

## Sulzer AG – Annual General Meeting 2012

### Address by Jürgen Dormann, Chairman of the Board of Directors

Dear shareholders,

Sulzer can look back on a successful 2011 financial year.

Against the backdrop of a challenging environment, we increased both order intake and sales significantly. Excluding the negative currency translation effects, both these key figures exceeded CHF 4 billion.

As our production costs are for the most part incurred wherever we serve our clients, the strong Swiss franc had no material impact on profitability. Although profit was somewhat lower than last year – as a result of high non-recurring revenues from the sale of the real estate business in 2010 and acquisition-related expenses in 2011 – the fact that it amounted to 10.2% of sales still stands out in a comparison with our competitors.

Based on net income of CHF 280 million and the company's fundamentally robust financial position, the Board of Directors is proposing to pay shareholders an unchanged dividend of CHF 3.00 per share under agenda item 2.

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All divisions contributed to the strong 2011 result.

- Sulzer Pumps expanded its activities in a targeted way and achieved clear organic growth.
- Sulzer Metco was very successful with its innovative solutions in the sphere of automotive construction and other markets, and was able to increase profitability significantly.
- Sulzer Chemtech won a number of key projects with its state-of-the-art separation and processing technologies, boosting sales significantly as a result.
- Sulzer Turbo Services has integrated its acquired electro-mechanical business successfully, and is now benefiting from substantial sales synergies.

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The staff of Sulzer made numerous important contributions to this success. The Board of Directors would like to express its deep gratitude to the entire workforce, including on behalf of you, our shareholders.

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The acquisition of Cardo Flow Solutions, which was already announced at last year's Annual General Meeting, was completed by the end of July, and contributed to the sales of Sulzer Pumps for the last five months of the 2011 financial year.

This represents an important strategic step, making us a leading supplier in a large growth market. Rising populations, global economic growth, urbanization and limited supplies of drinking water all act as growth drivers in this area. Accounting for 13 percent of sales (on a full-year basis), water is now one of our key markets, and harbors a great deal more potential for Sulzer in the future.

The demand for water and wastewater treatment is clearly on the rise all around the world. Sulzer now has a comprehensive offering of pumps and the associated equipment to meet this need, ranging from special pumps for desalination facilities and large pumps for water transportation through to special wastewater pumps.

Thanks to the integration of this acquired business, we can leverage the global presence of Sulzer Pumps and give the sale of wastewater pumps a more global dimension. Moreover, the Sulzer Pumps network of more than 60 service stations can significantly improve our proximity to clients from the wastewater industry.

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Initiating and overseeing strategic developments of this kind and establishing strong positions in important growth markets is a key task of the Board of Directors. Establishing a Strategy Committee has proved invaluable in this respect, both as a sounding board in discussions with management and for preparing the final decisions of the Board of Directors.

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Even after the acquisition of the wastewater pumps business, our balance sheet remains solid, giving us sufficient freedom of maneuver to pursue further acquisitions, including other potentially substantial ones. But although we are continually scrutinizing opportunities in this respect, we have quite deliberately set rather high hurdles. After all, only acquisitions that fulfill demanding criteria from both a strategic and financial perspective will really make a contribution to sustainable business success.

So, our focus remains very similar:

In our individual business lines, we want to close the remaining gaps in our geographical presence, just as we did successfully in the tower field service business with a whole array of smaller acquisitions, most recently in Brazil.

We want to enhance our technology and product portfolios with complementary products and competencies, just as we did through the successful acquisition of competencies in the maintenance and repair of electric motors and generators to strengthen Sulzer Turbo Services.

And in the future too, we will review a number of different options for strengthening our strategic position in important growth markets, just as we have done in the water market.

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Our leading market positions in attractive key markets and in particular our strong technological foundations give us plenty of potential to generate organic growth too. This is shown by the strategic divisional studies that are drawn up on a regular basis. And the implementation of such strategic growth initiatives has also borne considerable fruit in recent years. Here are just some examples:

We systematically identify new areas of application for our products, which are then further developed. For example, we have successfully expanded our offering for thermal solar power and now offer pumps capable of transporting molten salt. Molten salt is used for thermal storage purposes, and can reach temperatures of more than 500 degrees.

In the area of surface coatings, we are developing innovative materials and processes that enable new effects to be created in an efficient way. For example,

solid oxide fuel cells that convert gas directly into electrical current are manufactured with our coatings.

We have also developed a newly structured type of column packaging to capture carbon dioxide in coal and gas power stations. This is much more efficient and effective, and also has the effect of sharply reducing investment and operating costs.

By increasing the focus on long-term service contracts, Sulzer Turbo Services is ensuring that sales will develop in a more stable way over the years ahead.

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Compliance with all laws and guidelines, with a policy of zero tolerance for deviations, remains an important priority for us. This is an important issue in ongoing training modules for our staff around the world. In 2011, for example, we placed particular emphasis on contract risk management in the area of corruption prevention, as well as with respect to compliance with export controls and anti-trust law.

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When we announced our new CEO, among the questions people asked us were: Why not a woman? And why not someone Swiss? My response to both these questions was and still is: We selected the best CEO for Sulzer, irrespective of gender and nationality.

But at the same time, I cannot stress too strongly how critical it is for the success of a global company such as Sulzer to reflect global diversity as much as possible – and at all levels of the company. What's more, it is commonly accepted that diverse teams are better at mastering complex tasks.

We therefore want to ensure that our teams and our workforce as a whole have not only the most competent staff possible, but at the same time the greatest diversity when it comes to criteria such as geographical origin, gender and age. The targeted development of talented staff who can increase our diversity at higher levels in the future too is just one of the various measures we employ in this respect.

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This brings me to my final points.

In February, we unveiled new medium-term targets for the 2012 to 2015 period.

The divisions will be looking to increase their sales by an average of 6 to 8 percent annually. In other words, we will be seeking to grow significantly faster than our markets. In addition, we will be looking for all divisions collectively to achieve a return on sales of 11 to 13 percent, and a return on capital employed in excess of 20 percent.

These are ambitious targets, but attainable ones. The Board of Directors and Executive Committee will tackle this challenge together, doing their utmost to ensure that Sulzer remains on a growth trajectory.

We would like to thank you, our shareholders, for the trust you have placed in us and for your valuable support.