

SCRIPT – THE SPOKEN WORD PREVAILS

April 6, 2017

**Sulzer AG – Annual General Meeting 2017
Speech from Peter Löscher, Chairman of the Board of Directors**

Dear Shareholders,
Dear Ladies and Gentlemen,

In 2016, we laid the foundations for Sulzer to reach profitable growth this year. Sulzer had to contend with a difficult market environment in 2016. However, under these circumstances, we performed well against our competitors. We were able to partially offset the decline in business with acquisitions and further accelerate the Sulzer Full Potential program, thereby mitigating the negative impact on our operating profitability.

The confidence that you, as shareholders, have in the future of Sulzer is reflected in the positive development of the share price in 2016. Despite the distribution of the special dividend, the share price rose by 11% nominally. Adjusted for the dividends, the increase was actually 38%. I would like to take this opportunity to thank you, our valued shareholders, for your confidence in Sulzer's strategic direction and the skills of its management and workforce.

The markets in which we are active showed similar trends in 2016 as in the preceding year. All markets, with the weighty exception of oil and gas, grew in 2016. While the energy, water, and general industry markets developed positively, our oil and gas customers further reduced their investments. As a supplier to this industry, we felt this reduction acutely.

The share of the oil and gas business in Sulzer's total volume declined further due to these negative developments, amounting to 45% in 2016.

The pricing environment in this market deteriorated further in 2016 and we do not expect this pressure to decrease. Our customers have reduced their investment programs and their operating costs despite a recovery in the oil price during the year.

In the second half of the year, the OPEC decision to reduce oil production raised oil prices to over USD 50 per barrel. This is a positive development. However, it will take some time for our customers to invest more capital, which in turn takes time to impact our order intake.

Within the oil and gas business, one must differentiate between the new equipment business and the spare parts and service business. The new equipment business declined with the market. Our pumps business shrank by around 24%. On the other hand, the higher-margin spare parts and service business was able to hold its ground and only declined by around 5%.

Looking at the entire Group, Sulzer generated around half of its sales with spare parts and services. This is one of the reasons why Sulzer is able to perform better than its competitors in this difficult market environment.

We are also geographically well positioned. Our footprint is spread evenly across all world regions. We have over 180 production and service sites in more than 40 countries, maintaining consistent proximity to our customers.

Ladies and Gentlemen,

As I have mentioned, we were able to partially offset the organic decline in business with acquisitions. Overall, we invested around CHF 320 million in acquisitions last year. Through doing this, we strengthened all our divisions and significantly expanded our presence and offering.

In April 2016, we bought the British company PC Cox. PC Cox is a leading manufacturer of handheld sealant and adhesive dispensers for industrial applications. The business is a good addition to our Sulzer Mixpac Systems business unit, which produces dispensing equipment, mixing cannulas, and cartridges for the adhesives and dental industry as well as for the health care sector.

In August 2016, we completed our acquisition of the German company Geka. Through this acquisition, we entered the field of cosmetics and set new industrial standards. You may wonder at first how an industrial company like Sulzer becomes a cosmetics supplier.

This end market does differ significantly from our previous markets. But there are valuable synergies in the production of targeted applicators. Both Geka and Sulzer Mixpac Systems are specialists in high-precision plastic injection molding. Geka has allowed us to increase our presence in a market that is not cyclical and brings high margins.

With the acquisitions of PC Cox and Geka, we almost doubled our revenues in the Sulzer Mixpac Systems business unit. Due to the new magnitude, since January 1, 2017, we have been reporting this business as a new division called Applicator Systems. Our new division is now a leading provider of patented applicators and mixing systems.

We were also able to expand our pumps business in 2016. In December, we signed an agreement for the takeover of the pump manufacturer Ensival Moret. We completed this transaction at the end of January 2017. Ensival Moret allows us to close specific gaps in our product portfolio, such as axial and slurry pumps. These products expand our offering for the general industry market, especially in the fertilizer, sugar, mining, and chemical industries. The combination of the two product portfolios makes Sulzer a full-range supplier for a large part of industrial processes.

In addition, we expanded our service offering for turbomachinery by taking over the Russian gas turbine business Rotec GT. This acquisition makes us a leading provider in a promising market, where it is important to be represented locally.

We also recently acquired VIEC (Vessel Internal Electrostatic Coalescer), a product line from Wärtsilä, to strengthen our separation business in the upstream segment of Chemtech. VIEC is a unique technology used for separating oil and water. The business is already well established in the market and fits very well with Ascom and ProLab, companies that we bought three years ago.

The added strength that Sulzer has gained through these acquisitions has been well received by our clients and the capital markets. It will significantly help us to return to the growth path this year in order intake and sales. Portfolio management is of strategic importance for the continuing development of Sulzer. We are keen to maintain the high pace of portfolio optimization and plan to further expand our business in 2017 with acquisitions. We continue to look for small to medium-sized companies that complement our current range and can be quickly integrated.

With the Sulzer Full Potential Program — or SFP for short — we are ensuring that our growth is also profitable.

In 2016, the program made significant progress. The Pumps Equipment and Chemtech divisions were able to adjust their capacities to the weak market environment. In addition, the Pumps Equipment team is working hard to optimize pump designs and revise its portfolio to further save costs on current and future series. Our Rotating Equipment Services division succeeded in regaining lost customers in 2016. In order to reduce our overarching costs, we have shifted resources to countries with lower costs. Also, in procurement, we were able to achieve significant savings and improve payment terms in our favor.

Thanks to the acceleration of the SFP program, we have cut costs faster than originally planned. A comparison of Sulzer with its competitors proves the success of the program. This comparison clearly shows that Sulzer has made good ground in terms of operating profitability compared with its competitors. In the current year 2017, further savings will help to increase operating profitability.

Ladies and Gentlemen,

Here I shall discuss our *operational* profitability. It is clear that a program like our SFP also costs something. These costs amount to between 1.0 and 1.2 times the realized savings and therefore burden our profit and loss statement during the term of the program, including in the current year 2017.

These costs also led to lower operating profit (EBIT) and net profit in 2016, compared with the previous year.

Nevertheless, a significant increase in free cash flow will allow you — our valued shareholders — to propose an unchanged ordinary dividend of CHF 3.50.

We have full confidence in the success of the SFP program as well as Sulzer's potential to generate free cash flow. At the end of 2016, Sulzer had a low net debt position and thus still one of the strongest balance sheets compared with its direct competitors. This will give us the strength going forward to pursue all strategic options. We have ample scope for value-adding acquisitions.

I am convinced that Sulzer has by no means yet fully exploited its opportunities and business

potential. With the Sulzer Full Potential program, we are also well on the way to becoming even more competitive and closing the profitability gap with our competitors.

The aforementioned successful changes in our portfolio have also prompted us to expand and adapt the competencies of our Executive Committee. We have succeeded in recruiting outstanding new Executive Committee members and thus further strengthening the management team led by our CEO, Greg Poux-Guillaume.

These changes are also reflected in our remuneration report. The report covers the new members as well as the departed members. The Executive Committee was expanded by one member to seven members in 2016. The total remuneration for 2016, thus, includes 11 new and departed members of the Executive Committee, compared with seven in the previous year.

When you, dear Shareholders, voted at the 2015 Annual General Meeting on the maximum amount of CHF 18.8 million for the year 2016, the Executive Committee comprised six members. The four changes in the Executive Committee at the end of 2015 and 2016, as well as the increase of one member, led to total remuneration around 0.7 million Swiss francs over the maximum amount for 2016, at CHF 19.5 million.

As you know, according to the Articles of Association, the Board of Directors may use up to 40% of the last approved total amount of remuneration for newly recruited members of the Executive Committee. In 2016, this would equate to a maximum of CHF 7.5 million. However, of this available total, only the aforementioned CHF 0.7 million were used.

With our CEO Greg Poux-Guillaume and his team at the helm, Sulzer has a highly competent and equally committed leadership team. In 2016, the management team together with our employees performed exceptionally well. Through dedicated efforts, our entire workforce has ensured that Sulzer is heading in the right direction. My special thanks, therefore, go to all our employees, without whose commitment and engagement our profound transformation would not be possible.

I would also like to thank you, our esteemed shareholders, on behalf of the Board of Directors and the Executive Committee, for your support. We very much appreciate your loyalty. With your support, we look forward to making Sulzer stronger and fitter for the future.

Thank you for your attention. I will now turn to the agenda of the Annual General Meeting.
