

April 1, 2015

Sulzer Ltd—Annual General Meeting 2015 Address Klaus Stahlmann, Chief Executive Officer

Dear shareholders

"You are doing the right thing," was a customer's feedback last year when we presented the new and integrated service division. This new division offers our customers services for gas and steam turbines, compressors, pumps, motors, and generators of any brand and from one access point.

This sort of customer feedback and the positive operational development of the new Rotating Equipment Services division are making us confident that we "are doing the right thing." We need to go to market as *one* company, install single channels to our customers, and leverage synergies. Therefore, it is one of our most important operational goals to reduce the complexity of our company. For this reason, we have streamlined our group functions at the headquarters in Winterthur and have adapted our operational structure to become an integrated company. As part of this effort, we have already reduced the number of legal entities by about 40 to 110 worldwide.

The year 2014 was characterized by our transformation journey—the transformation to become *one* focused, market-oriented, and globally operating company. This year, we want to further simplify and harmonize the processes in our group functions around the world. Also this year, we will continue to simplify our structures to reach our goal of 95 legal entities across the globe.

In 2014, we prepared for the restructuring of our biggest division—Pumps Equipment—into a new market-oriented setup. Since the beginning of this year, Pumps Equipment has been set up according to the market segments oil and gas, power, and water. In addition, we will operate our manufacturing sites globally and invest in organic and external growth. We expect direct benefit from this new operational setup in all our business units and for our customers around the world. It will not only further enhance competitiveness, but also improve quality and delivery times.

Our Chemtech division continues to provide its customers with outstanding solutions for static equipment, such as separating and mixing solutions, including tower field services. The setup of the Chemtech division is already market oriented.

With the new operational structure, we are well positioned to optimally serve our customers in our key markets oil and gas, power, and water.

Population growth, urbanization, sustainability, and energy efficiency: These megatrends influence and support our key markets. Thus, we are convinced that these markets will remain attractive for us in the long term.

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What is the outlook in the near future?

In the general industry, where we achieve 20% share of our sales, we foresee growth predominantly in our niche industries. China, particularly, is a strong driver, but we also expect recovery in some of the developed countries.

In the water market, where we achieve 13% share of our sales, we see the increased need for clean water in developing economies. Moreover, there is a continued demand for wastewater treatment in both developed and developing countries.

The power market, where we achieve 13% share of our sales, remains stable. The demand for power generation products and services is driven by the strong growth in China and India as well as the aging OECD power plant infrastructure. In the USA, there is a shift towards a gas-dominated power generation landscape. Tighter climate goals and regulations are driving the adoption of new technologies.

Oil and gas is the market where we see the most volatility and uncertainty at the moment, driven by the sharp decline of the oil price. Given the volatility and our high share of sales in the oil and gas market, we are taking a conservative approach and see the overall market environment weaker than in the past.

Now, how does the development of the oil price influence our business concretely?

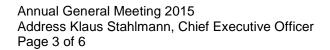
Our exposure in the oil and gas market—with a share of sales of 54%—has increased from 2013. However, our oil and gas customers have shown more capital discipline. The recent oil price development does not help favorable investment decisions in the short term. Nevertheless, the absolute level of investments is still expected to remain high.

Now, let's take a look at our oil and gas segments:

The oil and gas market is divided into the three segments upstream, midstream, and downstream:

- The upstream segment comprises the exploration and production of oil and gas.
- The midstream segment comprises the transport of oil and gas.
- The downstream segment comprises the further processing of the two raw materials in refineries.

In the upstream segment, we have a share of sales of around 16%. Around 45% of our upstream sales come from our service business. Investment activity is most at risk in exploration. However, exploration is not a relevant market for Sulzer. The production for wells that have already been drilled and developed remains economic in many conventional fields. For example, our water injection systems are used for enhanced oil recovery in many of these conventional wells. Shale gas projects are increasingly under pressure, but we do not have any upstream shale gas or shale oil activity. All-in-all, we expect lower activity in the short term for our new equipment in the upstream segment. We expect limited impact on maintenance budgets and services.





In the midstream segment, our exposure is at around 6%. Roughly 20% of our sales in this segment come from services. In general, midstream is a long-term project-related business and has other drivers besides the short-term oil price. We still see good levels of activity. Because of the upstream boom in recent years, a lot of pipelines are still needed; transport via pipeline is much more efficient than transport via railway. Nevertheless, 2015 will be a difficult year. If oil prices continue to be low, fewer new on-shore wells will come on-stream and fewer pipelines will be required. The growth of pipelines in North America is leveling off. In the future, growth will come increasingly from regions outside North America. Activity is expected to rise by 2017.

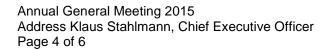
In the downstream segment, our share of sales amounts to 30%, which means that within all three segments, we have the highest exposure in this one. Around 45% of downstream sales come from services. The downstream sector is less influenced by lower oil prices in the short term. We actually expect new projects that are good opportunities for us in Asia and Middle East. We see maintenance cuts with some of our customers, though they are also continuing to request refinery upgrades and retrofits that are interesting for Sulzer from a service perspective.

All-in-all, we can say that the level of investment is still high in the oil and gas market despite the stronger capital discipline. We believe that in such an environment, we should be able to benefit from our enhanced service offering. In 2014, we again achieved a healthy level of 45% of our sales in the service business. In addition, we offer technologies that support our customers in reducing their investment and operational costs significantly. This further strengthens Sulzer's position in the oil and gas market. Our share of sales of 42% in emerging markets demonstrates our comprehensive global footprint in both the equipment and the service businesses.

This is the situation in our global markets. Now, how is the stronger Swiss franc affecting Sulzer's situation?

With a strong global footprint and over 150 service and production facilities around the world, Sulzer manufactures largely in the region for the region. Besides the currency translation effect, the impact of currency shifts is limited. The cost base of our activities in Switzerland is more strongly affected though; we are working on respective measures.

In his speech, Mr. Löscher mentioned the Sulzer Full Potential Program, which is very important for Sulzer. It brings together all prior activities in a coordinated way to allow us to reach our full potential. With this program, we have an integrated approach with three pillars: strategy, operating model, and operational excellence. We want to create an organization capable of adapting quickly to changing market conditions and support our aim of growing profitably.





I would like to give you an overview of our activities within the third pillar: operational excellence.

Operational excellence is pivotal for improving the company's profitability. The current market environment with the volatility in the oil and gas market and the strong Swiss franc has only highlighted the importance of this pillar of our program. We have already accomplished a lot and identified levers and measures that will support us in our goal to increase our profitability. We are looking at improvement measures across the company and across the functions: in general and administrative, in manufacturing and procurement, and in service as well as in overall complexity. We expect from the various levers an improvement of profitability from 2017 onwards of four to six percentage points.

Let me give you some examples of improvement measures:

General and administrative:

We want to harmonize our processes, introduce shared services, and redefine the service level for small companies. The IT infrastructure will be further enhanced and the standardization of applications will be strengthened.

Selling:

We plan to optimize the routes to market in the water business, e.g., by moving to a distributor model in certain countries. In addition, we want to further increase cross-selling in rotating equipment services, and improve our sales effectiveness as well as the use of sales tools.

Manufacturing:

Sulzer will improve its global footprint, increase site productivity, and reduce product complexity.

Procurement:

Here we want to optimize direct and indirect costs. To do that, we will simplify the highly fragmented supplier base, and we are planning a shift to best-cost regions.

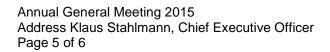
Service:

In the service business, we have identified low-performance service branches and prioritized them for further improvement. Sulzer wants to realize spare parts growth by optimizing parts manufacturing and sourcing. Further, the company will harmonize price calculation and methodology.

Complexity:

We want to reduce complexity at all levels of the organization. To achieve this, processes will be standardized, and the product complexity reduced. In addition, we will modularize our components.

An integrated road map to execute the Sulzer Full Potential Program as well as tracking of the results is in place.





In 2014, we laid the foundation for the execution of the Sulzer Full Potential Program and its three pillars. In 2015 and beyond, we will continue to implement these.

- As part of our portfolio optimization strategy, we will continue to challenge all our business units and develop our core business organically and by acquisitions.
- Moreover, we will continue to develop our operating model in order to reduce complexity. We foster a culture of continuous improvement.
- Finally, we will diligently track the implementation of the savings initiatives to improve our operational performance.

With the Sulzer Full Potential Program, we are well equipped to realize our full potential in the future.

Now, what is the outlook for 2015?

Going forward, our financial outlook will contain three main indicators. We introduced a new performance indicator—operational EBITA— to further increase transparency, to better reflect the ongoing business performance, and to have a closer link to the controllable levers.

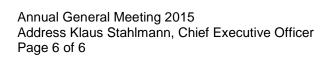
Because of the current development of the oil price, regional conflicts, and geopolitical developments, the markets are becoming increasingly volatile. The low oil price could influence our business negatively over time. However, our business mix is balanced through our 45% service share, through our exposure to other markets and regions, and across customer segments. Activity in the power market is forecast to remain stable, and the general industry is expected to increase slightly. The water market is predicted to increase slightly.

Based on the current developments in our key markets, the financial guidance for 2015 is as follows:

- Adjusted for currency effects, order intake is expected to decrease slightly in 2015.
- Adjusted sales are expected to be flat.
- Operational EBITA is also expected to be flat.

As already mentioned, Sulzer is aiming to improve profitability from 2017 onwards by four to six percentage points.

Dear shareholders, with this good foundation, we—the Board of Directors and the Executive Committee—are optimistic about the future. We already have strong positions in our key markets today, we are close to our customers with our global footprint—also in emerging markets—and we have a diverse business portfolio with a high service share. This strong foundation motivates us and drives us to deliver even better results in the future.





We thank you for your continued support and your trust in management and the entire workforce at Sulzer.

Many thanks for your attention.
