

MEDIA RELEASE

Winterthur, February 26, 2009

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Sulzer well positioned to meet the challenges in 2009

Record Performance in Order Intake, Sales, Operating Income and Cash Flow in 2008

Sulzer achieved an excellent performance in 2008 with increases in order intake, sales, operating income and cash flow. The operational improvements more than offset the significant negative currency translation effects. Return on sales and return on capital employed reached new record levels. The board of directors is proposing an unchanged dividend of CHF 2.80 per share. Sulzer is well positioned with a strong balance sheet, adequate liquidity and a healthy order backlog to meet the challenges of 2009. The company expects order intake, sales and operating income to be below 2008 levels.

Corporation key figures

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Order intake	4 116.6	4 054.0	+1.5%	+10.1%
Order backlog	2 100.2	1 978.1	+6.2%	
Sales	3 713.5	3 537.0	+5.0%	+13.2%
EBITDA	575.9	501.3	+14.9%	
EBIT	475.1	393.5	+20.7%	
<i>EBIT divisions</i>	472.1	416.4	+13.4%	
ROS ²	12.8%	11.1%		
<i>ROS² divisions</i>	12.8%	11.8%		
ROCE ³	30.6%	24.2%		
<i>ROCE³ divisions</i>	32.0%	27.2%		
Net income ⁴	322.9	284.1	+13.7%	
Cash flow from operating and investing activities	251.9	177.7	+41.8%	
Net liquidity	306.1	198.5	+54.2%	
Earnings per share (EPS) ⁵ (in CHF)	9.59	8.35	+14.9%	
Employees as of Dec. 31 (number of full-time equivalents)	12 726	11 599	+9.7%	

¹ Adjusted for currency effects as well as acquisitions and divestitures

² Return on sales; EBIT/sales

³ Return on capital employed; EBIT/average capital employed including goodwill at net book values

⁴ Attributable to Sulzer shareholders

⁵ Prior year figure has been restated to reflect the ten-for-one-share split on April 14, 2008.

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Sulzer achieved excellent results in 2008. Sales further increased by an adjusted¹ 13.2% and a nominal 5.0% respectively, to 3.7 billion. The weakness of all major currencies compared with the Swiss franc led to significant differences between nominal and adjusted¹ growth rates, while acquisitions had only a negligible impact. Sales continued to trail order intake, resulting in an order backlog of CHF 2.1 billion (+6.2% compared to 2007).

For the majority of 2008, the relevant Sulzer markets were strong. The oil and gas (upstream) and power generation markets showed significant growth. The project activity in the hydrocarbon processing industry was lower, while the aviation segment and the automotive market remained largely stable. The pulp and paper segment declined. Toward the end of the year, demand clearly weakened in almost all relevant Sulzer markets. Geographically, the significant growth in the emerging markets in Asia, Latin America, Africa and the Middle East leveled off toward the end of 2008. Europe and North America weakened after stable activities in the first part of the year.

Operating income (EBIT) of the corporation rose by 20.7% to CHF 475 million, based on substantially better results of the divisions as well as of Others, which mainly consists of Sulzer Real Estate, Sulzer Innotec and Corporate Center. Return on sales (ROS) notably increased from 11.1% to 12.8%.

The ROS for the divisions increased from 11.8% to 12.8%, which is especially noteworthy since the corporation added an additional charge of 50 basis points of sales to each division compared to 2007. Operating leverage and continued operational improvements were key to this substantial progress. Currency effects had a significant negative impact on the nominal figures, but a limited impact on profitability. This is due to Sulzer's global production and service network, in which sales and costs are predominantly incurred in the same currency.

Net income increased by 13.7% to CHF 323 million, resulting in CHF 9.59 basic earnings per share, compared to CHF 8.35 in 2007. Operating income before depreciation and amortization (EBITDA) improved by 14.9% to CHF 576 million. Cash flow generation in 2008 was substantially higher than in the previous year. Cash flow from operating and investing activities amounted to a strong CHF 252 million (2007: CHF 178 million). The corporation's return on capital employed (ROCE) reached 30.6%, which is more than six percentage points higher than in 2007. All four divisions created financial value. Supported by the 2008 results, net liquidity increased to CHF 306 million.

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Individual Results of the Divisions

Sulzer Pumps: record level of order intake, sales and operating income

Sulzer Pumps, once again, increased order intake, sales and operating income to record levels despite significant currency effects. Return on sales improved to 12.8%. Coping sustainably with the strong growth and managing supply chain challenges remained high priorities for the division. Consequently, the efficiency of processes was improved with the division's lean initiative. Global capacity was increased and the global service-center network was expanded to better serve the local markets. Overall, Sulzer Pumps expects the number of large projects to decline in 2009. Whereas the strong order backlog will support the performance, currency effects combined with business conditions are likely to result in lower sales and operating income in 2009.

Sulzer Pumps key figures

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Order intake	2 308.7	2 076.9	+11.2%	+23.3%
Sales	1 817.0	1 733.8	+4.8%	+15.9%
EBIT	231.9	199.2	+16.4%	
ROS ²	12.8%	11.5%		
ROCE ³	53.5%	44.5%		
Employees as of Dec. 31 (number of full-time equivalents)	6 239	5 686	+9.7%	

Sulzer Metco: stable sales in a tougher environment

Sulzer Metco's sales were similar to the previous year, while order intake decreased. The division was affected by the general industrial weakness toward year-end, resulting in a return on sales of 9.4%. The development of various innovative solutions with added customer value is progressing well. Markets were relatively healthy in Europe and Japan, while demand weakened in North and Latin America. Sulzer Metco closely monitors the development of the global economic situation and remains flexible to take actions when needed. Sales and operating income are expected to be lower in 2009.

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Sulzer Metco key figures

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Order intake	715.6	762.8	-6.2%	-1.8%
Sales	743.5	753.1	-1.3%	+3.5%
EBIT	69.6	75.8	-8.2%	
ROS ²	9.4%	10.1%		
ROCE ³	16.0%	17.1%		
Employees as of Dec. 31 (number of full-time equivalents)	2 105	2 054	+2.5%	

Sulzer Chemtech: increased sales and profitability of 17%

Sulzer Chemtech increased sales and operating income, although order intake did not reach the record level of the previous year. The division achieved record return on sales of 17.0%. Innovation remained a driver of organic growth. Based on the current economic situation, customers became generally more cautious with capital investments. Business activities for the service unit remained stable. Demand for the products of Sulzer Mixpac Systems continued to grow, particularly in the dental market and slightly less in the industrial market. Sulzer Chemtech continuously monitors the development and adapts proactively to the changing market trends. The division expects order intake, sales and operating income to be lower than in 2008.

Sulzer Chemtech key figures

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Order intake	770.4	890.8	-13.5%	-9.3%
Sales	823.3	761.3	+8.1%	+13.1%
EBIT	140.1	116.3	+20.5%	
ROS ²	17.0%	15.3%		
ROCE ³	32.9%	25.1%		
Employees as of Dec. 31 (number of full-time equivalents)	2 769	2 393	+15.7%	

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Sulzer Turbo Services: higher sales and operating income

Sulzer Turbo Services reported further progress with higher sales and operating income. The division increased the return on sales to 9.7%. The global service network was further strengthened with an acquisition in Latin America. Markets in North and Latin America as well as South-east Asia grew. Orders from Europe were strong, whereas the market environment in the Middle East remained challenging. Sulzer Turbo Services has a healthy order backlog, ensuring a good workload at the start of the year. The current tendering activity is encouraging despite the economic environment. The division maintains flexibility in capacity and service offerings in order to adapt to changing market trends. Sulzer Turbo Services expects sales and operating income to be slightly below 2008.

Sulzer Turbo Services key figures

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Order intake	303.4	313.2	-3.1%	+5.0%
Sales	313.6	279.0	+12.4%	+21.8%
EBIT	30.5	25.1	+21.5%	
ROS ²	9.7%	9.0%		
ROCE ³	17.0%	14.5%		
Employees as of Dec. 31 (number of full-time equivalents)	1 314	1 179	+11.5%	

Others

Others mainly consists of Sulzer Real Estate, Sulzer Innotec and the Corporate Center. Overall, Others reported an operating income of CHF 3.0 million (2007: CHF -22.9 million). This improvement is the result of higher corporate charges of 50 basis points of sales to the divisions as well as lower project activities requiring external support compared to 2007.

Financial income and income taxes

In 2008, net financial income of CHF -23.5 million was recorded compared to CHF 14.1 million in the prior year. In 2007, the sale of a portion from Sulzer's equity participation in Burckhardt Compression Inc. had a strong positive impact on the financial income. In addition, the decrease in net financial income compared to the prior year also reflects the currency impact on financial positions such as cash. The effective tax rate decreased by over two percentage points to 27.4%.

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Dividends

The board of directors proposes an unchanged dividend of CHF 2.80 per share at the annual general meeting of shareholders on April 8, 2009. If approved, the dividend will be paid on April 15, 2009 (ex dividend).

Board of directors

The board of directors of Sulzer proposes Ulf Berg, Daniel J. Sauter, Vladimir V. Kuznetsov and Urs Andreas Meyer for re-election as members of the board for a three-year term at the upcoming annual general meeting of Sulzer on April 8, 2009. Renova, the single largest shareholder of Sulzer with 27.1% of all shares at the end of 2008, has informed the board and the corporation that Renova currently does not support the re-election of Ulf Berg and Daniel J. Sauter.

Outlook for 2009: well positioned to meet challenges

The market conditions changed significantly toward the end of 2008. The general economic environment and the uncertainties in the financial markets make forward projections challenging. Sulzer closely monitors the market developments in order to adapt proactively to changing trends. Sulzer strives to communicate early and transparently when relevant market changes become visible.

Overall, the oil and gas upstream and the power generation segments are expected to remain comparatively strong in 2009, although not at the extraordinary levels of 2008. The hydrocarbon processing industry is expected to show clearly lower activity than the high levels realized in recent years. The order backlog from the aviation industry should provide some stability, but passenger miles flown are expected to decline in the aviation segment. The severe weakness in the automotive markets will affect Sulzer as well, even though the strength and the acceptance of Sulzer's innovative solutions have been firmly established during 2008. The pulp and paper market is expected to remain very weak. While all regions are expected to show some slowdown, activities in Asia are projected to remain stronger than in North America and Europe.

The extraordinary number of major orders in 2008 is unlikely to be repeated in 2009. The prices of raw materials are anticipated to further reduce compared to 2008 and significant negative currency translation effects are expected to continue. Therefore, order intake in 2009 is expected to be lower compared to 2008. Due to lower volumes, the positive operating leverage of the recent years will reduce. Challenging market conditions are expected to result over time in tougher payment terms and other contract conditions. For 2009, sales and operating income are thus expected below 2008 levels.

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Sulzer will remain focused on sustainable long-term value creation. The high order backlog and sound financial situation build a solid foundation for continued resilience in the future. The high order backlog is reflected in the current high workload in most of our worldwide facilities. The limited increase of in-house capacities compared to sales growth over the last few years, and the expansion primarily in emerging markets support the flexibility to adapt cost levels to market demand. Sulzer actively and carefully monitors the development of its markets and is well prepared to take the necessary steps to meet the challenges of 2009.

Summary of Key Figures

Order Intake

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Divisions	4 098.1	4 043.7	+1.3%	+9.9%
Sulzer Pumps	2 308.7	2 076.9	+11.2%	+23.3%
Sulzer Metco	715.6	762.8	-6.2%	-1.8%
Sulzer Chemtech	770.4	890.8	-13.5%	-9.3%
Sulzer Turbo Services	303.4	313.2	-3.1%	+5.0%
Others	18.5	10.3	-	-
Total	4 116.6	4 054.0	+1.5%	+10.1%

Sales

millions of CHF	2008	2007	Δ	Δ adjusted ¹
Divisions	3 697.4	3 527.2	+4.8%	+13.1%
Sulzer Pumps	1 817.0	1 733.8	+4.8%	+15.9%
Sulzer Metco	743.5	753.1	-1.3%	+3.5%
Sulzer Chemtech	823.3	761.3	+8.1%	+13.1%
Sulzer Turbo Services	313.6	279.0	+12.4%	+21.8%
Others	16.1	9.8	-	-
Total	3 713.5	3 537.0	+5.0%	+13.2%

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Operating Income (EBIT)

millions of CHF	2008	2007	Δ
Divisions	472.1	416.4	+13.4%
Sulzer Pumps	231.9	199.2	+16.4%
Sulzer Metco	69.6	75.8	-8.2%
Sulzer Chemtech	140.1	116.3	+20.5%
Sulzer Turbo Services	30.5	25.1	+21.5%
Others	3.0	-22.9	-
Total	475.1	393.5	+20.7%

Sales by Region

millions of CHF	2008	2007	Δ
Europe	1 289.9	1 345.0	-4.1%
North America	996.8	967.9	+3.0%
Latin America	247.2	211.9	+16.7%
Asia, Australia (incl. Middle East)	1 025.9	862.2	+19.0%
Africa	153.7	150.0	+2.5%
Total	3 713.5	3 537.0	+5.0%

Number of Employees (full-time equivalents) by Region

as of December 31	2008	2007
Europe	5 728	5 547
North America	2 596	2 409
Latin America	1 270	1 097
Asia, Australia (incl. Middle East)	2 696	2 154
Africa	436	392
Total	12 726	11 599

In our virtual press kit for the annual report 2008 (www.sulzer.com/AR08) you will find our image database and the following pdf documents:

- Annual report 2008 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. www.sulzer.com

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

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