

## **Sulzer Ltd – Annual General Meeting 2008**

### **Speech by Ton Büchner, Chief Executive Officer**

Dear shareholders

Last year, I spoke to you about the power of Sulzer. It was the power of Sulzer that attracted me to Sulzer in 1994, and it is why I believe in this company.

As in many previous years, the Sulzer power was again put to the test in 2007 – and once more we mastered all challenges.

2007 was a good year for Sulzer.

We were able to grow fast while maintaining our focus on quality and on-time delivery. A number of long-term innovations were implemented in 2007 with promising results. And significant energy was invested in external growth.

As shown by our key figures: Sulzer order intake grew by nearly 24%, and sales by more than 26% – from a base level that was already high.

More importantly, our operating result (EBIT) rose by 33% to CHF 394 million and our cash flow reached CHF 325 million per year end – an excellent cash conversion rate.

All of this was only possible due to the power of Sulzer. This Sulzer power is based on trust, experience, positive energy and ethics. The trust of customers, shareholders, and employees is crucial for our success. A key success factor is the experience that allows us to combine tradition with modern strategies and solutions while continuously improving our processes. And Sulzer would not have reached its present standing without our ongoing positive energy and self-confidence, or without the ethics of our business conduct worldwide.

Sulzer has enormous power, and all our people – including new employees – are driven by the Sulzer Spirit that has made Sulzer what it is today and will bring us ongoing success in the future.

In 2007, we reformulated the Sulzer vision on this basis. We are a company focusing on performance-critical applications for our customers. We decisively improve the functioning or efficiency of their processes – and their trust thereby is paramount to our success.

We are a multi-industry company, providing solutions through close customer contact.

The focus on our four divisions – Sulzer Pumps, Sulzer Metco, Sulzer Chemtech, and Sulzer Turbo Services – and on Sulzer Innotec enables true dedication.

In our six core market segments, we have a profound knowledge of relevant trends and developments.

The upstream -oil and gas segment is extremely active, with increasing investments by national oil companies in new rigs and plants.

The hydrocarbon processing industries are expanding above all in Asia and the Middle East. And numerous new plants are planned worldwide in the power generation sector. These three market segments alone accounted for about 60 percent of Sulzer sales in 2007.

While the pulp and paper and automobile market segments were the first to be affected by weaker consumer demand, we expect business activities in the aviation industry to continue at a high level.

Sulzer has grown a lot recently – more than twenty percent per annum over the last four years.

Almost all key figures for 2007 are up double-digit. Earnings per share even rose by 34%, partly due to the condensation effect of our share-buyback program.

As Ulf Berg showed you earlier in a different form, Sulzer has done very well over the last four years. Here you see that we have increased our divisional ROS 2.5 times and almost quadrupled our ROCE during this time. Despite increasingly difficult conditions on the customer and supplier sides, Sulzer has improved these key ratios continuously.

Sulzer has significantly increased its employee base as well, particularly in the emerging markets. Much less than our sales growth, however, which is almost 95% since 2003 against only a 30% rise in human resources. In other words: we have markedly improved our productivity.

The oil and gas industry is a very important Sulzer customer, and demands very high health and safety standards. That is why we have particularly focused this year on occupational health and safety for our employees and on the safety of our products and processes. For example, every visitor to a Sulzer plant first receives detailed safety instructions, and every customer presentation starts with an overview of health and safety measures.

As you probably have noticed, health and safety is also a core topic of our annual report. In the videos we are going to show you now, you will see just how well our four divisions ensure optimal health and safety, both at the workplace and product related.

Let us start with Sulzer Pumps and their rapidly expanding production plant in Mexico.

As you have seen, the Mexican facility has changed significantly. In 2003 Sulzer Pumps made a start on process modernization worldwide, and now this plant is a state-of-the-art factory with highly efficient processes like at the division's other locations

(Sulzer Pumps achieved a very good performance in 2007. The division grew rapidly and did this without adding to factory space. Operational return on sales increased more than 1% in 2007, disregarding the positive once-only effects in 2006. Global processes have been introduced and will be rolled out across the world. Four new service centers have been opened and the production network is constantly being assessed.

Now let us take a look at the Sulzer Metco video, focusing on product safety.

As mentioned, there are more than 200 safety measures, many them more difficult to show than in this rather obvious example. Sulzer makes its products as safe as possible and carries out strict quality checks and tests in all its divisions.

Performance-wise, Sulzer Metco reached the double-digit profitability level for the first time since years. This was primarily achieved by focusing on customer satisfaction and operational improvement. Highly fluctuating raw material prices made 2007 difficult, but Sulzer Metco mastered the challenge well. Sulzer Metco also expanded their service network in Asia and will continue to do so.

The Sulzer Chemtech video focuses on work-safety equipment and technical accident-prevention measures.

As you have seen, Sulzer constantly assesses work processes to ensure the safety of our employees and visiting customers.

Sulzer Chemtech was our fastest growing and most profitable division in 2007. The acquisition of Mixpac, Werfo, Mold (mostly active in Switzerland and Liechtenstein), and KnitMesh (UK) companies added around 130 million CHF to Sulzer Chemtech volume. Sulzer Chemtech also opened a new state-of-the-art factory in Shanghai and probably has to expand it again to accommodate this growth. Sulzer Chemtech will continue to geographically expand with small size “quick-response” facilities in Asia, Russia, and Canada.

Let us take a look now at the Sulzer Turbo Services video. It focuses on continuous employee training to keep the health and safety awareness high.

All divisions and locations train their employees in various topics, including health and safety. In today’s difficult labor market, these training courses help to make Sulzer more attractive for recruiting qualified personnel.

Sulzer Turbo Services promised internally 9% ROS for 2007, and delivered it. They have focused on operational improvement and will continue to do so in future. This division has introduced new technology repairs (so called F-technology) and is one of the first to be able to offer it as an independent service company. Sulzer Turbo Services also opened up a new location in the tar-sands of Canada, therewith positioning the division well for the booming “wild north”. Further geographical expansion is continuously under review.

The three areas of activity reported under “Others” can be summarized as follows: Sulzer real estate had a normal year after several years of extraordinary high sales. Sulzer Innotec improved significantly and should continue to do so in future. The corporate headquarters had additional costs in comparison to the past due to increased use of external consultants in the period of acquisitions and shareholder changes.

Also after the share-buyback program, Sulzer has a very solid balance of CHF 300 million CHF in total, with a positive net liquidity. Moreover, Sulzer's financial investments do not incorporate any directly or indirectly significant financial instruments, so that there are no depreciation risks in this connection. And our balance gives us enough flexibility for targeted acquisitions to strengthen our businesses.

Going forward, it is crucial for Sulzer to uphold its operational discipline. We must ensure optimal handling of our high order backlog. We must continue to innovate, and to train our workforce. And we shall continue to focus on acquisition possibilities in future, but in a highly disciplined manner.

As I said at the beginning of my speech: The power of Sulzer is the foundation of our relationship with customers, employees and shareholders.

I think we are all "infected" by the Sulzer Spirit. We carry it with us forever – as many of our current and retired employees will certainly confirm.

Together with the Sulzer executive committee, I assure you that we will do everything to uphold and expand the power of Sulzer and cherish the Sulzer Spirit in future.

Thank you for your attention.