

Sulzer Ltd – Annual General Meeting 2009

Presidential address by Ulf Berg, Chairman of the Board

Ladies and Gentlemen,

Sulzer looks back today on an eventful 175-year history.

What were the origins of our company?

The Sulzer family in Winterthur can be traced as far back as 1408. In 1775 it took its first steps in the metal industry by opening a brass foundry on Hirschengraben in Winterthur. That was taken over in 1806 by Salomon Sulzer-Bernet, whose sons Johann-Jakob and Salomon Sulzer set up an iron foundry known as Sulzer Brothers, founded on April 5, 1834. During the 175 years since then, our company has passed many technical milestones.

What makes Sulzer so outstanding for me is our industrial and technical competence coupled with efficient business processes and an international presence – all of which have been achieved by a worldwide team of first-class employees on all continents.

And it is thanks to these very people, ladies and gentlemen, that the four divisions of which Sulzer is comprised of today attained a record result again for 2008 – the best in our history!

Our CEO Ton Büchner will be reviewing last year's results in detail later on as well as prospects for the current year.

What are the foundations of Sulzer's success?

Firstly, Sulzer today is strategically well positioned with four divisions. We offer sustainable, innovative solutions for performance-critical applications. And as you just saw in the video, we hold leading positions with our products and services in main markets.

Sulzer is structured as a multi-pillared company with an inherent industrial logic. In nearly all of our markets, several divisions are active at the same time.

At this point, I would like to draw your attention to our anniversary brochure, which you will find at the information desk. It gives you a deeper insight into Sulzer's key activities.

In this brochure, you will see that our people have drawn a good balance between a little history and a big future.

After all, the foundations for the future are laid in the past.

Secondly, we have continuously improved our operating performance over the last few years. We have introduced lean processes and built up our presence in the developing

markets. We have strengthened our innovation capability and expanded our service business.

In this context, I would like to explain the importance of dependable and efficient processes. Business processes may well be of a transitory nature, but when properly controlled and regularly repeated, they lead to stability. Normally, only a few people carry the responsibility for such processes. When I joined Sulzer, I noticed the scrupulous attention paid at all levels to efficient processes wherever meaningful. Sulzer introduced this discipline in the nineties and has been refining it ever since. A good example is the fact that we have been able to fill a lot of new vacancies in recent years with internal candidates. This, ladies and gentlemen, is the backbone of our outstanding strength in human resources.

As a result, Sulzer has not only more than doubled sales since 2003 and multiplied operating income by five, but also gained a stronger foothold on the future. We now have an extremely healthy balance sheet with high net liquidity of more than 300 million Swiss francs – worth gold in the current recession – and our order books are full enough to cover more than half the projected sales for the entire corporation.

Thirdly, among Sulzer's strengths is our internationality. Sulzer is successfully positioned today in all key markets – not merely as an exporter, but as a genuine local provider. Our subsidiaries in China and India, for example, are managed almost exclusively by local people. We also work well with local managers from a distance. And six out of our seven executive management members have lived in Asia and/or North or South America for a significant amount of time. That makes us a genuinely local company in a large number of places – providing a solid foundation for the future.

The recent deepening global recession is also connected with widely fluctuating exchange rates. Sulzer will not be able to escape this crisis – but as mentioned, we are strongly positioned and will be even stronger afterwards if we continue to act as prudently, strategically focused and decisively as we have so far. Ton Büchner will shed light on this in his report.

Let me now update you on our remuneration policy as I did last year.

As you know, our management remuneration is made up of three components: base salary, bonus and share based remuneration.

We set the base salary not only by market comparison, but also based on our own assessment of job-related performance.

If critical targets are not attained, the bonus is reduced or even cancelled. If targets are exceeded, the bonus can be substantially higher. However, Sulzer bonuses do not reach 150% or more of base salary as in some other sectors – the maximum possible bonus for most Sulzer managers is well below their base salary.

Until 2008, share based remuneration was in the form of stock options, but due to the high share price development, this remuneration component increased significantly. In 2007 the Sulzer management therefore requested a reduction by changing over to share based remuneration. I am happy to report that we have now introduced the new system successfully.

Here is a comparison of stock option remuneration last year as opposed to share based remuneration for 2009. As you can see, the Sulzer management has taken an important step against excessive remuneration payments.

It goes without saying that our board of directors has followed this example. The Board will receive accordingly less long-term remuneration, in the form of shares rather than stock options. And under the threat of financial crisis in the fall of 2008, our board of directors likewise reduced its own salary levels. For example, the Board Chairman will be paid 400'000 CHF per year instead of 480'000 CHF.

In my opinion, Sulzer has a healthy remuneration system that on the one hand prevents excesses, while on the other hand offers our excellent management team an appropriate financial incentive.

Sulzer is faced today with a crisis not only on global markets, but also internally with regard to its board membership.

From the media reports, you can see that Renova, our majority shareholder, has now decided to support the re-election of Daniel Sauter, but continues to not support my re-election at this General Meeting.

Nevertheless, I decided to stand for re-election because I am convinced that true shareholder democracy can only be demonstrated by voting on this matter. I have no wish to jeopardize shareholder democracy through personal pre-emption. Moreover the board of directors serves the shareholders rather than vice-versa, and will therefore accept the voting outcome.

Since I am personally concerned in this matter, I refrain from any further discussion here in order not to unduly influence your decision.