

MEDIA RELEASE

Winterthur, June 24, 2009

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Annual cost reduction of around CHF 110 millions

Sulzer Adapts to Changing Market Conditions with Cost Reduction Program

Market conditions in Sulzer's key segments have continued to decline over the last months and no quick recovery or improvement is expected. Sulzer is adapting its capacity and cost structure with targeted annual cost savings of approximately CHF 110 million after completion in the first half of 2011. Compared to the global workforce at year end 2008, about 1,400 positions will be affected. The associated non-recurring charges of around CHF 55 million are expected to be booked primarily in 2009.

Over the last months, market conditions further declined in virtually all market segments of Sulzer. No quick recovery or improvement in Sulzer's key markets is expected. A number of measures such as the reduction of subcontracting and short-time work at individual sites have already been implemented in recent months. However, based on the current market outlook, Sulzer will need to adapt itself more substantially to the continuing lower level of market demand.

Based on specific scenarios, Sulzer has defined a comprehensive cost reduction program across all divisions and regions, which will be implemented in a planned, managed and controlled manner. With non-recurring charges of around CHF 55 million, these measures are expected to bring annual cost savings of about CHF 110 million after the various measures have been completed in the first half of 2011.

Of the non-recurring charges, approximately half will be included in the mid-year closing 2009. The remaining portion is expected to be posted toward the end of 2009 and in early 2010. These charges are anticipated to be cash effective mostly in the second half of 2009, in 2010 and a smaller portion in 2011.

The disposal of non-essential real estate in Switzerland was exceptionally successful in the first half of 2009. The cash proceeds exceed CHF 100 million. The non-recurring contribution to the operating income of the real estate activity will be about CHF 45 million in the first six months of 2009. There are no further notable disposals projected for the remaining of the year.

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Compared to Sulzer's workforce of 12,726 employees (full time equivalents) at the end of 2008 Sulzer expects approximately 1,400 employees to be affected by these cost reduction measures. The geographical emphasis will be on the European and American regions.

Sulzer aims to keep redundancies of permanent workforce limited whenever appropriate, with voluntary attrition, early retirement and adaptation of subcontracting levels as priority measures. The company will also search for internal placement processes where possible to minimize layoffs. As an additional measure, short-time work has been already introduced at various locations since early 2009.

All divisions will take cost reduction measures. However the magnitude and timing depends on the specific situation. The cost reduction effort in 2009 is the highest at Sulzer Metco and Sulzer Chemtech, while Sulzer Turbo Services is affected to a lesser extent. Sulzer Pumps will be fulfilling its high order backlog in many locations before capacities need to be adjusted.

Simultaneously, Sulzer is aiming for cost reductions through focused sourcing and a continued detailed management of its net working capital.

With these measures, Sulzer is taking timely action to adapt to the changed market conditions. The company remains focused on sustainable long-term value creation with innovative, customer focused solutions for performance critical applications in its key markets.

The mid-year results will be published on August 24, 2009.

Sulzer was founded in 1834 in Winterthur, Switzerland, and today is active in machinery and equipment manufacturing and surface engineering at over 120 locations worldwide. The divisions are global leaders in their respective customer segments, which include the oil and gas, hydrocarbon processing, power generation, pulp and paper, aviation and automotive industries. www.sulzer.com

Sulzer celebrates its 175 years anniversary in 2009. www.sulzer.com/175

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