

## MEDIA RELEASE

Winterthur, February 28, 2008

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Sulzer improved results in all divisions and for all regions

## Record Levels of Sales and Profitability in 2007

Building on an already high 2006 volume base, Sulzer increased sales in 2007 by 26.2% to CHF 3 537.0 million. Operating income (EBIT) of the divisions was up 39.9% to CHF 416.4 million, resulting in a return on sales (ROS) of 11.8% and a return on capital employed (ROCE) of 27.2%. The net income attributable to Sulzer shareholders improved to CHF 284.1 million (2006: CHF 221.4 million). The board of directors proposes an increased dividend of CHF 28.00 per share. Sulzer expects sales and operating income to grow in 2008.

In highly active markets during 2007, Sulzer showed high growth and continued profitability improvement. The company remains focused on operational excellence and value creation. Sulzer sees further opportunities for growth, both organically and through acquisitions.

### Corporation Key Figures

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>4 054.0</b>	3 276.9	23.7%	19.2%
Sales	<b>3 537.0</b>	2 801.7	26.2%	20.9%
EBIT	<b>393.5</b>	295.6	33.1%	
<i>EBIT divisions</i>	<b>416.4</b>	297.7	39.9%	
ROS <sup>2</sup>	<b>11.1%</b>	10.6%		
<i>ROS<sup>2</sup> divisions</i>	<b>11.8%</b>	10.7%		
ROCE <sup>3</sup>	<b>24.2%</b>	23.7%		
<i>ROCE<sup>3</sup> divisions</i>	<b>27.2%</b>	25.8%		
Net income <sup>4</sup>	<b>284.1</b>	221.4	28.3%	
Earnings per share (EPS) (in CHF)	<b>83.47</b>	62.27	34.0%	
Employees as of 12-31 (number of full-time equivalents)	<b>11 599</b>	10 393	11.6%	

Sulzer registered strong demand in all key segments, i.e., oil and gas, hydrocarbon processing industry, power generation, pulp and paper, aviation, and automotive. The growth in new orders was exceptionally high in 2007. With an increase of 23.7% (adjusted<sup>1</sup> 19.2%) order intake

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

<sup>2</sup> EBIT/sales

<sup>3</sup> EBIT/average capital employed

<sup>4</sup> Attributable to Sulzer shareholders

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exceeded CHF 4 billion (CHF 4 054.0 million). Sales (up 26.2% to CHF 3 537.0 million) trailed order intake primarily due to the project-driven activities of Sulzer Pumps and Sulzer Chemtech. Longer lead times in newly acquired projects have increased the backlog to a record height of CHF 1 978.1 million. Operating income (EBIT) of the divisions was up 39.9% to CHF 416.4 million. Including Other, EBIT increased by 33.1% to CHF 393.5 million. Sulzer's return on sales (ROS), and return on capital employed (ROCE) also rose to high levels: ROS reached 11.1% (2006: 10.6%) and ROCE 24.2% (2006: 23.7%). Net income attributable to Sulzer shareholders climbed to CHF 284.1 million (up 28.3%). Earnings per share increased by 34.0% to CHF 83.47. The board of directors proposes a higher dividend of CHF 28.00 per share (2006: CHF 23.00).

### *Individual Results of the Divisions*

#### **Sulzer Pumps: Strong Growth and Increased Results**

Sulzer Pumps continued to generate strong results in 2007. Sales increased significantly by 23.4% (adjusted<sup>1</sup> 22.4%) to CHF 1 733.8 million. The operating income (EBIT) amounted to CHF 199.2 million (up 24.8%). Although none of the one-time positive effects of 2006 recurred, total return on sales (ROS) increased to 11.5%. On comparable basis, operational ROS improved by more than one percentage point. Return on capital employed (ROCE) reached 44.5%. Customer support services continued to grow and increased its global footprint with four additional centers. All markets and regions contributed to the good results of Sulzer Pumps. Activities in the oil and gas as well as the power generation markets were of particular note, driven by a raised oil price and high energy demand. The hydrocarbon processing industry (HPI) segment benefited from ongoing expansions and upgrades of refineries and petrochemical plants worldwide. In 2008, sales and operating income are expected to exceed the levels of 2007.

#### **Sulzer Pumps Key Figures**

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>2 076.9</b>	1 752.6	18.5%	18.0%
Sales	<b>1 733.8</b>	1 405.4	23.4%	22.4%
EBIT	<b>199.2</b>	159.6	24.8%	
ROS <sup>2</sup>	<b>11.5%</b>	11.4%		
ROCE <sup>3</sup>	<b>44.5%</b>	41.0%		
Employees as of 12-31 (number of full-time equivalents)	<b>5 686</b>	5 192	9.5%	

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

<sup>2</sup> EBIT/sales

<sup>3</sup> EBIT/average capital employed

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### Sulzer Metco: Double-Digit Profitability

The positive trend has continued for Sulzer Metco. The division achieved high growth of sales with CHF 753.1 million, up 16.9% (adjusted<sup>1</sup> 15.1%). The good performance resulted in an operating income (EBIT) of CHF 75.8 million, a growth of 41.9%. Return on capital employed (ROCE) reached 17.1%. With a return on sales (ROS) of 10.1%, the division achieved a double-digit profitability level and is on track to reach its mid-range targets. All of Sulzer Metco's business units benefited from favorable market conditions and grew substantially throughout the year. The division's results were driven by good markets, particularly in the aviation, power generation, and other industrial segments. Geographically, the Asia-Pacific region showed a remarkable growth in sales, followed by Europe and North America. The power generation, aviation, and automotive markets are expected to remain favorable 2008. However, the growth levels are forecasted to decline. Raw material prices are likely to remain volatile. Lean initiatives and expansions of capacities should allow Sulzer Metco to keep up with market demand. Operating income is expected to increase in 2008.

### Sulzer Metco Key Figures

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>762.8</b>	658.7	15.8%	14.0%
Sales	<b>753.1</b>	644.1	16.9%	15.1%
EBIT	<b>75.8</b>	53.4	41.9%	
ROS <sup>2</sup>	<b>10.1%</b>	8.3%		
ROCE <sup>3</sup>	<b>17.1%</b>	12.2%		
Employees as of 12-31 (number of full-time equivalents)	<b>2 054</b>	1 928	6.5%	

### Sulzer Chemtech: Profitable Organic and Acquisitive Growth

Sulzer Chemtech continued to improve its performance in 2007. Sales amounted to CHF 761.3 million, an increase of 52.2% (adjusted<sup>1</sup> 27.4%). Operating income (EBIT) again showed very high growth of 77.8% to CHF 116.3 million. As a result, the return on sales (ROS) reached a new record level of 15.3%. Due to the acquisitions of the Mixpac, Werfo, and Mold companies and Knitmesh's separator business, the return on capital employed (ROCE), at 25.1%, was lower than in the previous year, but remained on a highly value-creating level. The integration of the acquired businesses progressed according to plan. The newly established business unit Sulzer Mixpac Systems substantially contributed to the division's performance in 2007. All markets and regions had a positive impact on the

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

<sup>2</sup> EBIT/sales

<sup>3</sup> EBIT/average capital employed

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division's noteworthy profitability. The division benefited from many large projects, especially in the Middle East and Asia. The outlook for 2008 remains positive in all segments and regions. Customer investments are likely to remain strong due to the prevailing demand for oil related products. Due to the ongoing buoyant market activities and to the high order backlog, sales and operating income are predicted to grow again in 2008.

### Sulzer Chemtech Key Figures

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
Order intake	<b>890.8</b>	602.1	47.9%	26.7%
Sales	<b>761.3</b>	500.1	52.2%	27.4%
EBIT	<b>116.3</b>	65.4	77.8%	
ROS <sup>2</sup>	<b>15.3%</b>	13.1%		
ROCE <sup>3</sup>	<b>25.1%</b>	39.8%		
Employees as of 12-31 (number of full-time equivalents)	<b>2 393</b>	1 979	20.9%	

### Sulzer Turbo Services: Order Intake Exceeded CHF 300 million

Sulzer Turbo Services benefited from good conditions in all markets and regions. The division generated sales of CHF 279.0 million, up 15.1% (adjusted<sup>1</sup> 15.5%). The operating income (EBIT) rose by 30.1% to CHF 25.1 million compared with CHF 19.3 million in 2006. Return on sales (ROS) was at 9.0% and return on capital employed (ROCE) at 14.5%. The company in Indonesia progressed in its turnaround and markedly contributed to the order growth of the division. The depreciation of the US dollar relative to the euro affected the competitiveness of the Dutch facilities. The investments to offer services for the F-technology components and rotors began to show results. Four new sales offices and a new Canadian service facility expanded the worldwide network. Geographically, North America and the Middle East were particularly positive, with Latin America showing high growth potential. The market segments and regions are expected to remain favorable for the division. Customer service requirements are likely to remain on a high level, particularly in the power generation and the oil and gas markets, driven by the prevailing strong demand for energy worldwide. The Middle East poses political concerns. The weak US dollar may also have an impact on the results of the division. Operating income is expected to increase in 2008.

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

<sup>2</sup> EBIT/sales

<sup>3</sup> EBIT/average capital employed

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### Sulzer Turbo Services Key Figures

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
Order intake	313.2	252.4	24.1%	24.4%
Sales	279.0	242.5	15.1%	15.5%
EBIT	25.1	19.3	30.1%	
ROS <sup>2</sup>	9.0%	8.0%		
ROCE <sup>3</sup>	14.5%	11.7%		
Employees as of 12-31 (number of full-time equivalents)	1 179	1 012	16.5%	

### Other

Sulzer Innotec posted a good performance by providing research and technical services to the Sulzer divisions and third parties. Sales rose to CHF 25.9 million (2006: CHF 22.5 million). Long-term innovation projects achieved major successes in 2007, including the creation of a pilot system for powder atomization (atomizer) for Sulzer Metco, a system to produce expandable polymers for Sulzer Chemtech and a new type of process to produce thin coating layers. The real estate business continued to reduce the non-essential real estate holdings. It generated around CHF 26 million in property sales (2006: CHF 38 million) and recorded an operating income of around CHF 19 million (2006: CHF 27 million). The corporate center costs increased due to project activities involving higher external support. Overall, Other reported a loss of CHF 22.9 million (2006: CHF -2.1 million).

### Financial Income and Income Taxes

Net financial income in 2007 amounted to CHF 14.1 million, compared with CHF 12.5 million in 2006. Total net interest income was CHF -7.2 million (2006: CHF 2.2 million). The reduction is mainly due to increased interest expenses related to the financing of the share buyback program. The sale of Burckhardt Compression shares positively influenced financial income. In the previous year, financial income was also positively impacted by a non-recurring capital gain. The charge for income taxes increased to CHF 120.2 million, as compared with CHF 83.5 million in the previous year. This is mainly the effect of the improved pre-tax profit. The reported tax rate increased from 27.1% to 29.5%.

### Dividends

Considering the further increased profitability, the board of directors will propose a dividend of CHF 28.00 (previous year: CHF 23.00) to the annual general meeting of shareholders on April 3, 2008. If approved, the dividend will be paid on April 8, 2008 (ex dividend).

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

<sup>2</sup> EBIT/sales

<sup>3</sup> EBIT/average capital employed

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### Capital Increase and Share Split

The share buyback program announced on October 31, 2006, with a value of CHF 300 million, was successfully completed in September 2007. Accordingly, the board of directors proposes a reduction of the share capital to the shareholders at the 2008 annual general meeting. In addition, a proposal will be submitted to the annual general meeting to increase the par value of each share from CHF 0.03 to CHF 0.10 through the conversion of freely distributable reserves and then split the shares on a ten-for-one basis to CHF 0.01. Herewith flexibility for the future will be gained, and the tradability of the Sulzer share will be facilitated.

### Board of Directors

At the annual general meeting 2008, Thor Håkstad, Vice Chairman, will stand for reelection.

### Outlook for 2008

Sulzer sees further opportunities for growth, both organically and through acquisitions. The oil and gas upstream and downstream markets are expected to remain strong, as are the power and aviation segments. Some weakening in the pulp and paper and in the general industries is anticipated. Overall, geographically, Sulzer sees slowing economic growth in the USA and Europe, whereas the other regions should continue to be strong. As of today, neither the slowdown nor the financial crisis has impacted the capital goods sector. In the USA and Europe, the investment cycle is expected to continue into 2008. Sales and operating income are expected to grow in 2008.

## Summary of Key Figures

### Order Intake

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
<b>Divisions</b>	<b>4 043.7</b>	3 265.8	23.8%	19.3%
Sulzer Pumps	<b>2 076.9</b>	1 752.6	18.5%	18.0%
Sulzer Metco	<b>762.8</b>	658.7	15.8%	14.0%
Sulzer Chemtech	<b>890.8</b>	602.1	47.9%	26.7%
Sulzer Turbo Services	<b>313.2</b>	252.4	24.1%	24.4%
<b>Other</b>	<b>10.3</b>	11.1	–	–
<b>Total</b>	<b>4 054.0</b>	3 276.9	23.7%	19.2%

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

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### Sales

millions of CHF	2007	2006	Δ	Δ adjusted <sup>1</sup>
<b>Divisions</b>	<b>3 527.2</b>	2 792.1	26.3%	21.0%
Sulzer Pumps	<b>1 733.8</b>	1 405.4	23.4%	22.4%
Sulzer Metco	<b>753.1</b>	644.1	16.9%	15.1%
Sulzer Chemtech	<b>761.3</b>	500.1	52.2%	27.4%
Sulzer Turbo Services	<b>279.0</b>	242.5	15.1%	15.5%
<b>Other</b>	<b>9.8</b>	9.6	–	–
<b>Total</b>	<b>3 537.0</b>	2 801.7	26.2%	20.9%

### Operating Income (EBIT)

millions of CHF	2007	2006	Δ
<b>Divisions</b>	<b>416.4</b>	297.7	39.9%
Sulzer Pumps	<b>199.2</b>	159.6	24.8%
Sulzer Metco	<b>75.8</b>	53.4	41.9%
Sulzer Chemtech	<b>116.3</b>	65.4	77.8%
Sulzer Turbo Services	<b>25.1</b>	19.3	30.1%
<b>Other</b>	<b>–22.9</b>	–2.1	–
<b>Total</b>	<b>393.5</b>	295.6	33.1%

### Sales by Region

millions of CHF	2007	2006	Δ
Europe	<b>1 345.0</b>	943.0	42.6%
North America	<b>967.9</b>	821.5	17.8%
Latin America	<b>211.9</b>	214.2	–1.1%
Asia, Australia (incl. Middle East)	<b>862.2</b>	692.5	24.5%
Africa	<b>150.0</b>	130.5	14.9%
<b>Total</b>	<b>3 537.0</b>	2 801.7	26.2%

### Number of Employees (full-time equivalents) by Region

as of December 31	2007	2006
Europe	<b>5 547</b>	5 192
North America	<b>2 409</b>	2 160
Latin America	<b>1 097</b>	994
Asia, Australia (incl. Middle East)	<b>2 154</b>	1 664
Africa	<b>392</b>	383
<b>Total</b>	<b>11 599</b>	10 393

<sup>1</sup> Adjusted for acquisitions, divestitures, and currency effects

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*In our virtual press kit for the annual report 2007 ([www.sulzer.com/AR07](http://www.sulzer.com/AR07)) you will find our image database and the following pdf documents:*

- *Annual report 2007 and summary*
- *Media release*
- *Company profile*
- *Annual Results Presentation*

*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.*

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