

Sulzer Ltd—Annual General Assembly 2010

Address by Ton Büchner, Chief Executive Officer

Dear Shareholders,

For several years now, I have told you about the *Power of Sulzer*. The power of Sulzer stands for the ability to adapt to difficult circumstances while continuing to perform well. In 2009, the power of Sulzer was proved again. Though all our key markets were in a simultaneous crisis—and despite other challenges—Sulzer was still able to perform well and delivered the second best year in operational profitability in the last ten years.

The *Power of Sulzer* is also the basis that allowed us to celebrate our 175th anniversary in 2009 with our employees, our customers, and other partners worldwide. In spite of difficult market conditions, we celebrated this anniversary in a very fitting manner.

At the many anniversary events worldwide, one could feel a lot of enthusiasm:

- The enthusiasm of our employees for our great company. At last year's general assembly, we experienced this in a video of Sulzer employees around the world congratulating each other on our memorable anniversary.
- But also the appreciation of customers and partners for our competent and committed company.

All those employee events made our team spirit even stronger—and our customers appreciate us as a dependable partner who combines a solid tradition with future-oriented solutions.

Let us now take a closer look at our results for 2009.

The high order backlog was executed efficiently and contributed significantly to the sales volume. Adjusted for currency effects, sales declined by over 7 percent—significantly less starkly than order intake.

At the same time, we maintained profitability—which was high at a double-digit level of 12.4 percent, or 11.0 percent after restructuring costs.

With almost 25 percent return on average capital employed, we generated significant financial value, and achieved a solid net income of 270 million Swiss francs. Our free cash flow grew strongly by more than 45 percent to 529 million Swiss francs.

We can truly be proud of these results.

Our good results despite declining demand underline Sulzer's operational adaptability. During the years of strong growth, we foresightedly restrained our own capacity expansion and increasingly outsourced to suppliers. We were thus able to partially adapt to lower demand by reducing supplier orders.

Nevertheless, the steeply declining demand forced us to take internal measures as well, including personnel reductions and some plant closures. It was not easy to make such decisions and part with those colleagues affected. However, to remain competitive, we had to move ahead decisively with these measures.

While adapting to the changed economic environment, Sulzer succeeded in maintaining its strong market positions with its performance-critical solutions.

The varying developments in each of our divisions mainly reflect the trends in the different markets that they serve.

Thanks to its high order backlog with many long-term projects, Sulzer Pumps—as the only division—was able to still increase sales, though profitability declined slightly. This division with its late-cycle markets must expect a further decline in demand during 2010.

The economic downturn very quickly impacted Sulzer Metco's activities in the automotive and other industries. The result was a significant decline in sales and profitability, but after rapidly taking the necessary measures, the division expects stable sales for 2010 and an improvement in operating income.

Sulzer Chemtech's order intake and sales were impacted by a strong decrease in demand, particularly in the hydrocarbon processing industry. However, this division quickly responded with adaptation measures and still maintained double-digit profitability. The divisional order intake is expected to be stronger in 2010 than it was in 2009, with return on sales at a similar level to the previous year.

Sulzer Turbo Services benefited from its recession-resistant service business with substantially higher profitability thanks to targeted initiatives for improving operational performance. With long-term service contracts, this division secured steadier sales for the future. Stable results are expected for 2010.

Sulzer started 2010 well, as our order intake figures for the first quarter of 2010, which were published this morning, show.

The order intake was lower than that of the first quarter of the previous year. However, it was also higher than in the last three quarters of 2009, supported by some bigger projects awarded to Sulzer Pumps and Sulzer Chemtech.

For the full year 2010, we expect order intake to be at a level comparable with that of 2009. Due to the lower order backlog, we expect a sales decline and somewhat lower profitability of about 10 percent for 2010.

Our values build a solid basis for the long-term success Sulzer.

The first of these core values—customer partnership—underlines our consistent focus on meeting the needs of our customers—if possible exceeding their expectations—and thereby helping them to better compete in the marketplace.

Our second core value—operational excellence—means continuously improving our strong performance on the basis of structured work processes and LEAN principles.

And our third core value—committed employees—stands for our personal commitment and teamwork with mutual respect.

These values guide our internal and external activities. During our anniversary year, we held workshops with all Sulzer employees worldwide, to engender a deeper understanding of these core values.

Sulzer has adapted successfully to the challenging business environment. However, we also want to strengthen our market positions further through operational and strategic initiatives.

Therefore, we have defined five focus areas:

We are continuously improving of our operational excellence in all areas, most importantly, by applying LEAN management principles. We are systematically and purposefully optimizing our work processes.

For this purpose, we have just introduced a new platform for the global exchange of best practices. This tool enables our colleagues in every region to benefit from and leverage each other's experience in their own work.

We are also taking targeted measures to optimize work safety and health protection. Over the last three years, we have halved our accident rate as a result. Any accident is one accident too many—so we shall continue decisively on this path.

Since innovation is such an important success factor for Sulzer, we are systematically searching for new areas where we can apply our core technical competencies. Here are two good examples of our projects in this connection:

Global oil reserves are limited, and tapping new resources is an increasingly demanding task. To exploit oil reserves at extreme depths, Sulzer Pumps is developing subsea pumps that no longer have to be installed on a drilling rig, but can operate on the ocean bed down to 3000 meters below the surface.

In cooperation with a customer, Sulzer Chemtech has developed a new process to produce high-quality bioplastic from renewable raw materials. This bioplastic has a

considerably higher melting point than conventional bioplastics and is therefore much more versatile for numerous applications.

Another important strategic thrust is the expansion of our service business activities. Service business is not only relatively recession proof, but also above average in profitability. Here, we can build on the numerous Sulzer products in use by our customers worldwide. With additional services such as monitoring and troubleshooting, maintenance and upkeep, repairs and modernization, we, as their long-term partner, can meet additional needs important to our customers.

We are systematically strengthening our service business through acquisitions. In this connection, Sulzer Turbo Services integrated the Argentinean company Capime in 2009—thereby expanding our turbomachinery service offering throughout South America—and Sulzer Chemtech acquired various companies in 2009 for local tower field services in Australia, Thailand, India, and Germany.

Our five key areas of focus also include the expansion of our positions in the emerging markets—which is also the focus of our *Annual Report 2009*.

Global corporations like Sulzer will only be assured of success in the future if they have a local presence in these growth markets as well.

Indispensable for success thereby are not only investments in production plants and service centers, but also the local implementation by our colleagues in those markets.

In closing, I will therefore let our employees speak for themselves in this video of Sulzer's activities in various emerging markets.

Thank you for your attention and enjoy our video on Sulzer in emerging markets.