

Sulzer AG – Annual General Meeting 2012

Address by Klaus Stahlmann, Chief Executive Officer

Dear shareholders,

It gives me great pleasure to address you today as CEO of Sulzer for the first time.

Over the course of my activities in various industrial businesses over the last 25 years, I have always followed the development of Sulzer with great interest.

Three things about Sulzer impressed me in particular as an outsider:

First, its globally leading technologies. Sulzer's early steam engines and the later diesel engines have become legendary. Today, the company possesses state-of-the-art technology in areas such as centrifugal pumps, surface coating, separation technologies and turbine repairs, to give just a few examples.

A second characteristic of Sulzer – and a key strength from my point of view – is the company's international orientation and positioning. This also manifests itself in the relatively even distribution of sales between Europe, the Americas, and Asia. Accordingly, Sulzer is well-placed to benefit from growth in all regions.

Third, Sulzer is a very stable company. It has mastered the challenges of recent years most impressively. This testifies to the management qualities of the Board of Directors and Sulzer's entire management team.

This image of Sulzer that I built up as an outsider has essentially been confirmed by my first 44 days at the company.

I consciously vowed to talk to as many of my new colleagues as possible in my first few months, with a view to gaining a better grasp of the individual business processes and a better understanding of our portfolio of products and services.

I have already gained plenty of information and impressions thanks to the global management teams of the divisions, various specialist councils, and visits to individual departments and sites. In particular, I have been struck by the exceptional commitment and motivation of the employees I have met.

The openness with which staff have received me and communicated not only strengths and successes but also weaknesses and potential areas for improvement has been particularly impressive.

Sulzer is a worldwide leader with a strong market position in many areas such as pumps, separation technology and thermal coating, as well as in its capacity as an independent service provider.

- For many years now, our pumps have held various world records. They pump water into the ground at very high pressure to ensure that oil fields retain their productivity for a long time. They transport oil across thousands of kilometers

through pipelines. And this year, we are testing the strongest ever multi-phase pump – which is envisaged for use at nautical depths of up to 2,000 meters – in a specially designed test bed, whose enormous dimensions you can see here.

- Thanks to our coatings, automotive producers can introduce efficient dual clutch transmissions on a broad basis. This saves large amounts of fuel while enhancing driving comfort.
- Our process technology and expertise make it possible to manufacture plastics from renewable raw materials. The fact that these synthetic materials can withstand temperatures of up to 180 degrees – thanks to Sulzer's skills – makes them a very interesting solution for all kinds of applications.
- Sulzer also relies on forward-thinking technologies when it comes to maintaining turbines and motors. Power plants now only have to decommission their turbines for weeks instead of months for reconditioning, while ships can even have individual generators and motors repaired on board under sail.

All these impressive achievements are largely attributable to Sulzer's exceptional technological skills.

- In the area of fluid dynamics, our specialists can simulate numerous processes using a computer. This saves valuable development time and eliminates the need for costly experiments.
- Thanks to our outstanding expertise in material and surface technology, we are continually improving the performance of our products and developing new effects. With our innovative coatings, the fuel consumption of aircraft engines can be reduced.
- In the areas of fluid mechanics and material and coating technology, we have established a strong network with universities and research institutes. We possess the very latest analytical and measuring equipment that we use for the benefit of our clients.

The insights and impressions that I have gained over the last few weeks have made me even more excited about this company's potential.

At the same time, I have also identified certain areas in which I believe the company can be developed and strengthened further.

But none of this requires a radical change of direction: In many areas, we will consistently pursue the course that has already been set, while stepping up a gear here or adjusting the focus there.

Sulzer clearly has the potential to improve its operating performance further, to make its processes even more efficient, and to serve its clients even more rapidly and reliably.

The Sulzer LEAN initiative will make lean management methods available to employees and provide guidance in their implementation. The aim is to further strengthen ongoing process improvements in all areas of the company.

Process optimizations of this kind can also help ensure that our capital is employed in the most productive way possible. For example, if business processes are optimized, inventories and lead times can be reduced.

Improved cash flow will give us the flexibility we need to expand our business activities. This will enable us to finance our research and development efforts, invest in new production facilities and expand our global service locations.

Over the last few years, Sulzer has grown strongly through acquisitions as well as organic growth. This has increased opportunities for internal synergies.

By combining our services for turbines and compressors with the electrical engines and generators service acquired from Dowding & Mills, the sales of the Turbo Services division have been increased significantly.

In support functions such as IT, we will be modernizing our infrastructure and deploying it to the benefit of all our divisions.

And last but not least, the different divisions can benefit from each other in the area of research and development too.

I am confident that we will also identify other areas in which synergies can be leveraged.

Dear shareholders: For all of us, the name Sulzer stands for superior technology skills, innovation and high-quality products and services that customers can rely on. That's why our clients worldwide value the Sulzer brand.

Indeed, this brand is worth a great deal: Its value has been built up over more than 175 years, and is strongly anchored in the manufacturing world. The Sulzer brand can open doors and influence client decisions in our favor.

I am convinced that there is even more potential in the Sulzer brand. This includes achieving clear positioning and a uniform image across all divisions.

This clear positioning and strengthening of the Sulzer brand will likewise be a focus of our work over the months and years ahead.

I have provided you with an idea of where I see some initial points of focus for the future. But this is not a final program yet: Other topics will doubtless be included, and our business the Executive Committee and specialists still need to hold intensive discussions over the precise targets to be set, and the specific steps that will enable us to achieve them.

One overarching goal is clear – achieving profitable growth.

Above all, Sulzer will be looking to grow in areas where our technological expertise, innovative prowess and global presence can generate the greatest added value – first and foremost for our clients but also ultimately for you, our shareholders.

What will be the most important factors for achieving profitable growth?

- Thanks to its global presence, Sulzer is well-placed to make the most of the growth potential of emerging markets such as Brazil, Russia, India and China. For example, we have benefited strongly from the boom in the Brazilian oil and gas industry thanks to our local presence.
- The demand for our products and services will also be shored up by a number of important global megatrends.

Increasing energy demand require efficient use of energy, as well as new energy sources. All our divisions are making important contributions in this respect, with Sulzer contributing a great deal to sustainability.

In the expanding market for water, Sulzer products help not only with the extraction and distribution of water, but also the treatment of wastewater. The acquisition we made last year means that we are now well-positioned in this area.

- Our strong technological expertise, our substantial knowledge of potential applications in many markets, and our networks with universities, industrial partners and clients will enable us to keep up to speed with the latest technological developments – as well as drive these developments forward ourselves.

Sulzer therefore has an excellent foundation on which to achieve profitable growth.

We must use this potential decisively, as this is the only way that Sulzer can achieve the 2015 mid-range targets unveiled to you by our Chairman earlier and deliver above-average success in the long term.

I, my colleagues on the Executive Committee, and the entire workforce willingly accept this challenge.

As we have pointed out in our Annual Report, it is important that our outlook takes into account the persistent uncertainties in the financial markets and the potential negative effects for the economy. Nonetheless, we are expecting moderate growth in both order intake and sales for 2012, together with continued healthy profitability.

Here we will also be assisted by the pumps business that we took over last year, together with the associated equipment for water and wastewater treatment.

Concluding my remarks, I would like to provide you with a few specific insights into these activities with the help of a short video.

The example we have chosen – a large water utility company in Southeast England – shows above all the importance of close partnership between Sulzer and its clients if optimum results are to be achieved.

This only recently acquired business could serve as a role model for Sulzer.

I would like to thank you for listening, and in particular for your trust and your support!