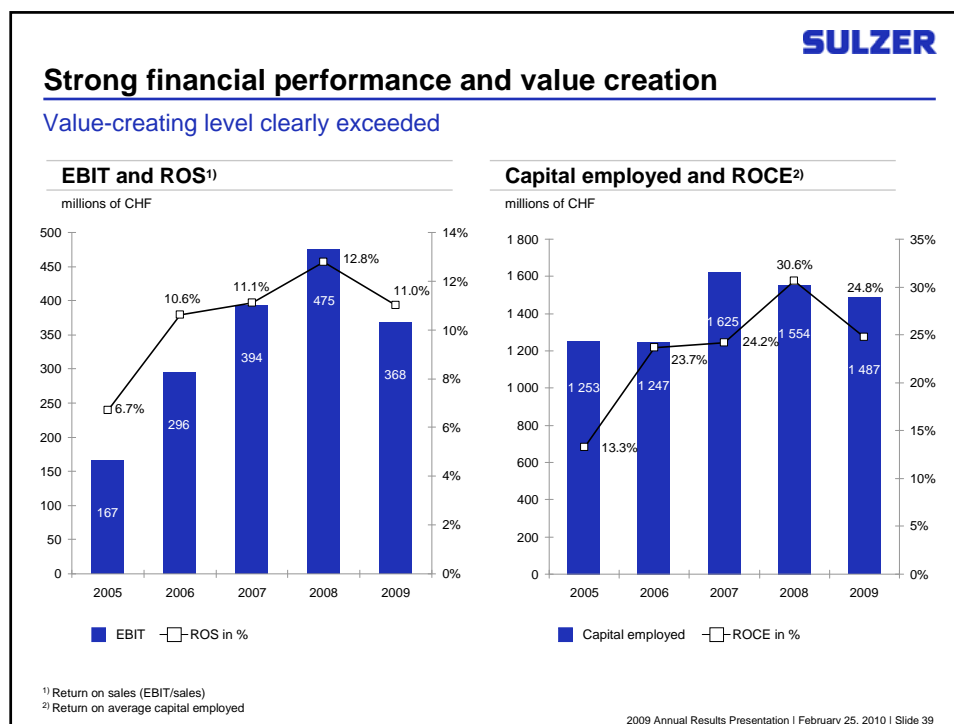
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<b>SULZER</b>
<b>Agenda</b>
Business Review
<b>Financial Review</b>
Corporate Governance
Outlook, Summary
Discussion

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- |  |
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| <b>SULZER</b>  |
| <b>Financial review 2009:<br/>Sound financial performance and high cash flow</b>   |
| <ul style="list-style-type: none"><li>■ Supported by the high order backlog, sales decreased by only 7.3% adjusted</li><li>■ Strong financial performance including non-recurring items with a return on sales of 11.0% and a return on capital employed of 24.8% achieved</li><li>■ Restructuring costs were offset by high contribution from real estate activities</li><li>■ Solid net income, supported by better financial income and lower tax expenses</li><li>■ Capital structure further strengthened with an equity ratio of 53% and a gearing of 5%</li><li>■ Strong cash flow generation</li></ul> |
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### SULZER

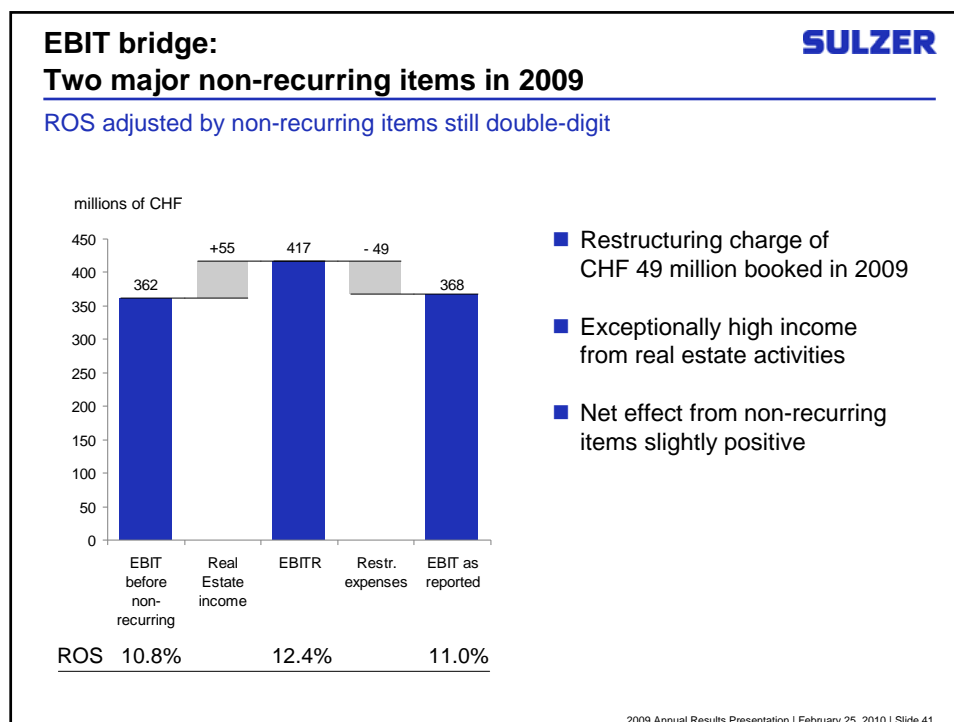
## EBIT composition

Strong reduction of operating income in two of four divisions

millions of CHF	EBITR 2009	EBITR Δ%	Restr. exp.	EBIT 2009	EBIT Δ%
Sulzer Pumps	223.4	-3.9%	-18.7	204.7	-11.7%
Sulzer Metco	34.2	-52.0%	-13.7	20.5	-70.5%
Sulzer Chemtech	65.5	-53.4%	-11.0	54.5	-61.1%
Sulzer Turbo Services	38.2	+20.9%	-5.2	33.0	+8.2%
<b>Total divisions</b>	<b>361.3</b>	<b>-24.0%</b>	<b>-48.6</b>	<b>312.7</b>	<b>-33.7%</b>
Others	55.3	-	-	55.3	-
<b>Total Sulzer</b>	<b>416.6</b>	<b>-12.9%</b>	<b>-48.6</b>	<b>368.0</b>	<b>-22.5%</b>

- EBIT before restructuring expenses 13% lower than in prior year
- All four divisions debited by restructuring expenses
- Sulzer Metco and Sulzer Chemtech disproportionately hit by the downturn

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**Others**

Operating profit: CHF 55.3 million (2008: CHF 3.0 million)

**Sulzer Real Estate** (Operationally non-essential)

- Properties sold for CHF 153 million (2008: CHF 22 million)
- EBIT incl. rental income of about CHF 55 million (2008: about CHF 14 million)
- EBIT contribution from disposal of properties was exceptionally high in 2009
- Book value December 31, 2009: CHF 61 million (December 31, 2008: CHF 134 million)
- Outlook for 2010: significantly lower EBIT contribution from real estate disposals expected

**Sulzer Innotec**

- Operating income in 2009 close to breakeven (2008: positive contribution)

**Other Corporate**

- Corporate expenses covered by trademark license fees

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<b>SULZER</b>			
<b>From operating income to net income</b>			
<b>Solid net income</b>			
millions of CHF	2009	2008	△%
<b>Operating income (EBIT)</b>	<b>368.0</b>	475.1	-22.5%
Financial income	1.6	-23.5	-
Income tax expenses	-93.8	-123.9	+24.3%
in % income before tax (EBT)	25.4%	27.4%	
<b>Net income</b>	<b>275.8</b>	327.7	-15.8%
Attributable to shareholders of Sulzer Ltd	270.4	322.9	-16.3%
Attributable to minority interests	5.4	4.8	+12.5%
<i>Basic earnings per share in CHF (EPS)</i>	<b>8.06</b>	9.59	-16.0%

- Financial income strongly improved compared with prior year; the year 2008 was primarily driven by currency fluctuations on loans
- Tax rate at a lower level, positively influenced by real estate disposals taxed at a favorable Swiss tax rate and capitalization of tax loss carry forwards

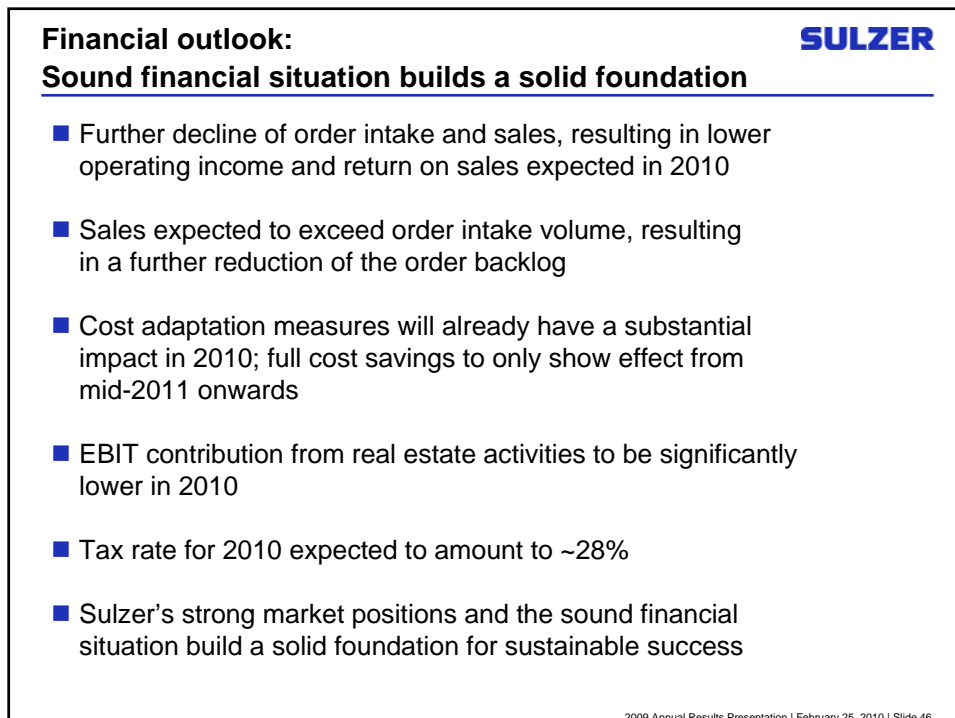
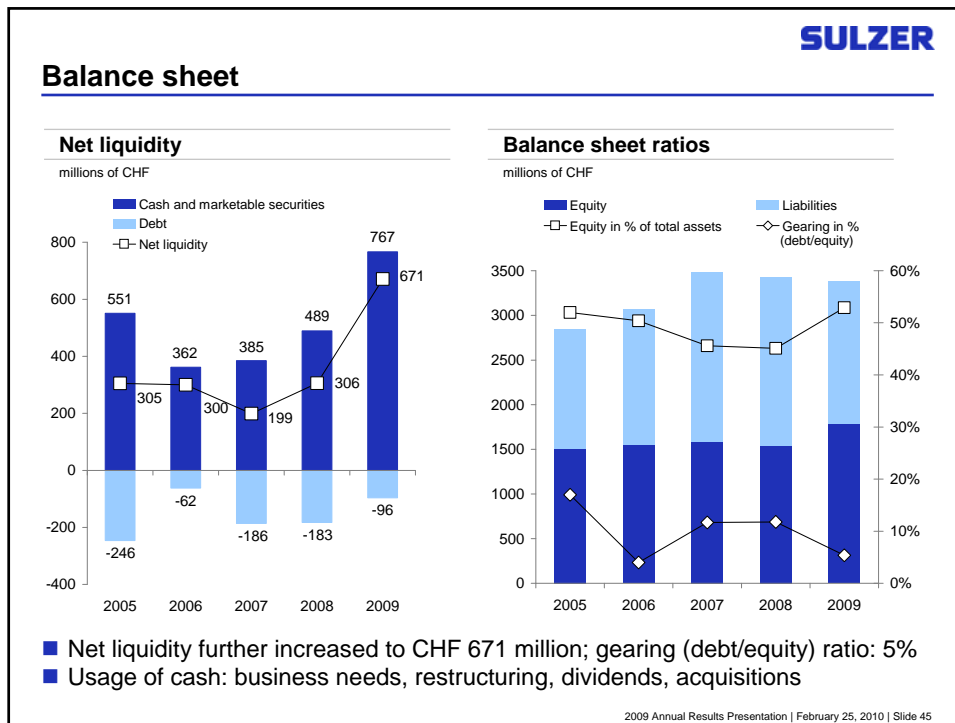
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<b>SULZER</b>			
<b>Cash flow statement</b>			
<b>Strong free cash flow generation</b>			
millions of CHF	2009	2008	
<b>EBITDA</b>	<b>479.2</b>	575.9	
Changes in net current assets/provisions	185.0	10.0	
Interests and income tax paid	-132.0	-128.0	
Reallocations <sup>1)</sup> to investing activities	-44.2	-8.0	
<b>Cash flow from operating activities</b>	<b>488.0</b>	449.9	
Capital expenditure	-112.2	-116.0	
Sale of PP&E and intangible assets	153.0	29.2	
<b>Free cash flow</b>	<b>528.8</b>	363.1	
Acquisitions and divestitures	-39.6	-77.1	
Purchase/sale of financial assets/mark. securities	11.8	-34.1	
<b>Cash flow from operating and investing activities</b>	<b>501.0</b>	251.9	

- Significant reduction of net current assets
- Exceptionally high cash contribution from real estate disposals
- Capital expenditure broadly in line with prior year

<sup>1)</sup> Income from disposals of subsidiaries and PP&E

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**SULZER**

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**SULZER**

**Annual General Meeting 2010:  
Dividend proposal considering financial situation**

Year	Dividend (CHF)
2005	1.40
2006	2.30
2007	2.80
2008	2.80
2009	2.80

- Proposed dividend: **CHF 2.80 per share**
- Payout ratio ~35%
- Dividend yield: approx. 3.5% on year-end share price of CHF 81.10
- Ex dividend April 19, 2010
- AGM Sulzer Ltd: April 15, 2010, 10 a.m. in Winterthur, Switzerland

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**Board of Directors:** **SULZER**  
**Current composition (since August 2009)**

<b>Jürgen Dormann</b>	<b>Vladimir V. Kuznetsov</b>	<b>Hans H. Lienhard</b>	<b>Urs A. Meyer</b>
			
Chairman Since August 2009; elected until 2012	Since December 2007; elected until 2012	Since April 2002; elected until 2010	Since December 2007; elected until 2012
<b>Luciano Respini</b>	<b>Daniel J. Sauter</b>	<b>Klaus Sturany</b>	
			
Since April 2004; elected until 2010	Since April 2002; elected until 2012	Since August 2009; elected until 2011	




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**Annual General Meeting 2010:** **SULZER**  
**Elections**

- The Board of Directors proposes to **amend the Articles of Association to reduce the term of office** for its members **from three to one year**

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<ul style="list-style-type: none"> <li>Proposed for <b>re-election</b> for a one-year term of office:</li> </ul>	<ul style="list-style-type: none"> <li>Proposed for <b>election</b> as member of the board of directors for a one-year term of office:</li> </ul>
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<b>Luciano Respini</b>	<b>Hans H. Lienhard</b>	<b>Tim Summers</b>
		
Since April 2004; elected until 2010	Since April 2002; elected until 2010	

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- Resignation** as board member as of April 15, 2010: Urs Andreas Meyer

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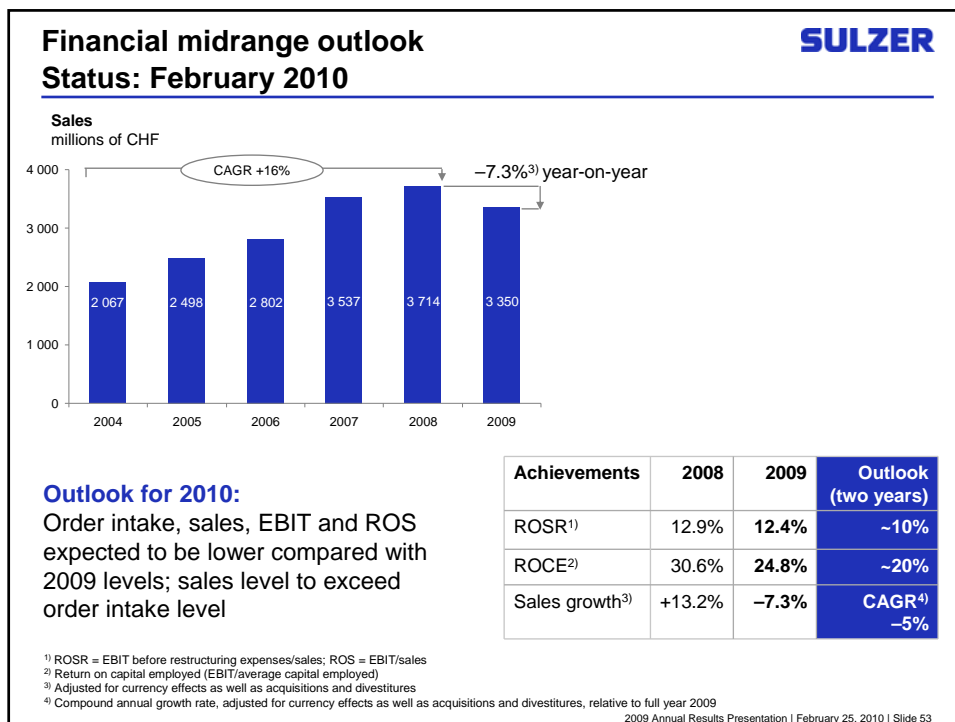
**SULZER**

**Market assessment**

**Some markets are likely to stabilize in 2010**

	Market conditions in 2008	Market conditions in 2009	Assessment 2010
<b>Oil and gas (upstream)</b>	Very good	Clearly reduced project activity	<b>Stabilizing</b>
<b>HPI (Oil and gas, downstream)</b>	Good	Clearly reduced project activity	<b>Reduced project activity</b>
<b>Power generation</b>	Very good	Reduced project activity	<b>Reduced project activity</b>
<b>Pulp and paper</b>	Weakening	Weak	<b>Stable</b>
<b>Aviation</b>	Stable	Reduced activity	<b>Stable</b>
<b>Automotive industry</b>	Weakening toward year-end	Transient	<b>Transient</b>

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### Key areas of focus for Sulzer

- Corporation-wide operational excellence based on **LEAN** principles
- Health and safety
- Increased and faster high-quality innovation
- Transition into emerging markets
- Increased focus on service

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## Summary

- Strong set of results delivered in 2009
- Challenging market conditions to continue, no quick recovery expected
- Some end markets are likely to stabilize in 2010
- Long-term prospects for our performance-critical solutions remain positive
- Acquisitions remain the main focus to deploy our balance sheet
- Sulzer is well positioned for future success based on its five core focus areas, its adaptation measures and its strong financial situation

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## Discussion



**Contacts / Key dates 2010**

**Company address:**

Sulzer Ltd  
Zürcherstrasse 14  
8401 Winterthur, Switzerland  
[www.sulzer.com](http://www.sulzer.com)

**Key dates in 2010:**

April 15	Order intake Jan.-Mar. 2010
April 15	AGM Sulzer Ltd
July 22	Midyear report 2010
October 14	Order intake Jan.-Sep. 2010
October 18	Sulzer Capital Market Day

**Participation at conferences in 2010:**

March 25	Kepler, Zurich, Switzerland
May 11	Goldman Sachs, London, UK
May 27	Vontobel, Interlaken, Switzerland
August 25	UBS, Zurich, Switzerland

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**Stock market information:**

**Listed on SIX Swiss Exchange**

Identifier	Number
SIX (security number)	3838891
ISIN	CH 003 838891 1
Ticker Symbol	SUN
Bloomberg	SUN SW
Reuters	SUN.S

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**THE SAFE HARBOR STATEMENT UNDER THE US PRIVATE  
SECURITIES LITIGATION REFORM ACT 1995**

**This presentation may contain forward-looking statements, including but not limited to, projections of financial developments, market activities or future performance of products and solutions, containing risks and uncertainties. These forward-looking statements are subject to change based on known or unknown risks and various other factors, which could cause the actual results or performance to differ materially from the statements made herein.**

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