

MEDIA RELEASE

Winterthur, March 1, 2007

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High growth in sales and earnings—dividend of CHF 23 proposed

Net Income Up by 73% to CHF 221 Million

Sulzer continued to perform well in 2006. The corporation achieved strong growth and substantially higher results. Sales rose by 12.1% to CHF 2 801.7 million, while operating income (EBIT) was increased by 77.2% to CHF 295.6 million. The net income attributable to Sulzer shareholders improved to CHF 221.4 million. For the third consecutive year, the board of directors proposes an increased dividend; this year of CHF 23 per share. Further growth in sales and earnings can be expected for 2007.

In largely buoyant markets, Sulzer increased order intake, sales, and income. All segments, especially oil and gas as well as chemical process industries, and all regions supported this development. The growth in new orders was exceptional. It was not matched in sales to the same extent owing to the usual time lag and some constraints in capacity and longer delivery times with suppliers. Operating leverage provided by the high output and continuous process improvements fostered the strong rise in operating income (EBIT) of the divisions to CHF 297.7 million (+61.0%). Their return on sales (ROS²) was at 10.7% and return on capital employed (ROCE³) at 25.8%, both substantially higher than previous year (7.5% and 16.4% respectively).

The net income⁴ climbed to CHF 221.4 million, up by 72.6% from CHF 128.3 million in 2005. Earnings per share (EPS) equally rose by 72.8% to CHF 62.27 (2005: CHF 36.03). The board of directors proposes an increased dividend of CHF 23 per share (previous year CHF 14).

Corporation Key Figures

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Order intake	3 276.9	2 635.1	24.4%	24.9%
Sales	2 801.7	2 498.2	12.1%	12.6%
EBIT Sulzer	295.6	166.8	77.2%	
EBIT divisions	297.7	184.9	61.0%	
ROS ² divisions	10.7%	7.5%		
ROCE ³ divisions	25.8%	16.4%		
Net income ⁴	221.4	128.3	72.6%	
Earnings per Share (EPS)	62.27	36.03	72.8%	
Headcount as of 31.12. (number)	10 393	9 656	7.6%	

¹ Adjusted for acquisitions, divestitures, and currency effects

² EBIT/sales

³ EBIT/capital employed

⁴ Attributable to Sulzer shareholders

*Individual Results of the Divisions***Sulzer Pumps: Profitability Target Exceeded Substantially**

Sulzer Pumps generated high sales of CHF 1 405.4 million; a growth of 11.0% compared to the previous year. The organic growth rate was as high as 13.5%. The impact of both the volume expansion and the rapid advances in productivity, as well as some positive nonrecurring items, resulted in a strong increase of 62.5% in operating income (EBIT). Sulzer Pumps achieved a return on sales of 11.4%, which is substantially above the target of 8.0% set in 2003. Return on capital employed benefited additionally from tight management of assets and reached 41.0%. Order activity remained high within all of Sulzer Pumps' customer segments and in all regions especially in Asia, the Middle East, and North America. Noteworthy is the fact that the order book was filled with an increasing number of large orders.

Sulzer Pumps Key Figures

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Order intake	1 752.6	1 367.5	28.2%	30.9%
Sales	1 405.4	1 266.4	11.0%	13.5%
EBIT	159.6	98.2	62.5%	
ROS ²	11.4%	7.8%		
ROCE ³	41.0%	25.7%		
Headcount (number)	as of 31.12. 5 192	5 116	1.5%	

Sulzer Metco Back on Track

In 2005, Sulzer Metco launched several initiatives to improve operational processes and to increase its sales-force effectiveness. The results are promising with sales 10.5% higher (CHF 644.1 million) and an operating income (EBIT) of CHF 53.4 million (+47.9%). With a return on sales of 8.3% and particularly a return on capital employed of 12.2%, Sulzer Metco has returned to encouraging profitability and is creating financial value. Markets showed robust demand, especially for services and consumables, such as, powder and spare parts. The strongest growth was registered in the aerospace segment. This also benefited the Turbine Component unit, which had an improved performance in 2006. Business in North America continued to fare well, and operations in Asia were expanded.

¹ Adjusted for acquisitions, divestitures, and currency effects

² EBIT/sales

³ EBIT/capital employed

Sulzer Metco Key Figures

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Order intake	658.7	589.2	11.8%	10.5%
Sales	644.1	583.0	10.5%	9.1%
EBIT	53.4	36.1	47.9%	
ROS ²	8.3%	6.2%		
ROCE ³	12.2%	8.2%		
Headcount (number) as of 31.12.	1 928	1 783	8.1%	

Record Year at Sulzer Chemtech

Sulzer Chemtech achieved another year with high profitability (ROS 13.1% and ROCE 39.8%) and exceptional growth rates: sales up 28.4%, operating income (EBIT) up 61.1%. The division benefited from major expansions in the oil and gas, petrochemical, chemical, and plastic industries in the Far East, Middle East, and Commonwealth of Independent States (CIS) countries. In the USA, refinery operators upgraded plants in order to compensate for underinvestment during the past few years. Additional business opportunities were provided by the rapidly expanding production of bioethanol. Due to these trends, the business with separation columns was brisk and, similar to Sulzer Pumps, this division received a higher number of large orders. Also the tower field service, expanded by an acquisition in 2005, had a successful year. A lack of sizable projects was, however, responsible for a lower performance of the static mixing activities. The still small unit of disposable mixers added another year of higher revenues and better profitability. The acquisition of Mixpac, Werfo, and Mold was concluded in December 2006. This acquisition is challenged by the German Cartel Office. As recently announced by Sulzer, the corporation adheres to its legal position and will defend it against the German Cartel Office. In December 2006, Sulzer Chemtech also agreed to buy the separation technology business of the company KnitMesh, based in the UK. This acquisition was completed in January 2007.

Sulzer Chemtech Key Figures

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Order intake	602.1	415.5	44.9%	40.2%
Sales	500.1	389.5	28.4%	24.1%
EBIT	65.4	40.6	61.1%	
ROS ²	13.1%	10.4%		
ROCE ³	39.8%	30.6%		
Headcount (number) as of 31.12.	1 979	1 443	37.1%	

¹ Adjusted for acquisitions, divestitures, and currency effects

² EBIT/sales

³ EBIT/capital employed

Sulzer Turbo Services Show Improved Profitability

Sulzer Turbo Services embarked on a rigorous improvement program in late 2005. The measures taken are proving successful with operating income (EBIT) recovering by 93.0% to CHF 19.3 million and sales remaining stable at CHF 242.5 million (+0.5%). The previous year included a restructuring charge for a Dutch unit. The return on sales improved to 8.0% and the return on capital employed to 11.7%. The division still faces a mixed picture in the regions, with North America being strong and the Middle East/Europe being challenging. In this environment, the division continues to focus on streamlining its processes and achieving higher margins.

Sulzer Turbo Services Key Figures

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Order intake	252.4	244.0	3.4%	2.7%
Sales	242.5	241.3	0.5%	-0.1%
EBIT	19.3	10.0	93.0%	
ROS ²	8.0%	4.1%		
ROCE ³	11.7%	5.9%		
Headcount (number) as of 31.12.	1 012	1 037	-2.4%	

Other

Order intake and sales as reported are made up on the one hand of the revenues of Sulzer Innotec, the central research and development unit, and on the other hand of interdivisional eliminations. Sulzer Innotec closed the year with higher sales. Demand for its services was good from both Sulzer's divisions and third parties. The operating income (EBIT) listed under Other came to a total of CHF -2.1 million. When comparing to the previous year's total loss of CHF 18.1 million consideration should be given to the final deficit incurred in 2005 with Sulzer Hexis (CHF -32.2 million). After exiting the fuel cell venture in 2005, the corporation decided to invest more into development projects closer to the core activities. Spending at Sulzer Innotec was significantly increased. Sulzer Real Estate contributed a good operating income of over CHF 25 million generated by further disposals and rental operations. Previous year income of Other included a gain of around CHF 6 million from a smaller divestiture.

Other Key Figures

in millions of CHF	2006	2005
Order intake	11.1	18.9
Sales	9.6	18.0
EBIT	-2.1	-18.1
Thereof Sulzer Hexis	-	-32.2

¹ Adjusted for acquisitions, divestitures, and currency effects

² EBIT/sales

³ EBIT/capital employed

Financial Income / Tax

The financial income of CHF 12.5 million was positively impacted by a nonrecurring capital gain of CHF 10.7 million from the sale of the stake held in the German Voith Group. In the previous year, CHF 14.2 million financial income was recorded which also included some exceptional income. In line with the increased earnings, the charge for income taxes rose significantly. However, as more tax losses carried forward could be utilized, the tax rate declined to 27.1% (previous year 27.8%).

Dividends

Considering the increased profitability, the board of directors will propose a dividend of CHF 23 (previous year: CHF 14) to the annual general meeting of shareholders on April 4, 2007. If approved, the dividend will be paid on April 12, 2007 (ex dividend).

Outlook

The outlook for the relevant segments of oil and gas, power generation, aerospace, and general industries is promising. A continuation in the high level of incoming orders is expected, especially if the trend of large orders can be maintained. Growth rates should become more moderate due to a base effect. Sales, however, are likely to increase at higher rates, given the large order backlog and the acquisitions made by Sulzer Chemtech. Overall, Sulzer expects further improvement in earnings in 2007.

Board of Directors / CEO

The Chairman Leonardo E. Vannotti already announced in September 2006 that he will resign from the board of directors with effect from the 2007 general annual meeting of shareholders. The board of directors recommends to the shareholders to elect the current CEO, Ulf Berg, to succeed Leonardo E. Vannotti. The board of directors plans to appoint Ulf Berg as the new chairman of the board, provided he is elected. As announced, Ton Büchner will become CEO of the Sulzer Corporation in April 2007.

Louis R. Hughes, Hans Hubert Lienhard, and Luciano Respini will stand for reelection at the annual general meeting.

Summary of Key Figures

Order Intake

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Divisions	3 265.8	2 616.2	24.8%	25.0%
Sulzer Pumps	1 752.6	1 367.5	28.2%	30.9%
Sulzer Metco	658.7	589.2	11.8%	10.5%
Sulzer Chemtech	602.1	415.5	44.9%	40.2%
Sulzer Turbo Services	252.4	244.0	3.4%	2.7%
Other	11.1	18.9	–	–
Total	3 276.9	2 635.1	24.4%	24.9%

¹ Adjusted for acquisitions, divestitures, and currency effects

Sales

in millions of CHF	2006	2005	Δ	Δ adjusted ¹
Divisions	2 792.1	2 480.2	12.6%	12.8%
Sulzer Pumps	1 405.4	1 266.4	11.0%	13.5%
Sulzer Metco	644.1	583.0	10.5%	9.1%
Sulzer Chemtech	500.1	389.5	28.4%	24.1%
Sulzer Turbo Services	242.5	241.3	0.5%	-0.1%
Other	9.6	18.0	-	-
Total	2 801.7	2 498.2	12.1%	12.6%

Operating Income (EBIT)

in millions of CHF	2006	2005	Δ
Divisions	297.7	184.9	61.0%
Sulzer Pumps	159.6	98.2	62.5%
Sulzer Metco	53.4	36.1	47.9%
Sulzer Chemtech	65.4	40.6	61.1%
Sulzer Turbo Services	19.3	10.0	93.0%
Other	-2.1	-18.1	-
Total	295.6	166.8	77.2%

Headcount by Region

as of December 31	2006	2005
Europe	5 192	4 574
Switzerland	1 201	868
of which in Winterthur	687	645
EU	3 937	3 698
Rest of Europe	54	8
North America	2 160	2 179
Latin America	994	934
Asia, Australia	1 664	1 598
Africa	383	371
Total	10 393	9 656

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 March 1, 2007, in the Casinotheater in Winterthur.

In our virtual press kit for the annual report 2006 (www.sulzer.com/AR06) you will find our image database and the following pdf documents:

- *Annual report 2006 and summary*
- *Media release*
- *Company profile*
- *Annual Results Presentation (available at 12.00 p.m.)*

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Sulzer was founded in 1834 in Winterthur, Switzerland, and today is active in machinery and equipment manufacturing and surface engineering in over 120 locations worldwide. The divisions are global leaders in their markets, which include the oil and gas, chemical process, power generation, pulp and paper, automotive, and aerospace industries.

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