

MEDIA RELEASE

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Double-digit sales growth—dividend of CHF 14 proposed

Sulzer Boosts Net Income to CHF 128 Million in 2005

Following its successful performance in the previous year, Sulzer recorded high growth and a strong improvement in results in 2005. Sales rose by 20.9% to CHF 2,498.2 million (adjusted¹ +14.5%), while operating income (EBITA) was up 23.0% at CHF 166.8 million. The net income amounted to CHF 128.3 million, 82.8% above previous year. The board of directors proposes to increase the dividend to CHF 14 per share (previous year: CHF 9). In 2005, Sulzer thus continued the path of profitable growth established in recent years. Performance is expected to be strong in 2006 as well.

Double-Digit Growth in Order Intake and Sales

In a largely positive market environment, the corporation recorded a 19.9% year-on-year rise in orders received (adjusted¹ +12.8%) to CHF 2,635.1 million (already published). Sales rose by 20.9% to CHF 2,498.2 million (adjusted¹ +14.5%). All divisions contributed to the high level of growth. Regionally, demand was particularly robust not only in Asia, but also in North and South America.

Core Divisions Driving Growth in Operating Income

The increase in operating income (EBITA) was driven by the core divisions. With their strong focus on operational excellence, they contributed CHF 184.9 million, an increase of 44.1% year-on-year. This improved result more than offset the cost of the closure of the fuel cell venture Sulzer Hexis and an exceptional gain in the previous year. Due to the discontinuation of scheduled goodwill amortization imposed by accounting standards, operating income at the EBIT level improved additionally by some CHF 28 million.

Net Income Up 82.8% Year-on-Year

In addition to the higher operating income, financial income in the year under review was also good. All in all, net income attributable to Sulzer shareholders increased by 82.8% from CHF 70.2 million to CHF 128.3 million. The earnings per share came to CHF 36.03, compared with CHF 20.10 in 2004.

¹ Adjusted for acquisitions, divestitures, and currency effects

Individual Results for Divisions

Sulzer Pumps posted new highs in 2005. Sales were up on 2004, increasing to CHF 1,266.4 million (+26.4%, adjusted¹ +14.6%). Operating income (EBITA) rose by 55.4%, from CHF 63.2 million to CHF 98.2 million. With a return on sales of 7.8%, the division came already very close to the target of 8% set for 2006 when the comprehensive restructuring program was introduced at the end of 2003. The good market environment and the focused efforts toward improving operational excellence made a significant contribution. Moreover, a high number of large projects was invoiced and some additional income was generated by the sale of redundant plant facilities. The pump lines acquired in 2004 were successfully integrated in 2005. The division expects a further increase in sales and operating income in 2006, although the growth rates will probably ease back somewhat due to the high base level set in 2005.

Sulzer Metco's sales grew by 11.8% in 2005 (adjusted¹ +10.4%) to CHF 583.0 million, while operating income (EBITA) nearly doubled to CHF 36.1 million (previous year: CHF 18.6 million). As a result, the return on sales recovered from 3.6% in 2004 to 6.2% in 2005. The effects of the initiatives to improve performance, the more favorable market environment, and the decline of exceptional cost all had a positive impact on the results. The Thermal Spray segment in particular posted a marked recovery. The newly defined Surface Solutions unit solidified its position in the automotive sector and in the thin film business. The Netherlands-based turbine components business was able to halt the earnings erosion however, at a low level. Further earnings progress and continued sales growth are expected in 2006.

In 2005, **Sulzer Chemtech** followed on from its good showing in 2004, once again posting a clear improvement in financial performance. Sales climbed to a new record high of CHF 389.5 million. This translates into a growth of 24.4% (adjusted¹ 23.2%). Sulzer Chemtech recorded operating income (EBITA) of CHF 40.6 million (+35.3%) and a return on sales of 10.4% (previous year: 9.6%). These excellent results were achieved on the back of sales growth and an uncompromising focus on improving operational performance. The acquisition of Cana-Tex had little impact on the annual results at this stage. The outlook for a further increase in sales and earnings in 2006 is very good.

The past year was characterized by contradictory trends for **Sulzer Turbo Services**. The markets mostly recovered, especially in the US.

¹ Adjusted for acquisitions, divestitures, and currency effects

There was a correspondingly strong rise in sales, up 13.3% to CHF 241.3 million (adjusted¹ 12.9%), with a noteworthy number of large orders. Operating income (EBITA) fell by 39.4% from CHF 16.5 million to CHF 10.0 million. This decline was primarily attributable to the restructuring costs for a subsidiary in the Netherlands that had been troubled by weak earnings. The return on sales was 4.1% (previous year: 7.7%). This division will be continuing to focus on internal measures to improve efficiency in all processes in 2006, and it expects this to lead to a clear improvement in results.

In the second half of 2005, Sulzer completed its exit from the fuel cell venture **Sulzer Hexis**, announced in the third quarter already. After the extensive search for partners had proven unsuccessful, the risks of continuing alone could no longer be justified. At the turn of the year a swiss foundation bought 100% of the shares with the intention to continue the development of the Galileo fuel cell system on a reduced scale. Taking into account the closure costs of CHF 14.3 million, the total loss for the financial year came to CHF 32.2 million.

The operating income listed under **Other** came to a total of CHF 14.1 million. The high level of CHF 23.8 million posted in 2004 was influenced by an exceptional gain from a fire insurance claim. The real estate business again made a major contribution of over CHF 20 million. In addition, the sale of the compressor activities that were still held by the Indian subsidiary resulted in a gain of around CHF 6 million.

The financial income reached a comparatively high CHF 14.2 million, up from a slightly negative figure of CHF –1.7 million in 2004. The main reasons for this increase were good income from marketable securities and high profit distributions paid by the German Voith Group. On February 27, 2006, an agreement was signed to sell the investment in this company. The participation was carried as financial asset and had no more strategic importance. The sale generates cash receipts of close to CHF 70 million and a capital gain of about CHF 11 million.

Outlook

Sulzer's drive for operational excellence will be maintained as the backbone for the future. In particular for Sulzer Metco and Sulzer Turbo Services, the goals are to make clear progress in line with their stated midrange targets. Sulzer Pumps and Sulzer Chemtech will focus on continuous improvement of profitability and growth. The corporation closed the year with the highest order backlog (CHF 1,004.1 million) since the strategic repositioning in 2001. Based on good market

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environments, Sulzer expects to post a further increase in sales this year. However, due to the high base levels set in 2005, the growth rates are likely to decline somewhat. Overall, higher operating and net income are expected.

Dividends

In light of the increased profitability, the board of directors will propose a dividend of CHF 14 to the annual general meeting of shareholders on April 12, 2006 (previous year: CHF 9). If approved, the dividend will be paid on April 18, 2006 (ex dividend).

Board of Directors: Reelection

Daniel Sauter will be proposed for reelection to the board of directors at the upcoming annual general meeting. Mario Fontana, member of the board since 2002, has chosen not to stand for reelection due to his increasing involvement in other activities.

A summary of the key figures can be found on pages 5 and 6 of this media release.

Summary of Key Figures

Corporation

in millions CHF	2005	2004	Δ
Order intake	2 635.1	2 197.6	19.9%
Sales	2 498.2	2 067.0	20.9%
Operating income before goodwill amortization (EBITA)	166.8	135.6	23.0%
Operating income (EBIT)	166.8	107.6	55.0%
Net income	128.3	70.2	82.8%
Net income per share (in Swiss francs)	36.03	20.10	79.3%
Headcount as per 12/31	9 656	9 586	0.7%

Order Intake by Division

in millions CHF	2005	2004	Δ	Δ adjusted ¹
Core divisions	2 616.2	2 179.3	20.0%	12.9%
Sulzer Pumps	1 367.5	1 073.0	27.4%	13.5%
Sulzer Metco	589.2	534.2	10.3%	9.0%
Sulzer Chemtech	415.5	346.0	20.1%	20.5%
Sulzer Turbo Services	244.0	226.1	7.9%	7.5%
Venture (Sulzer Hexis)	0.6	0.7	–	–
Other	18.3	17.6	–	–
Total	2 635.1	2 197.6	19.9%	12.8%

¹⁾ Adjusted for acquisitions, divestitures, and currency effects

Sales by Division

in millions CHF	2005	2004	Δ	Δ adjusted ¹
Core divisions	2 480.2	2 049.4	21.0%	14.6%
Sulzer Pumps	1 266.4	1 001.9	26.4%	14.6%
Sulzer Metco	583.0	521.4	11.8%	10.4%
Sulzer Chemtech	389.5	313.1	24.4%	23.2%
Sulzer Turbo Services	241.3	213.0	13.3%	12.9%
Venture (Sulzer Hexis)	0.6	0.7	–	–
Other	17.4	16.9	3.0%	–
Total	2 498.2	2 067.0	20.9%	14.5%

¹⁾ Adjusted for acquisitions, divestitures, and currency effects

Operating Income (EBITA) by Division

in millions CHF	2005	2004	Δ
Core divisions	184.9	128.3	44.1%
Sulzer Pumps	98.2	63.2	55.4%
Sulzer Metco	36.1	18.6	94.1%
Sulzer Chemtech	40.6	30.0	35.3%
Sulzer Turbo Services	10.0	16.5	-39.4%
Venture (Sulzer Hexis)	-32.2	-16.5	-
Other	14.1	23.8	-40.8%
Total	166.8	135.6	23.0%

Headcount by Region

As per 12/31	2005	2004
Europe	4 574	4 690
Switzerland	868	921
of which in Winterthur	645	719
EU	3 698	3 762
Rest of Europe	8	7
North America	2 179	2 083
Latin America	934	843
Asia, Australia	1 598	1 602
Africa	371	368
Total	9 656	9 586

In the interest of equal treatment of the media and the financial community, we will not be answering any telephone inquiries prior to the media conference at 9.30 a.m. on February 28, 2006, in the Casinotheater in Winterthur.

In our virtual press kit for the annual report 2005 (www.sulzer.com/AR05) you will find our image database and the following pdf documents:

- *Annual report 2005 and summary*
- *Financial section*
- *Media release*
- *Company profile*
- *Presentation for the media conference; available at 12.00 p.m.*

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