

MEDIA RELEASE

Winterthur, July 29, 2011

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Further strengthening of Sulzer's market presence—water and wastewater to become a key strategic market

Sulzer Completes Acquisition of Cardo Flow Solutions

The announced acquisition of Cardo Flow Solutions was completed on July 29, 2011. For a total cash consideration of SEK 5.9 billion (CHF 852 million), Sulzer acquired one of the leading suppliers of pumps and related equipment in the attractive wastewater market. In 2010, Cardo Flow Solutions generated approximately CHF 463 million in sales and an adjusted EBITDA¹ of CHF 67 million, implying a 14.5% EBITDA¹ margin. The business has around 1 900 employees.

Headquartered in Malmö, Sweden, Cardo Flow Solutions is a full-line supplier of pumps and related equipment such as lifters, mixers, aerators, compressors, control and monitoring equipment and services for the wastewater market which accounts for around 90% of sales.

With this acquisition, Sulzer enters the highly attractive wastewater pump market and will become a leading player in it. In addition, Sulzer further strengthens its global position as a supplier of pumps and related services in the general industry, including the pulp and paper industry.

Water and wastewater becomes a key strategic market for Sulzer, accounting for approximately 16% of annual sales (pro-forma combined based on 2010 numbers). The wastewater market offers growth potential in both mature and emerging markets, driven by long-term trends such as population growth, increasing water consumption, urbanization, and environmental protection. The acquisition creates a strong platform for further growth, driven by global geographic expansion and continued technological development of complete pumping solutions, good aftermarket opportunities by leveraging Sulzer's existing service network, and cross-selling opportunities with the combined product offering. The acquired businesses will be fully integrated in Sulzer Pumps and the initial phase of the integration process is expected to take about nine months.

Synergies have been identified and will mainly be achieved through broader geographic presence, combined solutions, joint sourcing, and shared services. Run-rate sales synergies are expected to be in the range of 10% of acquired sales in year three. Cost synergies are anticipated in the range of 5% of acquired sales in year three.

¹Operating income before depreciation/amortization

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Sulzer expects transaction costs of approximately CHF 10 million, to occur in 2011, and integration costs of approximately CHF 25 million distributed over three years. Acquisition-related non-cash purchase price accounting effects such as step-up on inventory and order backlog will occur in 2011 only. Amortization effects of other intangible assets are presently assessed to be in the range of CHF 25 to 30 million per annum (on a pro-rata basis for 2011 and annual charges starting 2012; depending on the category, over 7 and up to a maximum of 15 years), with details to be quantified at a later stage, likely in the planned order intake release in October 2011.

The acquisition will be EPS 'pre-amortization' accretive and EPS 'post-amortization' neutral in the first full year of ownership.

The transaction has been financed with cash on hand and existing debt facilities. As part of the financing, Sulzer successfully launched a CHF-denominated 2.25% domestic bond in the aggregate principal amount of CHF 500 million for a term of five years (due date July 11, 2016).

Sulzer' balance sheet will remain solid post the acquisition and will allow further external growth.

Overall, the transaction is a great fit with Sulzer and Sulzer Pumps. It will create value for customers, employees of both companies, and Sulzer's shareholders.

In our **virtual press kit** (www.sulzer.com/FlowSolutions), you will find the following documents as published with the announcement of the acquisition on April 7, 2011:

- *Media release*
- *Investors/media presentation*
- *Video statement*

Sulzer was founded in 1834 in Winterthur, Switzerland, and today is active in machinery and equipment manufacturing and surface engineering at over 160 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

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