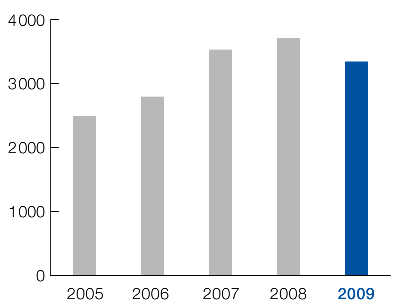
Annual Report 2009

Key Figures 2009

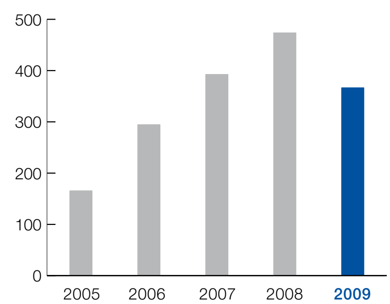
High profitability in challenging markets

Sulzer achieved double-digit return-on-sales levels, both before restructuring (12.4%) and after restructuring expenses (11.0%). The company remained focused on long-term value creation, which is reflected by the continued high return on capital employed.

Sales 2005–2009 in millions of CHF



EBIT 2005–2009 in millions of CHF



Key figures

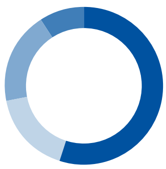
millions of CHF		2009	2008	Change in +/– %	+/– %[1]
Order intake		3017.6	4116.6	–26.7	–24.3
Order backlog		1871.7	2100.2	–10.9	
Sales		3350.4	3713.5	–9.8	–7.3
Operating income before depreciation/amortization	EBITDA	479.2	575.9	–16.8	
Operating income before restructuring expenses	EBITR	416.6	478.5	–12.9	
Operating income	EBIT	368.0	475.1	–22.5	
Return on sales before restructuring expenses (EBITR/sales)	ROSR	12.4%	12.9%		
Return on sales (EBIT/sales)	ROS	11.0%	12.8%		
Return on capital employed (EBIT/capital employed)	ROCE	24.8%	30.6%		
Net income attributable to shareholders of Sulzer Ltd		270.4	322.9	–16.3	
Capital expenditure		112.2	116.0	–3.3	
Equity attributable to shareholders of Sulzer Ltd		1777.5	1538.3	15.5	
Employees (number of full-time equivalents) as of December 31		12183	12726	–4.3	
Free cash flow		528.8	363.1	45.6	
Net liquidity		670.6	306.1	119.1	

Data per share

CHF		2009	2008	+/– %
Closing price of the registered share as of December 31		81.10	60.00	35.2
Net income attributable to a shareholder of Sulzer Ltd	EPS	8.06	9.59	–16.0
Equity attributable to a shareholder of Sulzer Ltd		52.95	45.83	15.5
Dividend		2.80[2]	2.80	0.0

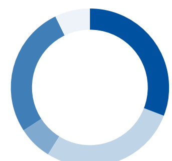
[1] Adjusted for currency effects as well as acquisitions and divestitures.
[2] Proposal to the Annual General Meeting.

Sales by division



	2009
Sulzer Pumps	55%
Sulzer Metco	17%
Sulzer Chemtech	19%
Sulzer Turbo Services	9%

Sales by region



	2009
Europe	31%
North America	28%
Central and South America	7%
Asia, Middle East, Australia	27%
Africa	7%

By division

millions of CHF	Order intake				Sales			
			Change in				Change in	
	2009	2008	+/– %	+/– % [1]	2009	2008	+/– %	+/– % [1]
Divisions	3006.7	4098.1	–26.6	–24.3	3336.3	3697.4	–9.8	–7.2
Sulzer Pumps	1684.5	2308.7	–27.0	–22.9	1856.7	1817.0	2.2	8.2
Sulzer Metco	545.5	715.6	–23.8	–21.4	556.0	743.5	–25.2	–23.0
Sulzer Chemtech	498.4	770.4	–35.3	–36.8	632.3	823.3	–23.2	–26.3
Sulzer Turbo Services	278.3	303.4	–8.3	–9.8	291.3	313.6	–7.1	–9.5
Others	10.9	18.5	–	–	14.1	16.1	–	–
Total	3017.6	4116.6	–26.7	–24.3	3350.4	3713.5	–9.8	–7.3

millions of CHF	Operating income before restructuring			Operating income		
			Change in			Change in
	2009	2008	+/– %	2009	2008	+/– %
Divisions	361.3	475.5	–24.0	312.7	472.1	–33.8
Sulzer Pumps	223.4	232.3	–3.8	204.7	231.9	–11.7
Sulzer Metco	34.2	71.2	–52.0	20.5	69.6	–70.5
Sulzer Chemtech	65.5	140.4	–53.3	54.5	140.1	–61.1
Sulzer Turbo Services	38.2	31.6	20.9	33.0	30.5	8.2
Others	55.3	3.0	–	55.3	3.0	–
Total	416.6	478.5	–12.9	368.0	475.1	–22.5

	Return on sales before restructuring		Return on sales	
	2009	2008	2009	2008
Divisions	10.8%	12.9%	9.4%	12.8%
Sulzer Pumps	12.0%	12.8%	11.0%	12.8%
Sulzer Metco	6.2%	9.6%	3.7%	9.4%
Sulzer Chemtech	10.4%	17.1%	8.6%	17.0%
Sulzer Turbo Services	13.1%	10.1%	11.3%	9.7%
Others	–	–	–	–
Total	12.4%	12.9%	11.0%	12.8%

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Achievements in 2009

Adapting early and maintaining strong market positions

Sulzer was well positioned to respond to the global economic downturn and took early measures to adapt costs and capacities. These actions were complemented with strategic initiatives for further growth and sustainable success.

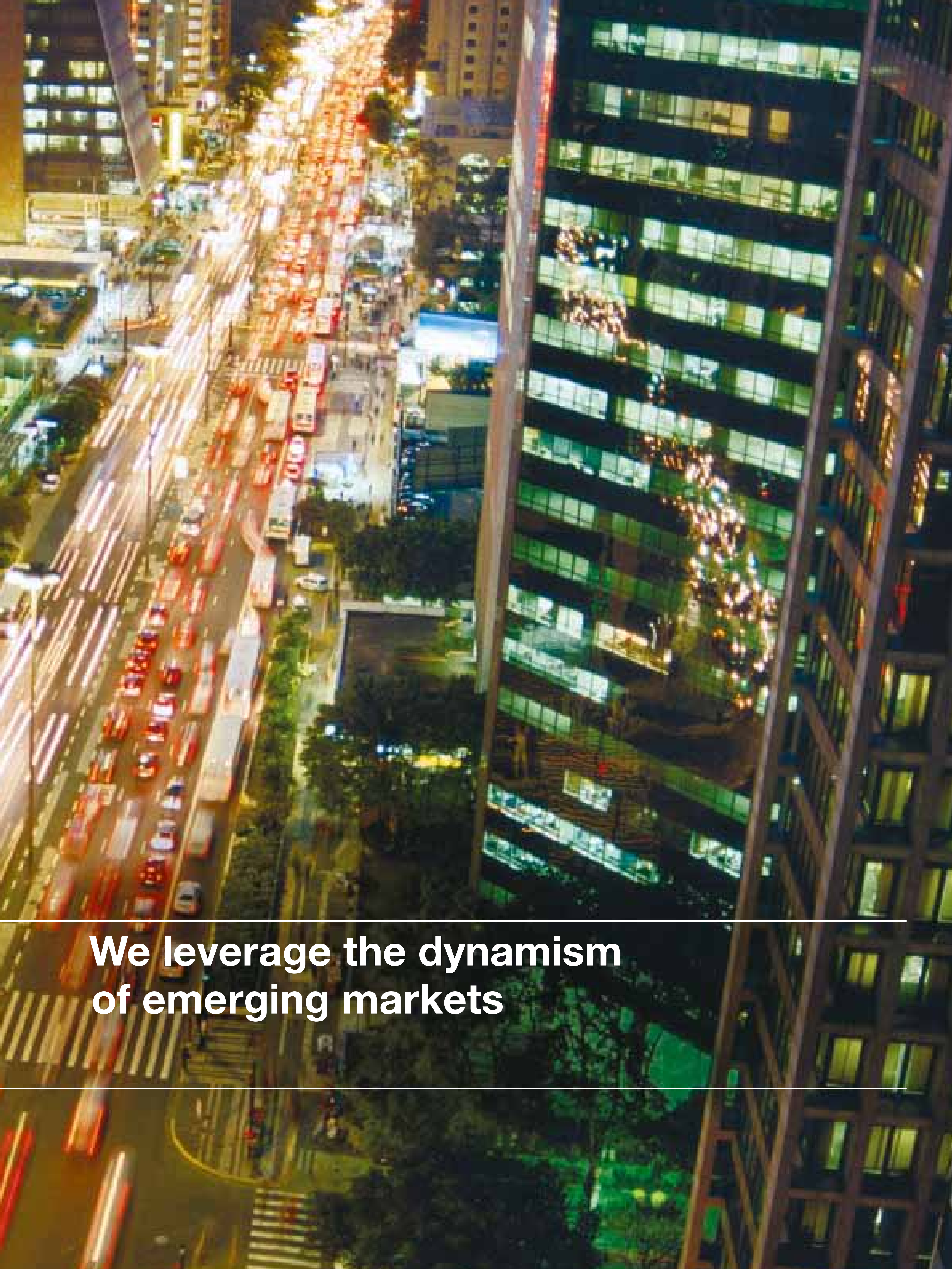
- Sulzer was well positioned to respond to the challenges of the changed market environment based on operational discipline and a strong order backlog.
- The free cash flow was substantially increased to CHF 529 million. The focus on long-term value creation and financial discipline showed its benefits and resulted in a further strengthened balance sheet and a continuously strong financial situation.
- The divisions maintained their strong market positions and Sulzer's overall operational return on sales (before restructuring expenses) reached a high level of 12.4%.
- Sulzer continued to expand its global network for future growth. A particular focus was on expanding the local presence in emerging markets and on developing the service business.
- The economic downturn affected virtually all of Sulzer's key markets, which led to decreases in order intake, sales and operating income. Measures to adapt the cost structure and production capacities were taken early in all divisions.
- The long-term outlook for Sulzer's performance-critical solutions remains positive. A quick recovery of the key markets is not expected, but some markets are likely to stabilize.

Contents

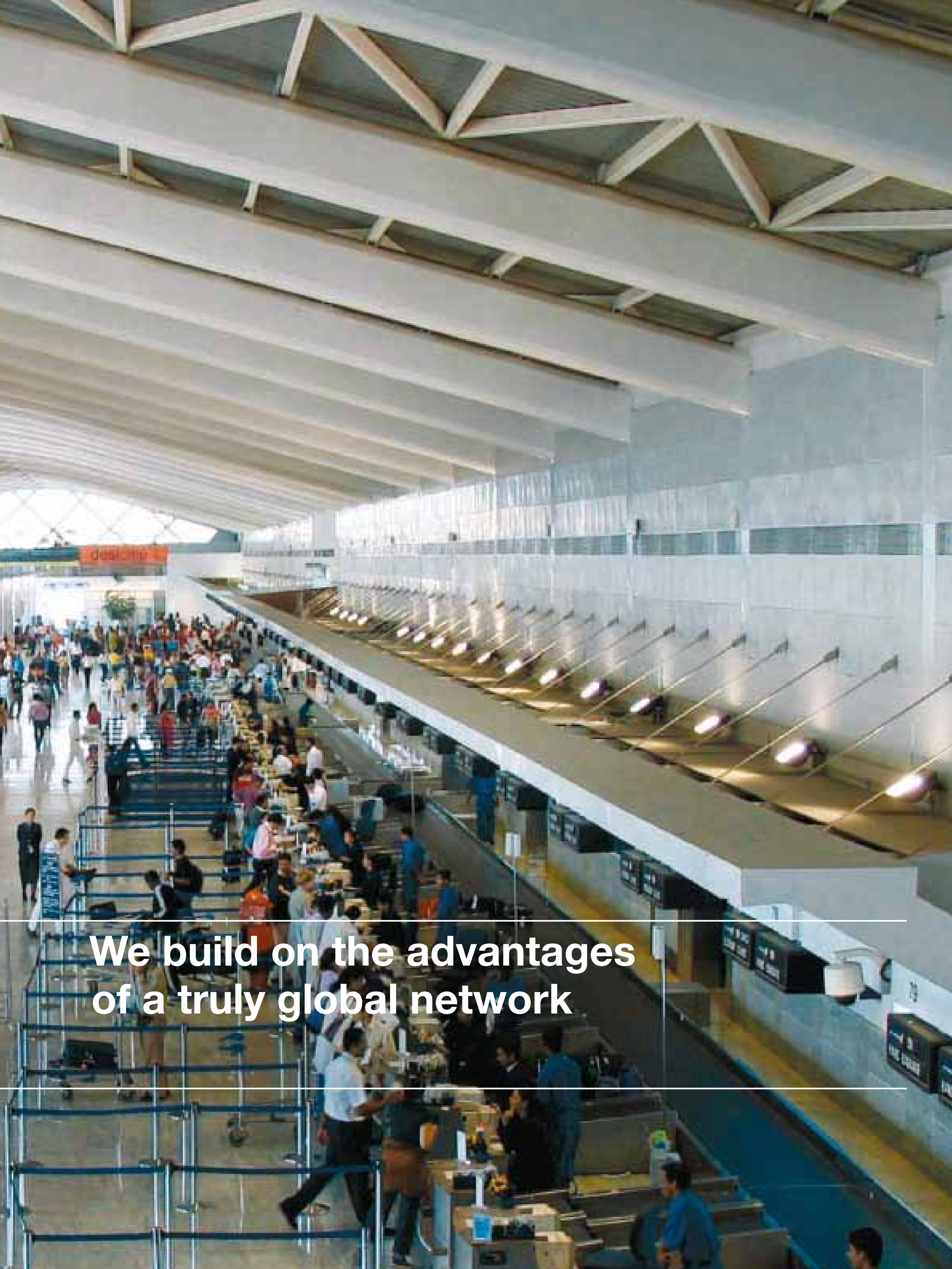
Focus on emerging markets

Sulzer continually expanded its local presence in Brazil, Russia, India, China and other emerging markets. Some emerging markets proved to be comparatively resilient during the economic downturn and offered additional growth opportunities for Sulzer.

Sulzer's offerings for the hydrocarbon processing industry are in high demand as mobility is increasing worldwide, which is visible, for instance, in the busy streets of São Paulo, Brazil


We leverage the dynamism
of emerging markets

Sulzer's production and service network spans the globe just like the worldwide air traffic system, illustrated by the international airport of Mumbai, India



We build on the advantages of a truly global network

Sulzer attaches great value to customer partnership and continually expands its local presence, for instance in Shanghai, China

We know our customers and serve them with local knowledge and competence

Report by the Chairman of the Board and the CEO

High profitability and initiatives for sustainable success

Building on operational discipline and its strong order backlog, Sulzer managed the challenges of the global economic downturn well and maintained its strong market positions. The operational return on sales reached a high level of 12.4%. The company continued its initiatives to ensure long-term success.

Ton Büchner, CEO **Jürgen Dormann,** Chairman of the Board

Dear Shareholders,

Sulzer achieved double-digit return-on-sales levels in 2009, both before restructuring (12.4%) and after restructuring expenses (11.0%). The company maintained its strong market positions in 2009 and showed resilience based on operational discipline in the past years of high growth and the strong order backlog. Demand in virtually all of the key markets decreased significantly compared with the record levels of the previous year. However, Sulzer took early measures to adapt the cost structure and production capacities to the changed market situation. These measures were complemented with continued initiatives for future growth and the development of new business opportunities. The five core focus areas were further strengthened: operational excellence, health and safety, innovation, expansion in emerging markets and increased focus on services. For external growth, we continually assessed opportunities and acquired selected companies that met our criteria of strategic fit, value creation and integration. The long-term outlook for Sulzer's performance-critical solutions remains positive; however, we do not expect a quick recovery of our markets.

The company celebrated its 175th anniversary worldwide with the motto *Experience Sulzer* at various events for customers, employees and other stakeholder. The celebrations focused on demonstrating what the Sulzer brand stands for: reliability, quality, innovative solutions, customer partnership and sustainability.

Strategic focus on emerging markets and services

With Sulzer's strong local presence in the developing economies and about one-third of orders initiating there, the company was able to mitigate the effect of the global economic downturn and leverage additional growth opportunities. Some major emerging markets, particularly Brazil and China, but also other economies in South America, were more resilient during the economic downturn than traditional economies. Sulzer's global network ensures extensive local presence and high customer proximity, and it allows the company to keep the cost structure competitive. The network is continually being expanded, for instance, with the opening of a new facility in 2009 for the Russian market, capacity expansions in India and the construction of a major site in China, which will be fully operational in 2010.

Sulzer also increased the focus on services by further broadening the service network with acquisitions in Australia, Thailand, India and Germany. Potential acquisitions that may complement and strengthen the company's activity portfolio are continually being assessed, while Sulzer maintains its acquisition discipline.

"Sulzer's extensive local network and presence in the emerging markets ensures high customer proximity and positions the company well for future growth in these regions."

Strengthening innovations and operational excellence

Innovative solutions with high customer value remain essential to sustainable success and organic growth. Processes and tools have been implemented to support increased and faster innovation and to foster a culture of learning. Various fields of opportunity with growth potential are being assessed, resulting in a number of project initiatives, for instance, for innovative solutions for the non-food-based biofuels, the concentrated solar power industry and the development of bioplastics.

Business processes are continually being improved with lean management measures in all divisions. These ongoing efforts are supported by a corporate-wide initiative to foster lean knowledge and share best practices with the objective of systematically improving the operational performance of the corporation and the divisions.

Health and safety is a top priority at Sulzer and has become a part of daily business. The long-term goal of the company is to reduce the number of accidents at work to zero. The health and safety program resulted in a clearly reduced corporate accident frequency rate of 5.5 cases per million working hours in 2009. During the year, almost half of all assessed sites had an accident frequency rate of zero.

The continued success of Sulzer is based on the performance of all employees. Their behavior is guided by the shared core values customer partnership, operational excellence and committed employees. These values were further emphasized throughout the company in 2009.

Challenging market developments

Sulzer maintained its strong market positions in 2009. However, the global economic downturn had an impact on virtually all of the company's key markets, which led to a significant decrease in order intake compared with the extraordinary level of the previous year. The global downturn particularly affected the oil and gas and the hydrocarbon processing industries. The power generation industry remained relatively strong but started to soften toward the end of the year. The

"In challenging markets, Sulzer achieved a high return on sales before restructuring of 12.4%, combined with a high free cash flow of CHF 529 million."

aviation industry was relatively active but showed signs of weakness in late 2009. Demand in the automotive market was low but increased toward the year-end. The activity level in the pulp and paper industry remained weak. The service business was more resilient than the new equipment business.

High profitability and healthy financial situation maintained

Sales remained at the 2008 level until midyear but softened toward the end of the year and reached CHF 3 350 million. The high order backlog, particularly at Sulzer Pumps and Sulzer Chemtech, was executed efficiently and contributed significantly to the sales volume. Currency translation effects, acquisitions and divestitures continued to have a negative impact of 3%. Despite lower sales, the return on sales reached the high level of 12.4% (before restructuring), or 11.0% after restructuring expenses. Extraordinary high real estate activities had a strong positive impact on the operating income and profitability.

Net income reached CHF 276 million, resulting in CHF 8.06 basic earnings per share. Considering this result and the solid financial situation, the Board of Directors will propose an unchanged dividend of CHF 2.80 per share at the Annual General Meeting on April 15, 2010. Sulzer generated a substantially increased free cash flow of CHF 529 million. Consequently, net liquidity improved significantly, and the strong financial situation was further enhanced. Sulzer's solid balance sheet provides a strong foundation for further development of the portfolio.

In 2009, the Sulzer share price increased by 35% over the year and clearly outperformed the SPI Industrial Machinery Index, which increased by 23%.

Adapt to the current economic situation

Sulzer was well prepared to manage the challenges of the global economic downturn. During the last years of extraordinary growth, the company expanded internal capacities only cautiously and prepared early for the expected lower demand. In 2009, Sulzer took measures in all divisions to stay abreast of the declining market demand, and it continues to do so. These actions are implemented in a socially responsible manner. They include reduced subcontracting and increased short-time work, but also the reduction of the workforce and the closure of some facilities. The measures have already resulted in cost reductions in 2009 and will bring substantial savings in 2010.

Changes in the Board of Directors

Jürgen Dormann and Klaus Sturany were newly elected to the Sulzer Board of Directors at the Extraordinary General Meeting in August 2009. Jürgen Dormann was appointed as the new Chairman of the Board and heads the newly established Strategy Committee. The composition of the existing committees was also changed. Ulf Berg, the former chairman, was not reelected at the Annual General Meeting 2009. Luciano Respini held the position of Chairman of the Board between the Annual General Meeting and the Extraordinary General Meeting. The shareholders voted Thor Håkstad, the former vice chairman, and Louis R. Hughes out of office at the Extraordinary General Meeting. We would like to thank the former board members for their strong commitment and performance and wish them all the best for the future.

Challenging markets with some stabilization

The long-term outlook for Sulzer's performance-critical solutions remains positive. We do not anticipate a quick recovery in our key markets, but some markets are likely to stabilize. Order intake in 2010 is expected to decrease, driven by lower project activity in the power generation and hydrocarbon processing industries for Sulzer Pumps. For the oil and gas market, demand is predicted to be at levels comparable with those of 2009. The activity in the aviation industry is expected to remain around the current level. The development of the automotive market is difficult to forecast after the phase-out of government stimulus programs. The pulp and paper industry is predicted to remain at the low level of 2009. Market activity in Europe and North America is expected to remain low, whereas some of the emerging markets are likely to develop comparatively stronger.

Due to reduced market activity, order intake and sales are expected to decrease, resulting in a lower operating income and return on sales. Sulzer is well positioned for sustainable success based on its strong market positions, its continually strengthened five core focus areas and its sound financial situation.

We thank our customers for their ongoing trust and our employees for their continued commitment and dedication in challenging times. We thank you, our shareholders, for your continued support.

Yours sincerely,

Jürgen Dormann, Chairman of the Board

Ton Büchner, CEO

> "Sulzer remains well positioned for future success based on its five core focus areas, its adaptation measures and its strong financial situation."

We are a global leader for performance-critical applications

A Sulzer service team in Abu Dhabi, United Arab Emirates

Sulzer's Vision, Mission and Values

Our guiding principles

The Sulzer vision and mission outline the principles by which we live. The Sulzer values act as an inner compass, which guides all our activities. They define who we are and how we behave.

Our vision

Sulzer's vision is to be a recognized leader in innovative, sustainable, engineered and customer-focused solutions for performance-critical applications in six key markets and selected industries.

Our mission

Sulzer aims to be

- a multi-industry company with a strong brand.
- a provider of solutions that combine products, services, engineering and customer-application expertise.
- close to the customer by being primarily direct-sales driven.
- an engineering, innovation and technology driven firm.
- an attractive employer where employees can excel.
- a company that creates value for its shareholders.

Our values

- Customer partnership: We exceed the expectations of our customers with innovative and competitive solutions.
- Operational excellence: We perform on the basis of structured work processes and lean principles.
- Committed people: We are committed to high standards and show respect for people.

Financial Review

Sound financial performance and high cash flow

Sulzer achieved a strong financial performance with a return on sales of 11.0% and a return on capital employed of 24.8%. The capital structure remains very strong, with an equity ratio of 52.5%. The high cash flow resulted in an increase of net liquidity to CHF 670.6 million.

Performance measures

The performance of operations is primarily assessed based on order intake, sales, operating income, cash flow as well as — in relative terms — return on sales (including and excluding restructuring expenses) and return on capital employed.

Order intake: challenging markets

In 2009, most of Sulzer's key markets were affected by the global economic downturn, which resulted in clearly lower activity levels compared to the prior year. Order intake decreased by 26.7% to CHF 3 017.6 million. Adjusted for the impact of currency effects, acquisitions and divestitures, order intake decreased by 24.3%.

Orders

millions of CHF	2009	2008
Order intake	**3 017.6**	4 116.6
Order backlog (December 31)	**1 871.7**	2 100.2

Compared with 2008, Sulzer Chemtech's order intake was most affected and declined by 35.3% (adjusted 36.8%), which is mainly due to lower activity in the hydrocarbon processing industry. The impact of the global economic downturn was also significant at Sulzer Pumps, with order intake decreasing by 27.0% (adjusted 22.9%), as well as at Sulzer Metco, where order intake contracted by 23.8% (adjusted 21.4%). Order intake of Sulzer Turbo Services only moderately declined by 8.3% (adjusted 9.8%), supported by continued high activity in North America. The order backlog decreased by 10.9% to CHF 1 871.7 million, mainly as sales were higher than order intake.

Sales: strong contribution of Sulzer Pumps

Sulzer achieved sales of CHF 3 350.4 million in 2009, which is a decrease of 9.8% compared with the prior year. Adjusted for the impact of currency effects, acquisitions and divestitures, sales decreased by 7.3%. Sulzer Pumps was the only division whose sales volume grew (nominally 2.2%, adjusted 8.2%), driven by the execution of its strong order backlog, ensuring high capacity utilization. The other divisions remained below the previous year's levels. In particular, Sulzer Metco and Sulzer Chemtech had significantly negative growth rates of 25.2% (adjusted 23.0%) and 23.2% (adjusted 26.3%), respectively. The sales volume of Sulzer Turbo Services moderately decreased by 7.1% (adjusted 9.5%). Consequently, Sulzer Pumps' share of total sales increased from 48.9% in 2008 to 55.4% in 2009. Geographically, Europe accounted for 31.3% of total sales, followed by North America (28.4%) and Asia, the Middle East and Australia (26.4%). Driven by strong sales in Brazil, the share of Central and South America increased to 7.1% in 2009. The remaining 6.8% of sales were generated in Africa.

Based on the execution of the high-quality order backlog, a solid gross margin of 30.0% was recorded in 2009. This was broadly in line with the prior year's level of 30.9%. The slight reduction was primarily a result of lower capacity utilization in various production sites. Gross profit decreased by 12.4% to CHF 1 006.5 million, mainly due to the lower sales volume.

Operating expenses: impacted by real estate sales and restructuring expenses

In 2009, operating expenses decreased by CHF 35.7 million (–5.3%) to CHF 638.5 million. Selling and distribution expenses decreased by CHF 21.6 million and general and administrative expenses were reduced by CHF 15.9 million, while research and development expenses increased by CHF 3.8 million. Sulzer booked restructuring expenses of CHF 48.6 million to adapt its cost structure and capacity to the lower market demand. An extraordinary high operating income, amounting to CHF 55.1 million, was recorded by Sulzer Real Estate. This was driven by some major sales of operationally non-essential real estate in Switzerland. In 2008, restructuring expenses had amounted to CHF 3.4 million and Sulzer Real Estate contributed CHF 14.3 million to the operating income. Excluding the high impact of the adaptation measures and Sulzer Real Estate, the operating expenses decreased by 5.8% in 2009.

The results of Sulzer Real Estate fluctuate due to the ongoing divestiture of operationally non-essential real estate. These properties stem from Sulzer's earlier industrial activities and will gradually be sold after preparation of the infrastructure and according to market conditions. The funds generated from the disposals are reinvested into the core businesses.

Operating income and profitability: value-creating threshold clearly exceeded

Sulzer's operating income decreased by 22.5% from CHF 475.1 million in 2008 to 368.0 million in 2009. Aside from the impact of the lower sales volume, the operating income was affected by the above-mentioned restructuring expenses and the extraordinary high contribution of Sulzer Real Estate. Return on sales before restructuring expenses (ROSR) amounted to 12.4% compared with 12.9% in 2008 and return on sales after restructuring expenses (ROS) amounted to 11.0% (2008: 12.8%).

Key performance indicators

millions of CHF	2009	2008
Return on sales before restructuring (ROSR)	12.4 %	12.9 %
Return on sales (ROS)	11.0 %	12.8 %
Return on capital employed (ROCE)	24.8 %	30.6 %

Despite its decrease from 30.6% to 24.8%, the return on capital employed (ROCE) clearly exceeded the pre-tax weighted average cost of capital, Sulzer's financial value creating threshold, of approximately 12%.

Operating income of the four divisions decreased by 33.8% to CHF 312.7 million and the ROSR of the divisions amounted to 10.8%. The reduction was mainly caused by the notably lower sales volume. The ROS of the divisions dropped by 3.4 percentage points to 9.4%. While Sulzer Turbo Services increased operating income before restructuring expenses by 20.9% and Sulzer Pumps noted a moderate decrease of 3.8%, Sulzer Metco (–52.0%) and Sulzer Chemtech (–53.3%) recorded less than half of their respective results of last year.

Financial income

The net financial income amounted to CHF 1.6 million, compared with CHF −23.5 million in 2008. The previous year's financial income was largely driven by the negative impact of currency fluctuations. Net interest income amounted to CHF −2.1 million, which is broadly on the same level as in the prior year (2008: CHF −3.8 million). Interest expenses are mainly related to unfunded pension liabilities in Germany.

Income tax expenses

Tax expenses decreased by 24.3% from CHF 123.9 million in 2008 to CHF 93.8 million in 2009, mainly as a result of the lower pre-tax income. The effective income tax rate amounted to 25.4%, compared with 27.4% in 2008. The significantly lower tax rate was driven by a number of

Consolidated income statement (condensed)

millions of CHF	2009	2008
Sales	3 350.4	3 713.5
Cost of goods sold	−2 343.9	−2 564.2
Gross profit	1 006.5	1 149.3
Selling, administrative and development expenses	−589.9	−670.8
Operating income before restructuring	416.6	478.5
Restructuring expenses	−48.6	−3.4
Operating income	368.0	475.1
Financial income, net	1.6	−23.5
Income tax expenses	−93.8	−123.9
Net income	275.8	327.7

non-recurring items, such as the extraordinary contributions of Sulzer Real Estate being taxed at a favorable rate, the capitalization of tax loss carry forwards in Brazil and Canada, and positive effects on deferred tax positions due to changes of applicable tax rates for some companies in Switzerland and China.

Net income

Sulzer generated a solid net income of CHF 275.8 million compared with CHF 327.7 million in the previous year (–15.8%). In 2009, CHF 5.4 million was attributable to minority shareholders, which was similar to the prior year. Net income attributable to Sulzer shareholders amounted to CHF 270.4 million (8.1% of sales) in 2009, compared with CHF 322.9 million (8.7% of sales) in the previous year. Basic earnings per share (EPS) amounted to CHF 8.06 compared with CHF 9.59 in 2008.

Balance sheet: continuously strong capital structure

Total assets as per December 31, 2009, amounted to CHF 3384.2 million, which is a slight decrease of CHF 46.0 million, or 1.3% compared with 2008. Acquisitions added approximately CHF 40 million to the balance sheet, and currency fluctuations resulted in an increase of approximately CHF 74 million. Notable changes compared with the prior year were recorded in property, plant and equipment (PP&E), inventories and trade accounts receivable. PP&E decreased by CHF 47.7 million to CHF 558.1 million, mainly as a result of the sale of operationally non-essential real estate in Switzerland. Inventories decreased by CHF 122.5 million and trade accounts receivable declined by CHF 163.2 million due to the lower sales volume compared with the prior year. The aging structure of trade accounts receivable remained broadly unchanged. The recoverability of trade accounts receivable is reviewed regularly and adequate allowances for doubtful debtors are considered. Cash and cash equivalents substantially increased by CHF 283.4 million to CHF 730.6 million as per December 31, 2009, and net liquidity (cash, cash equivalents and marketable securities less short- and long-term borrowings) more than doubled from CHF 306.1 million as per December 31, 2008, to CHF 670.6 million as per December 31, 2009.

Sulzer's capital structure further strengthened in 2009, as equity increased by CHF 242.6 million to CHF 1788.9 million, while total liabilities decreased by CHF 288.6 million to CHF 1595.3 million. The currency impact on equity was immaterial. The equity ratio (equity/total assets) increased from 44.8% in 2008 to 52.5% in 2009, and the gearing (borrowings/equity) decreased from 0.12 to 0.05. The lower liabilities were mainly a result of the reduction of short-term borrowings and a lower balance of advance payments from customers.

Adequate provisions remain for the controversial obligations resulting from a past divestiture. The situation of the asbestos lawsuits remained unchanged compared with the previous year. All litigation expenses were charged to income, and adequate provisions were maintained. On the basis of the current development and known facts, Sulzer assumes that the remaining cases can be resolved without material impact on liquidity and results.

Cash flow

Cash flow from operating activities amounted to CHF 488.0 million in 2009, an increase of CHF 38.1 million (8.5%) compared with the prior year. This rise was mainly driven by a notable reduction of net working capital by some CHF 133 million as a result of the lower sales volume, which led to lower trade accounts receivable and lower inventory levels but also to lower advance payments from customers. The beneficial impact of the lower net working capital was partially offset by the lower EBITDA contribution of the divisions.

Capital expenditure (purchase of intangible assets and property, plant and equipment) of CHF 112.2 million was broadly in line with the prior year. With CHF 54.7 million, or 48.8%, the major share of capital expenditure was spent for expansions. Besides capability and capacity expansion in Europe and North America, strategic investments were executed in the emerging markets. These investments included the ongoing construction of a new factory of Sulzer Pumps in Suzhou, China; the new Sulzer Chemtech facility in Serpukhov, Russia; and capacity expansions at the Sulzer Chemtech site in Pune, India. Capital expenditure for replacements amounted to CHF 30.1 million, or 26.8% of total capital expenditure. CHF 7.5 million was spent on information technology, primarily for the continued standardization of enterprise-resource-planning systems within the divisions. Geographically, capital expenditure was primarily spent in Europe (59.6%) and North America (23.5%), while 12.9% of capital expenditure was spent in Asia, the Middle East and Australia and the remaining 4.0% in Central and South America and Africa. The sale of intangible assets and property, plant and equipment of CHF 153.0 million was, as in the prior year, primarily driven by the sale of operationally non-essential real estate in Switzerland.

Free cash flow, consisting of cash flow from operating activities as well as purchase and sale of intangible assets and property, plant and equipment, was supported by the substantial cash inflow from the real estate sales and amounted to CHF 528.8 million. This is 45.6% above the CHF 363.1 million generated in the previous year.

Cash outflow from acquisitions and divestitures amounted to CHF 39.6 million, compared with CHF 77.1 million in 2008. With the exception of one smaller acquisition by Sulzer Metco, all acquisitions closed in the reporting year were executed for Sulzer Chemtech. The division established the new Process Technology business unit by combining existing process know-how with the acquired activities of Kühni Ltd. Acquisitions in Australia, Thailand, Germany and India further strengthened the Tower Field Service business unit of Sulzer Chemtech. In 2009, cash flow from acquisitions and divestitures included a payment of CHF 7.5 million to the seller of the company Capime, which was acquired in 2008 by Sulzer Turbo Services. In the prior year, cash flow from acquisitions and divestitures mainly related to the remaining payment of the Mixpac, Werfo and Mold acquisition, which was closed in 2006.

Overall, a cash inflow from investing activities of CHF 13.0 million was recorded, compared with a cash outflow of CHF 198.0 million in 2008.

In 2009, the most significant outflows in the cash flow from financing activities were the dividend payment of CHF 94.0 million, the repayment of borrowings of CHF 120.1 million as well as CHF 28.0 million mainly related to a treasury stock forward transaction. The previous year included primarily the dividend payment of CHF 94.6 million.

The exchange gains on cash and cash equivalents amounted to CHF 7.7 million in 2009, whereas exchange losses of CHF 69.4 million were recorded in 2008.

Corporate development

Sulzer announced measures to adapt cost structure and production capacity to the lower market demand. These measures will allow for annual cost savings of approximately CHF 110 million after completion in the first half of 2011, with related restructuring expenses of some CHF 55 million. Thereof, non-recurring charges of CHF 48.6 million were booked in 2009.

All divisions have taken adaptation measures. However, the magnitude and timing depends on their specific situation. The measures in 2009 were most extensive at Sulzer Metco and Sulzer Chemtech, while Sulzer Turbo Services was affected to a lesser degree and at only one location. At Sulzer Pumps, a strong order backlog ensured high capacity utilization at many locations, while, at other sites, capacities were already adjusted. The geographical emphasis of the adaptation measures lay within Europe and North America. The restructuring provisions as per December 31, 2009, amounted to CHF 24.2 million. The vast majority of these restructuring provisions are projected to be cash effective in 2010.

For the acquisition strategy, Sulzer aims to achieve its strategic goals more rapidly by selectively acquiring technologies and investing in specific market geographies and segments. The strategy focuses on the company's core activities, including adjacent businesses. Sulzer continues to pursue suitable acquisitions, but will maintain its discipline of strategic fit, value creation and integration.

Outlook

Sulzer expects a further decline of order intake and sales in 2010, mainly due to Sulzer Pumps, which was affected by the downturn later than the other divisions. Sales are expected to exceed order intake, resulting in a further reduction of the order backlog. The adaptation measures will already have a substantial impact in 2010. However, the full cost savings will only show effect from mid-2011 onward. The contribution of Sulzer Real Estate is projected to be substantially below the extraordinary high level in 2009. Sulzer's operating income and return on sales are expected to decrease in 2010. The tax rate is forecast to amount to approximately 28%. Sulzer's strong market positions and the sound financial situation build a solid foundation for sustainable success.

Consolidated cash flow statement (condensed)

millions of CHF	2009	2008
Cash flow from operating activities	**488.0**	449.9
Purchase of intangible assets and property, plant and equipment	–112.2	–116.0
Sale of intangible assets and property, plant and equipment	153.0	29.2
Free cash flow	**528.8**	363.1
Acquisitions/divestitures	–39.6	–77.1
Purchase/sale of financial assets and marketable securities	11.8	–34.1
Cash flow from operating and investing activities	**501.0**	251.9
Cash flow from financing activities	**–225.3**	–98.9
Exchange gains/losses on cash and cash equivalents	7.7	–69.4
Net change in cash and cash equivalents	283.4	83.6
Cash and cash equivalents as of December 31	**730.6**	447.2

Divisions and Markets

Solutions for customers worldwide

Sulzer's worldwide network ensures customer proximity and local presence. The divisions are global leaders in selected industrial markets. Their innovative solutions strengthen the competitive positions of Sulzer's customers.

Sulzer Pumps

Sulzer Pumps develops and supplies centrifugal pumps worldwide. Intensive research and development in fluid dynamics, process-oriented products and special materials as well as reliable service help the division maintain its leading positions in its key markets. Its customers come from the oil and gas, hydrocarbon processing, power generation and pulp and paper sectors as well as from water distribution and treatment and other general industries.

Sulzer Metco

Sulzer Metco is a leading global supplier of solutions, products, services and equipment for thermal-spray, thin-film and other selected functional surface technologies as well as a provider of specialized machining services. Innovative solutions help the customers to improve performance, increase efficiency and reliability, and ensure the safe operation of their products. Sulzer Metco serves industries such as power generation, aviation, automotive and other specialized markets.

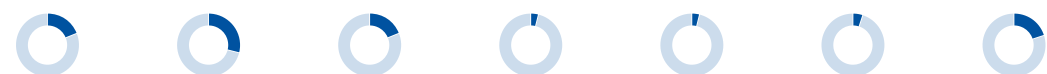
Sulzer Chemtech

Sulzer Chemtech has leading positions in the fields of process technology, separation towers, as well as two-component mixing and dispensing systems. With locations for sales, engineering, production as well as installation and maintenance service, Sulzer Chemtech maintains a worldwide presence for its clients in the oil and gas, hydrocarbon processing and other industrial markets.

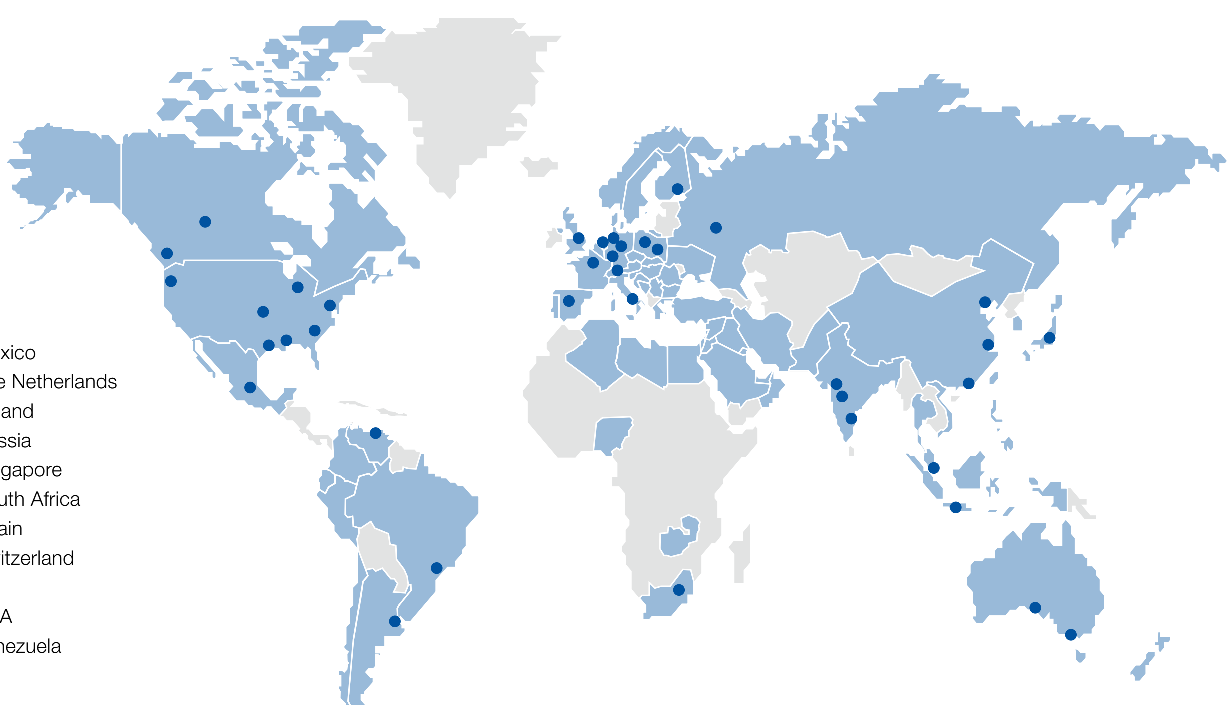
Sulzer Turbo Services

Sulzer Turbo Services is an independent provider of repair and maintenance services for thermal turbomachinery and other rotating equipment. The division also manufactures and sells replacement parts for gas turbines, steam turbines and compressors. Sulzer Turbo Services' customers are in the oil and gas, hydrocarbon processing, power generation and other industrial markets.

Market segments

	Oil and Gas (Upstream)	HPI (Oil and Gas, Downstream)	Power Generation	Pulp and Paper	Aviation	Automotive Industry	Other Industrial Markets
Share of Sales							
Sulzer Pumps	■	■	■	■			■
Sulzer Metco	▪		■	▪	■	■	■
Sulzer Chemtech	■	■	▪			▪	■
Sulzer Turbo Services	■	■	■	▪			■

Sulzer's production and service network



Argentina	Mexico
Australia	The Netherlands
Brazil	Poland
Canada	Russia
China	Singapore
Finland	South Africa
France	Spain
Germany	Switzerland
India	UK
Indonesia	USA
Italy	Venezuela
Japan	

● Major facility ■ Sulzer presence

Sulzer Pumps serves the dynamic markets in the Middle East

Countries in the Middle East hold the largest global oil and gas reserves. Sulzer Pumps continues to develop its local presence to serve its clients as a reliable partner with innovative and competitive solutions.

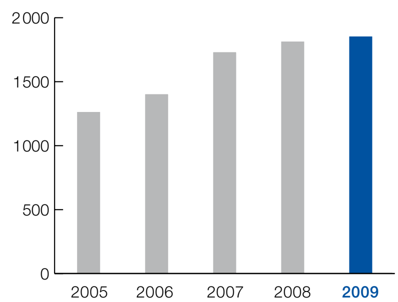
Service team at the Abu Dhabi service center in the United Arab Emirates

Sulzer Pumps

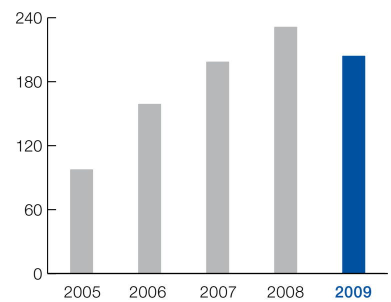
Record sales in a challenging environment

Based on a strong order backlog, Sulzer Pumps achieved record-high sales, while the order intake decreased significantly. Due to restructuring expenses, the operating income was lower than in the previous year. The division succeeded in maintaining its strong market positions.

Sales 2005–2009 in millions of CHF



EBIT 2005–2009 in millions of CHF



Key figures

millions of CHF		2009	2008	Change in +/– %	+/– % [1]
Order intake		**1 684.5**	2 308.7	–27.0	–22.9
Order backlog		**1 436.0**	1 518.6	–5.4	
Sales		**1 856.7**	1 817.0	2.2	8.2
Operating income before depreciation/amortization	EBITDA	**231.5**	257.0	–9.9	
Operating income before restructuring expenses	EBITR	**223.4**	232.3	–3.8	
Operating income	EBIT	**204.7**	231.9	–11.7	
Return on sales before restructuring expenses	ROSR	**12.0%**	12.8%		
Return on sales (EBIT/sales)	ROS	**11.0%**	12.8%		
Capital employed (average)		**416.7**	433.8	–3.9	
Return on capital employed (EBIT/capital employed)	ROCE	**49.1%**	53.5%		
Employees (number of full-time equivalents) as of December 31		**5 928**	6 239	–5.0	

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Management team

Kim Jackson, Division President

Mauricio Bannwart, North America (since March 1, 2009, formerly South America, South Africa)
Marius Baumgartner, Human Resources
Clemens Beyl, Europe, Middle East (since October 1, 2009, formerly Asia-Pacific)
Ashwin Bondal, Asia-Pacific (since September 1, 2009)
Ricardo Coco, South America, South Africa (since March 1, 2009)
Keith Dowle, Europe, Middle East (until September 30, 2009)
Arturo Esquinca, Business Development
Ralf Gerdes, Product Development and Engineering, and (since September 1, 2009) Operations Support
Mikko Hirvensalo, Sulzer Process Pumps
Markus Tritschler, Finance and Controlling
Martin Valentin, Marketing and Sales, and (for the interim, until February 28, 2009) North America

Kim Jackson, Division President

“While achieving record sales in 2009, substantially lower market activity resulted in fewer orders. We remain committed to improving our processes, expanding our product portfolio and taking the necessary measures to ensure continued leading positions in our markets.”

Markets: lower customer investments
Demand in all of the division’s key markets decreased significantly compared with the extraordinary levels of 2008. Activity in the oil and gas industry was particularly low as end customers postponed projects, and, consequently, the price pressure increased. With utilization ratios of many refineries at historical lows, project activity in the hydrocarbon processing industry also decreased notably. Demand in the power generation industry remained comparatively strong but started to soften toward the end of the year. The pulp and paper industry remained weak. Market activities were low on a global scale except for some emerging markets, which developed at comparatively robust levels. In a challenging environment, the division succeeded in maintaining its strong market positions.

Operations: record-high sales
The strong order backlog ensured high capacity utilization at many sites, resulting in record-high sales, which surpassed the order intake volume. Sales growth was driven predominantly by new equipment. The decrease in operating income was mainly due to the restructuring expenses. The return on sales was marginally below the previous year. While still growing, in anticipation of the effects of the deteriorated markets, the division initiated adaptation measures at selected sites. Investments in operational excellence initiatives were continued, and the implementation of the common platform for products, systems and processes was further advanced. By the end of 2009, all manufacturing sites had been certified to the ISO 9001 quality standard, the ISO 14001 environmental standard and the OHSAS 18001 health and safety standard.

Strategy: focus on emerging markets
While adapting capacity to lower demand, the division continues to leverage new business opportunities in order to outpace the competition. Emerging markets are still a key focus of attention, in particular the Middle East and China. The division is continually expanding the product portfolio in emerging markets to meet the needs of the customers. In China, a new factory is currently being built for the domestic market; it will open in 2010. The service business network has been further expanded and now comprises more than 60 sites worldwide. Additional business opportunities are being developed, for instance, for the concentrated solar power market, where Sulzer’s innovative solutions are performance critical.

Outlook: continued weak activities
The oil and gas market is expected to remain weak. For the hydrocarbon processing industry, the division anticipates lower project activities. The power generation market is likely to soften compared to the level of 2009, particularly for combined-cycle and fossil-fuel plants, while the nuclear power industry has long-term growth potential. Demand in the pulp and paper industry is predicted to remain weak. Geographically, activity levels will remain at low levels in all regions with the exception of some emerging countries. The division will continue to adapt cost structures and capacities to the market realities. For 2010, the division expects lower order intake, sales and return on sales compared to the strong performance in 2009.

Sulzer Metco actively participates in the high growth in China

China has become the second largest aviation market worldwide and growth rates are expected to remain above average. As eco-efficiency is increasingly important to aero engine manufacturers and airlines, Sulzer Metco's innovative coatings are in high demand.

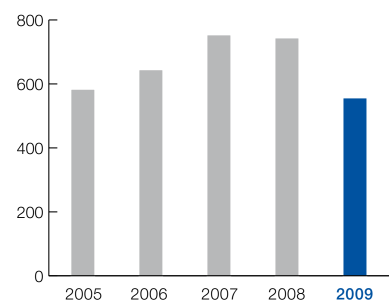
Engineers in Shanghai, China, develop innovative coatings for the aviation industry

Sulzer Metco

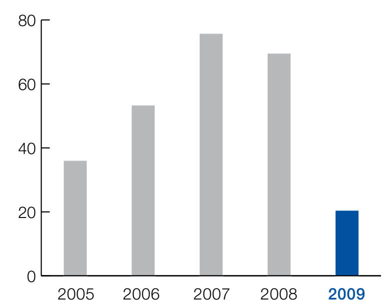
Adaptation measures and continued focus on innovation

Sulzer Metco reacted fast to the changed market environment, while maintaining its focus on innovation. Sales, operating income and profitability of the division declined notably. The application areas for surface technologies continued to expand.

Sales 2005–2009 in millions of CHF



EBIT 2005–2009 in millions of CHF



Key figures

millions of CHF		2009	2008	Change in +/– %	+/– % [1]
Order intake		**545.5**	715.6	–23.8	–21.4
Order backlog		**57.2**	68.2	–16.1	
Sales		**556.0**	743.5	–25.2	–23.0
Operating income before depreciation/amortization	EBITDA	**46.3**	94.3	–50.9	
Operating income before restructuring expenses	EBITR	**34.2**	71.2	–52.0	
Operating income	EBIT	**20.5**	69.6	–70.5	
Return on sales before restructuring expenses	ROSR	**6.2%**	9.6%		
Return on sales (EBIT/sales)	ROS	**3.7%**	9.4%		
Capital employed (average)		**412.1**	433.8	–5.0	
Return on capital employed (EBIT/capital employed)	ROCE	**5.0%**	16.0%		
Employees (number of full-time equivalents) as of December 31		**1 796**	2 105	–14.7	

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Management team

César Montenegro, Division President

Valentin Bühler, Thin Film
Bruno Gerig, Human Resources
Thomas Gutzwiller, Surface Solutions
Markus Heusser, Thermal Spray
(until September 30, 2009)

Christian Marbot, Finance and Controlling
Daniel Moraschetti, Business Development
(until April 30, 2009)
Richard Schmid, Technology
Max de Vries, Planning and Acquisitions

César Montenegro, Division President

“The measures taken to adapt to the changed market conditions have already shown some impact in 2009. Customers continue to search for enhanced surface properties and Sulzer Metco is well positioned to provide them with leading-edge solutions.”

Markets: weak demand

The challenging economic environment had a significant negative impact on the division’s key markets throughout 2009. Demand was particularly low in the automotive and the general industrial markets. The aviation and the power generation industries were less affected, but reported clearly reduced activity as well. The downturn was felt in all regions. Asia and Europe were particularly impacted, while activity in the Americas decreased less. Some positive signs became noticeable toward the year-end, in particular, demand for the division’s innovative solutions in the automotive industry increased.

Operations: adapting to changed markets

The lower market demand led to a notable decrease in sales. Due to declined volumes and, thus, reduced operational leverage, the operating income decreased even more, which resulted in a significantly lower profitability. The division took early measures to reduce costs and capacity by introducing short-time work at various sites and reducing the workforce. Some smaller facilities were sold or closed. The resulting restructuring expenses were booked in 2009. The division successfully managed the pricing issues related to the volatility of raw material prices. To ensure competitiveness, Sulzer Metco continued to invest in operational excellence initiatives.

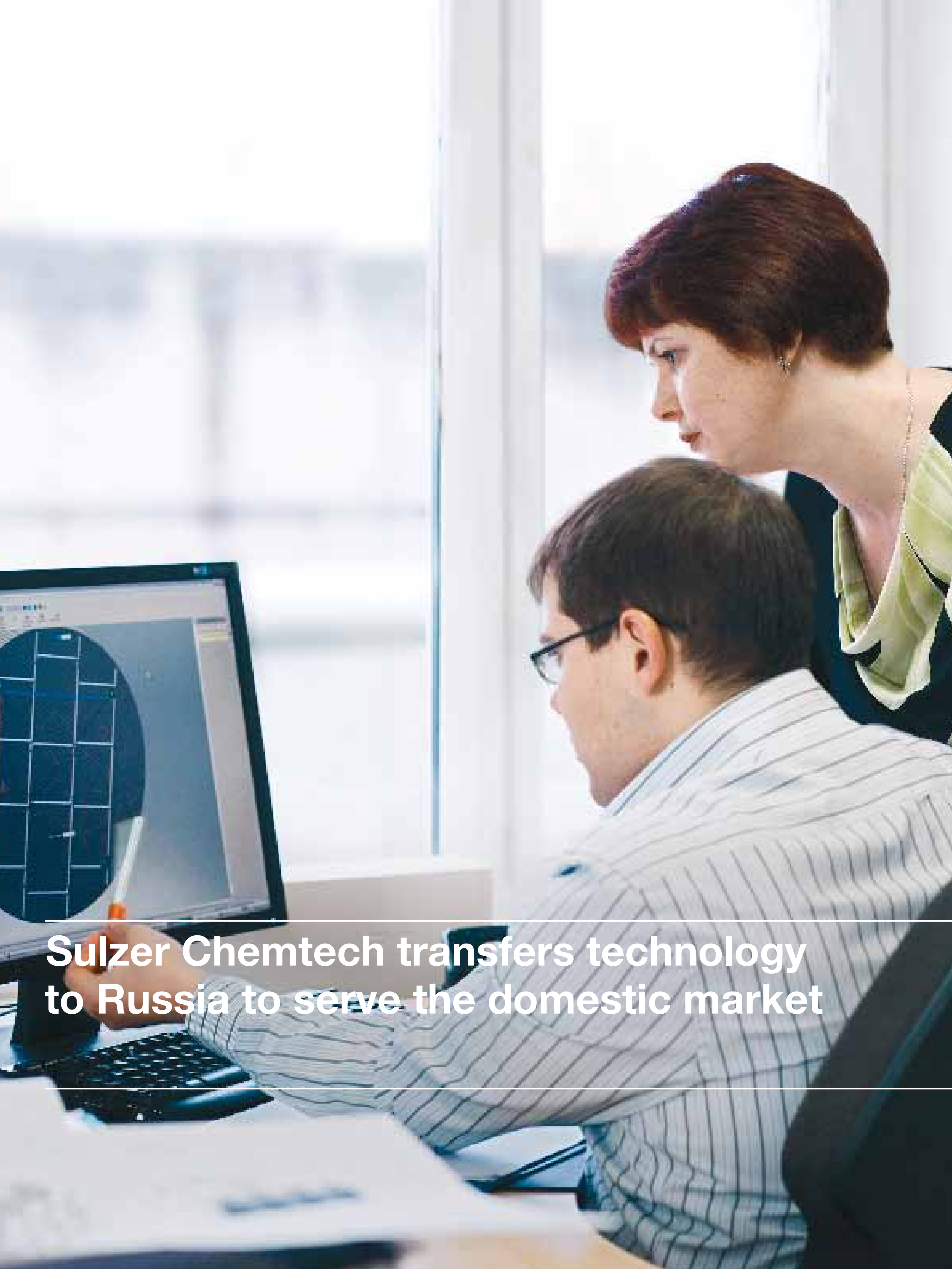
Strategy: closer to the customers

Sulzer Metco realigned its organization to ensure long-term success. The new organization is designed for higher customer and market proximity. It consists of the four business units Materials, Equipment, Services and Components, as well as a global Sales and Marketing unit. Management structures are flatter and leaner and emphasize selected synergies between the businesses.

The division is constantly expanding its local presence in emerging markets, particularly in China, to be closer to the customers and to offer them solutions tailored to their needs. Consistent innovation continues to be essential for future growth. The division increasingly offers customized solutions, which include systems, materials and know-how to ensure efficient and highly reliable processes and products for the customers. For instance, innovative sprayed coatings that replace cast-iron surfaces in combustion engines ensure market success in the automotive industry.

Outlook: some stabilization

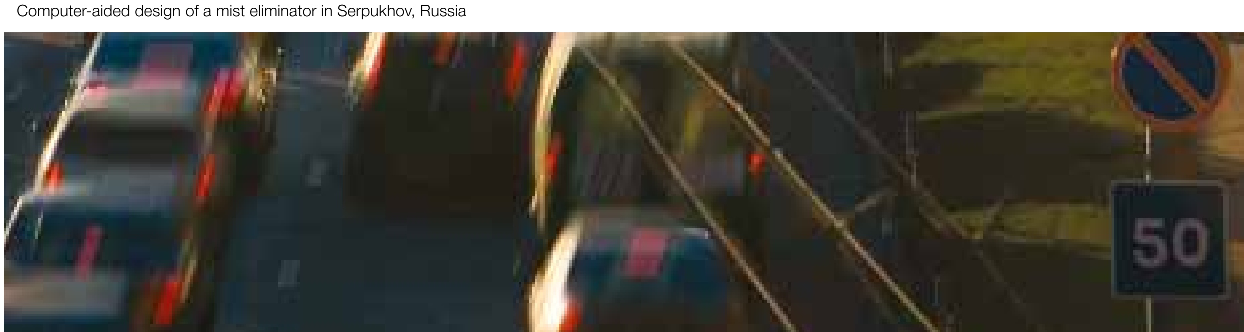
Overall, the division expects some stabilization in 2010, although the power generation industry is likely to slow down. The activity in the aviation market is expected to remain around the current level and other industrial markets are likely to show higher activity. Innovations, such as carbon-based coating solutions should allow the division to seize additional business opportunities in the automotive industry. Asia has the highest potential for growth. Markets in the Americas and Europe are likely to stabilize at low levels in 2010. Uncertainties — such as the future development of the automotive market after the phase-out of government stimulus programs — remain high and make predictions challenging. The division expects some stabilization in sales and an improvement of the operating income in 2010.



Sulzer Chemtech transfers technology to Russia to serve the domestic market

Thanks to its vast natural resources, Russia holds promising business opportunities, particularly in the hydrocarbon processing industry. Sulzer Chemtech has set up a new facility to satisfy the needs of local refineries and petrochemical plants.

Computer-aided design of a mist eliminator in Serpukhov, Russia

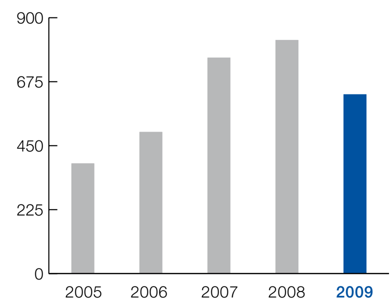


Sulzer Chemtech

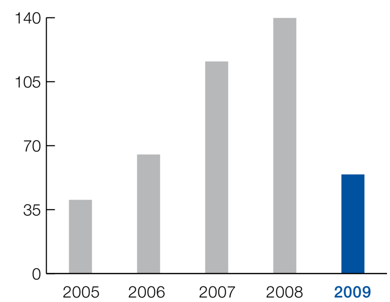
Adapting to lower market activity

The division maintained its market positions and achieved a double-digit return on sales before restructuring. In a challenging market environment, sales and profitability decreased significantly. The necessary adaptation measures were implemented quickly.

Sales 2005–2009 in millions of CHF



EBIT 2005–2009 in millions of CHF



Key figures

millions of CHF		2009	2008	Change in +/– %	Change in +/– %[1]
Order intake		**498.4**	770.4	–35.3	–36.8
Order backlog		**238.9**	347.9	–31.3	
Sales		**632.3**	823.3	–23.2	–26.3
Operating income before depreciation/amortization	EBITDA	**96.2**	171.8	–44.0	
Operating income before restructuring expenses	EBITR	**65.5**	140.4	–53.3	
Operating income	EBIT	**54.5**	140.1	–61.1	
Return on sales before restructuring expenses	ROSR	**10.4%**	17.1%		
Return on sales (EBIT/sales)	ROS	**8.6%**	17.0%		
Capital employed (average)		**417.9**	426.2	–1.9	
Return on capital employed (EBIT/capital employed)	ROCE	**13.0%**	32.9%		
Employees (number of full-time equivalents) as of December 31		**2977**	2769	7.5	

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Management team

Urs Fankhauser, Division President

Thomas Bänninger, Finance and Controlling
Oliver Bailer, Mixing and Reaction Technology
Jon Bailey, Tower Field Service
Fabrice Billard, Business Development
Volker Brinke, Sulzer Mixpac Systems
Christopher Isom, Sulzer Chemtech USA, Inc.
Martin Meier, Human Resources
Peter Moritz, Process Technology (since May 1, 2009)
Subodh Nadkarni, Mass Transfer Technology, Asia-Pacific (until November 15, 2009)
Philipp Süess, Mass Transfer Technology (since April 1, 2009, formerly Mass Transfer Technology Europe/Americas)

Urs Fankhauser, Division President

"We have taken the required steps to remain competitive in a challenging environment. They are designed to adapt our costs and capacities to the currently lower demand and prepare us for success when markets recover."

Markets: overall lower activity

Demand decreased substantially in all of the division's key markets. The hydrocarbon processing industry, which is the division's largest market, was impacted strongly by the economic downturn, mainly due to the related global overcapacity in the petrochemical industry. Demand for new equipment was significantly lower due to a decline in the consumption of oil, chemicals and plastics, while activities of the Tower Field Service unit remained relatively stable. Demand was lower in the dental and industrial markets. Despite the challenging economic environment and increasing price pressure, the division maintained its market positions. Activity declined in all regions but remained strong in China.

Operations: decreased profitability

The order intake decreased strongly compared with the previous year. The decline in sales — compared with the extraordinary level in 2008 — was smaller due to the still high order backlog at the beginning of the year. Owing to decreased volumes, the operating income declined, and return on sales was significantly lower. Considerable adaptation measures had to be initiated, including short-time work, reduction of the workforce and the closure of the production facility in Poland. Ongoing operational excellence measures and the successful development of the enterprise-resource-planning system have ensured efficient and reliable processes.

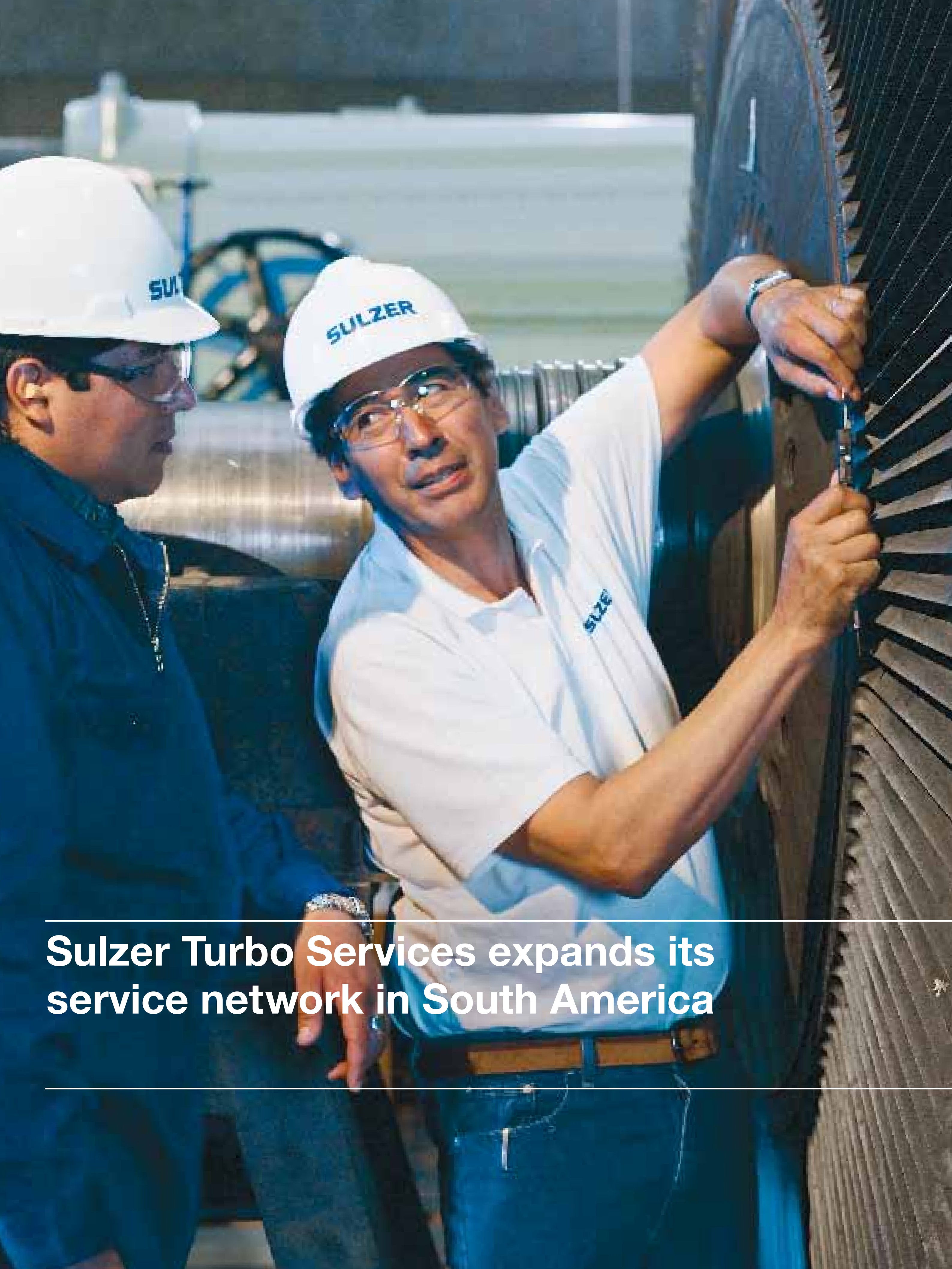
Strategy: dedicated Process Technology activities

The division established the new Process Technology business unit by combining the existing process know-how with the acquired activities of Kühni Ltd, a specialist in thermal, diffusional and membrane separation technology. In order to further streamline the organization, the activities and teams of the Mixing and Reaction Technology business unit were integrated into the new Process Technology and the existing Sulzer Mixpac Systems business units.

The development of innovative solutions remains essential for future growth. For instance, in cooperation with the producer of natural lactide monomers Purac, the division has developed an innovative, cost-effective process to produce bioplastics. These bioplastics have great market potential because they possess excellent properties for various applications, such as foaming, packaging and extrusion. Expanding the local presence in emerging markets in order to better serve local clients and to keep the cost structure competitive remains a key priority of the division. In Russia, a new facility was opened to serve the domestic market. The global tower field service network was strengthened with acquisitions in Australia, Thailand, India and Germany.

Outlook: market situation remains challenging

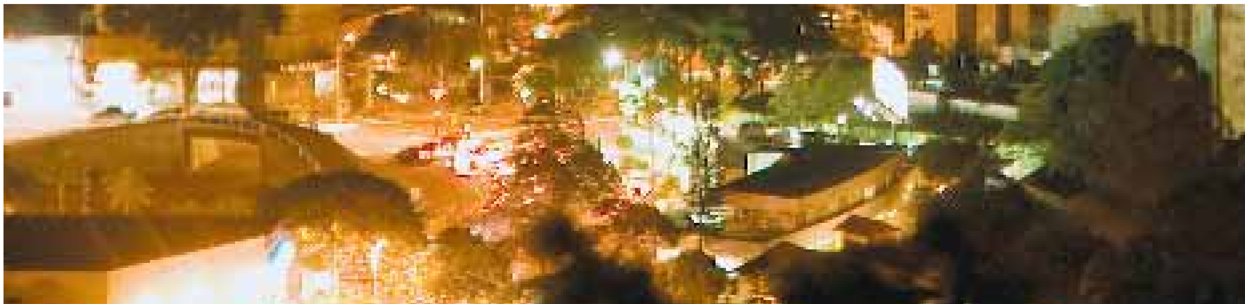
The hydrocarbon processing industry is not expected to recover in 2010. Project activity is forecast to remain low worldwide, except for business opportunities in some of the emerging markets. The tower field service business and the market activities for Sulzer Mixpac Systems are expected to remain at the levels of 2009. The performance of the new Process Technology business unit will be influenced by the progress of various large projects. The divisional order intake is expected to stabilize in 2010, while sales are likely to decrease further. The return on sales is expected to remain at a similar level as in 2009.



Sulzer Turbo Services expands its service network in South America

The economies in South America are comparatively resilient, and the demand for energy is increasing. With the acquisition and integration of a turbomachinery service provider with activities throughout South America, Sulzer Turbo Services has strengthened the platform for further growth in that region.

Field service team at the Central Puerto power plant in Buenos Aires, Argentina

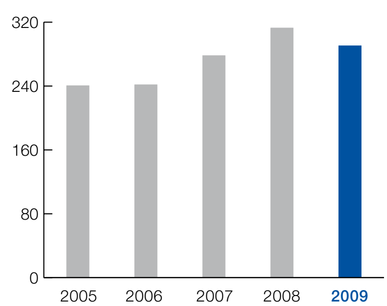


Sulzer Turbo Services

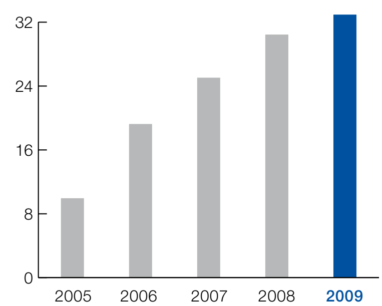
Strong service business

The division succeeded in raising profitability despite slightly lower order and sales volumes. The organizational structure was strengthened and the newly acquired activities in South America were integrated to accommodate growth in emerging markets.

Sales 2005–2009 in millions of CHF



EBIT 2005–2009 in millions of CHF



Key figures

millions of CHF		2009	2008	Change in +/– %	+/– % [1]
Order intake		278.3	303.4	–8.3	–9.8
Order backlog		137.2	160.0	–14.3	
Sales		291.3	313.6	–7.1	–9.5
Operating income before depreciation/amortization	EBITDA	41.0	38.1	7.6	
Operating income before restructuring expenses	EBITR	38.2	31.6	20.9	
Operating income	EBIT	33.0	30.5	8.2	
Return on sales before restructuring expenses	ROSR	13.1%	10.1%		
Return on sales (EBIT/sales)	ROS	11.3%	9.7%		
Capital employed (average)		190.1	179.5	5.9	
Return on capital employed (EBIT/capital employed)	ROCE	17.4%	17.0%		
Employees (number of full-time equivalents) as of December 31		1189	1314	–9.5	

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Management team

Peter Alexander, Division President

Roland Baumberger, Human Resources
Kenneth MacKenzie, Contracts and Engineering

Richard Müller, Finance and Controlling
Subodh Nadkarni, Europe, Middle East, Asia (since November 15, 2009)
Darayus Pardivala, Americas
Nathan Self, Asia-Pacific

Peter Alexander, Division President

"Our service activities showed resilience in the economic downturn. We put the needs of our customers first; we provide them with innovative service solutions that create long-term value and make them more competitive."

Markets: relatively robust market activity

The market environment has become more competitive due to the economic downturn. Demand in the oil and gas and the hydrocarbon processing industries declined. However, activity in the power generation market increased, with particularly high demand for the division's services for new-generation turbines. The Americas and the Asia-Pacific region remained healthy with new business opportunities for the division, whereas activity in Europe was affected by the economic downturn.

Operations: increased profitability

The division succeeded in notably increasing the return on sales despite slight decreases in order intake and sales. Operational excellence initiatives have been continuously implemented to ensure lean and efficient processes. The cost structure and production capacity at one site in the Netherlands were thoroughly reviewed and successfully adapted to the changing market situation. Profitability at this location has already improved as a result of these measures. The corresponding restructuring expenses were fully booked in 2009. In the area of health and safety, four out of seven assessed facilities achieved the division's ambitious goal of zero occupational accidents.

Strategy: growth potential in emerging markets

The division has expanded its activities in the emerging markets to seize growth potential and improve customer proximity and the management structure was strengthened accordingly. Integration of the recently acquired businesses in South America progressed well with knowledge transfer from other locations and realignment of the sales organization. The strategy of pursuing long-term service agreements has been successful. Several contracts were concluded that ensure a steady long-term stream of revenue. Customers benefit from improved operational reliability and cost savings. In the area of technology, the division applies innovative 3D-imaging technologies to support parts manufacturing and improve repair process efficiency.

Outlook: overall comparable activity levels

The market development in the oil and gas and the hydrocarbon processing industries is expected to remain challenging as customers postpone maintenance orders. However, the demand for services in the power generation market is forecast to remain lively. Long-term service agreements signed in 2009 will provide a stronger and more consistent base load. The acquisition in South America will increase business opportunities throughout the region. For Asia-Pacific, market activity is forecast to stay at relatively high levels. The division expects comparable levels of order intake, sales and operating income with those of 2009.

We innovate to create value for our customers

Research and development at the Sulzer site in Elandsfontein, South Africa

Innovation and Technology

Increased and faster innovation

Innovation is a top priority at Sulzer and is essential to sustainable success. The innovation process is systematically managed in order to create more innovative solutions with improved customer value and to bring these solutions to market faster.

Innovation throughout the company

Increased and faster innovation is one of Sulzer's areas of focus because the ability to offer innovative solutions for performance-critical applications is essential to sustainable success. The goal is to encourage idea generation and to bring the solutions with the greatest potential quickly and successfully to market. For this purpose, Sulzer uses advanced tools and processes to foster a culture of learning. Various events that emphasized idea generation were organized across the corporation in 2009. For instance, an idea-generation event about alternative energy technologies was organized in cooperation with the Swiss Federal Institute of Technology. Sulzer is also invested in a Swiss venture company, supports and shapes its portfolio management considerably and leverages innovative business ideas for the corporation. A multistage process is in place to systematically manage the innovation process. After the initial idea, the proposals are reviewed for their strategic fit, business potential, technical feasibility and prospects for success.

Overall, Sulzer invested in 2009 CHF 63 million in research and development. The divisions usually concentrate on application-oriented solutions with timelines of three to five years. At the corporate level, the focus lies on the long-term development of technologies with timelines of five to ten years. The Innovation and Technology Council is in charge of proactively managing the innovation process across the divisions; it consists of the divisional Technology Officers, the Head of Patent Department and the corporate Chief Technology Officer, who leads the council. Using technology and product roadmaps, it guides the long-term development of the innovation portfolio and coordinates joint external research activities. One example of an interdivisional opportunity with growth potential for Sulzer Pumps, Sulzer Metco and Sulzer Chemtech is the development of the second-generation non-food-based biofuels.

Understanding the customers

The focus of the development and research activities is to provide unique solutions for specific customer problems. In order to bring innovations successfully to market, Sulzer engineers aim to understand customer processes and strategy thoroughly. In response to scarce oil resources, Sulzer Pumps has committed significant resources to developing subsea pumping systems, which are capable of operating in depths of up to 3000 meters. Sulzer Metco offers its customers tailored surface solutions that include training, documentation and system maintenance. Sulzer Chemtech has been working in close cooperation with a customer to develop a new polymerization process to produce high-quality bioplastics. Innovative welding and surface treatments from Sulzer Turbo Services create added value for the customers and help them save time and money.

Sulzer Innotec — enabling innovations

Sulzer Innotec is the corporation's central research and development unit. Its core competencies lie in materials and surface engineering, fluid technology, technical diagnostics and one-off production. Recent in-house developments include innovative functional materials, e.g., metallic foams and hybrid nano-materials. Sulzer Innotec offers contract research and technical services to external customers and supports the divisions in their activities, e.g., with assignments in computational fluid dynamics and materials development. The unit fosters innovation management and cooperates with external partners, such as universities and institutes of technology, which ensures timely access to scientific findings, new technologies and ventures. Due to the weak economic environment, Sulzer Innotec's sales decreased to CHF 26 million from CHF 32 million in 2008.

Corporate Culture and the Sulzer Brand

High brand recognition and shared values

The Sulzer brand embodies reliability, quality, innovative solutions, customer partnership and sustainability. It builds on a strong tradition of corporate culture and shared core values: customer partnership, operational excellence and committed people.

The strong Sulzer brand reflects the company's corporate culture and values. Customers, suppliers, employees and shareholders know that the Sulzer brand stands for reliability, quality, innovative solutions, customer partnership and sustainability. This reputation is continually fostered by the behavior of every employee and the organization as a whole.

Experience Sulzer: celebrating a strong tradition

In 2009, Sulzer celebrated its 175th anniversary with the motto *Experience Sulzer*. Publications, videos and other communications tools showed how Sulzer is realizing its vision of being a recognized leader in providing innovative, sustainable, engineered and customer-focused solutions for performance-critical applications. The celebration focused on how the company provides solutions that make customers more competitive. Employees, customers and other stakeholders gathered worldwide to experience Sulzer's strong brand value proposition and corporate culture firsthand at various events.

The shared core values are essential for Sulzer's sustainable success. The core values customer partnership, operational excellence and committed people shape internal cooperation and interaction with the stakeholders. Presentations, discussions and workshops were held in 2009 to deepen the understanding of these core values on all levels worldwide. Teams of employees discussed how the core values are incorporated into their day-to-day activities, especially in the challenging current environment. This initiative receives direct and repeated top-management support to underline its importance.

Fostering and strengthening the brand

To ensure the recruitment, development and retention of Sulzer employees, an employer branding strategy was implemented. It is based on the three pillars innovative environment, long-term career success and committed people. The corresponding toolbox provides support for consistent global recruiting activities.

At the corporate and divisional level, design guidelines ensure a consistent visual appearance worldwide. On the web-based Sulzer Brandnet, up-to-date design standards are available for all employees. In case of imitations and forgeries, the patent and trademarks department takes appropriate action to protect the Sulzer logo and trademarks.

Shared values are the base for high performance

Sulzer employees are committed to the strong brand

Employees

Ensuring commitment in challenging times

Continued investment in talent management is essential to ensuring commitment and motivation. Employees affected by adaptation measures are treated with respect and fairness.

Continued investment in talent management

Sulzer continued to invest in talent management and to encourage the employees to remain committed and focused on their work in challenging times. Sulzer supports employees in the systematic planning of their professional careers. Engineers have the option of a technical career track as an alternative to a management career track. With targeted succession planning, Sulzer filled 79% of all management positions with internal talent in 2009. Employees receive regular feedback on their performance and competencies and are encouraged to discuss career goals and development opportunities; every year, around 80% of all employees take part in competency appraisal reviews.

Regular employee satisfaction surveys attest to the positive work environment and employee retention. The high level of employee satisfaction is reflected in the low voluntary turnover rate of approximately 6% globally. Sulzer Pumps conducted a follow-up employee satisfaction survey with a response rate of 88%. Key indicators for leadership, work satisfaction as well as goal and company commitment further increased from already high levels.

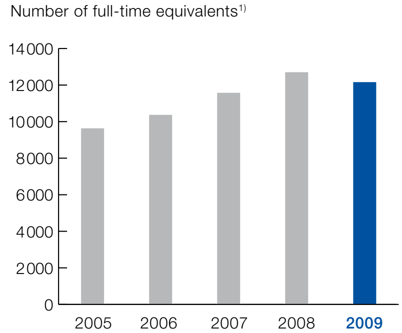
All divisions have invested in training on lean principles. A corporate-wide platform to foster lean knowledge was initiated and will be operational in 2010. In the areas of contract and risk management and compliance, more than 4500 employees participated in e-learning programs, training sessions and workshops. More than 180 managers and experts participated in one of the Programs for Development and Impact for leadership training. Assisted by senior leaders and external trainers, they applied and improved their technical, management and interpersonal skills in projects with a measurable contribution to Sulzer's economic success.

Measures to adapt to the economic situation

The current economic situation has made it necessary to implement measures to adapt capacity and cost structure in order to ensure the sustainable success of the company. These adaptation measures have included the reduction of subcontracting activities, employee working hours, and headcount. Sulzer is supporting the affected employees and is treating them fairly and with respect — in line with the core values of the company.

Workforce

Number of full-time equivalents[1)]



[1)] As of December 31.

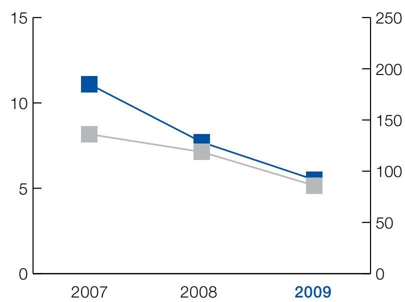
Sulzer offers attractive high-tech workplaces

Sustainability

Quantifying and improving sustainability performance

Sustainability is a fundamental element of the Sulzer vision and has strongly contributed to the success of the corporation. The economic, social and ecological performance is continuously monitored and improved.

Safety



Accident frequency rate, AFR
(Number of occupational accidents with one or more lost days per million working hours)
Accident severity rate, ASR
(Numbers of lost days per million working hours)

Safe work behavior is continually trained at Sulzer

Sulzer engages in an open dialogue with all stakeholders and aims to balance their needs. The sustainability strategy is based on the stakeholder matrix (see next page). It encompasses economic, social and ecological aspects and defines objectives, success factors and main tools. The first three lines of the matrix are long-term in nature, whereas the main tools in the fourth line are reviewed and adapted on a regular basis.

A global network of QESH (quality, environment, safety and health) and human resources officers ensures that sustainability initiatives are continuously implemented, monitored and improved. Various audits have determined that sustainability requirements are being met. In 2009, the corporate QESH department conducted around 30 internal audits, and independent auditors and customers carried out roughly 400 external audits. For audits covering the economic and legal aspects of sustainability as well as IT audits, refer to the pages 52 to 53. The local QESH and HR officers receive regular training and are the points of contact for employee questions. They also supply the data for sustainability reporting, which is incorporated into the SEED (social, economic and ecological data) database to assess the sustainability performance. In 2009, 73 sites, which cover approximately 85% of all Sulzer employees, were assessed in the database. The data is also the basis for the biennial Sulzer Sustainability Summary. The latest sustainability report, published in 2008, was written in compliance with the GRI (Global Reporting Initiative) standard and received the highest GRI application level, A+. The external auditor SGS (Société Générale de Surveillance) also confirmed the highest application level for the online update in 2009. The next separate report on sustainability will be published mid-2010. The sustainability reports, annual updates with recent figures and additional data, such as the GRI-G3 Index, can be viewed online at *www.sulzer.com/sustainability*.

Sulzer is listed on sustainability indices, such as the DJSI (Dow Jones Sustainability Index) Stoxx Index, the DJSI World and the Kempen/SNS European SRI Universe.

Stakeholder matrix

Economic sustainability			Social sustainability		Ecological sustainability
Stakeholders					
Investors	Customers	Suppliers	Employees and social partners	Neighborhood and society	Environment
Objectives					
Value creation	Customer satisfaction	Partnership	Empowerment	Good citizenship	Good citizenship
Success factors					
Profitability, competitiveness	Performance of products and services	Competitiveness	Competence	Trustworthiness	Eco-efficiency, innovation
Examples of main measures					
▪ Midrange planning ▪ Regular operational control cycle ▪ Operational excellence	▪ Quality management systems ▪ Lean management ▪ Customer satisfaction surveys	▪ Evaluation of suppliers ▪ Quality agreements ▪ Long-term relationships	▪ Annual appraisals ▪ Training programs ▪ Health and safety management systems	▪ Jobs ▪ Apprenticeships ▪ Involvement in communities	▪ Environmental management systems ▪ Product life-cycle analysis ▪ Blacklist of potentially hazardous materials
Code of Business Conduct and additional policies, regulations and directives					

Economic sustainability: value-based economic performance

Sulzer's prime economic objective is long-term sustainable value creation. The corporation applies three key measures of financial performance: return on sales (ROS), return on capital employed (ROCE) and organic growth in sales. In-depth economic information is given throughout this report. The current general economic environment and the uncertainties in the financial markets make projections challenging. Nevertheless, Sulzer has communicated its midrange outlook to the financial community.

Sulzer strives to be a recognized leader for performance-critical applications in its key markets. To excel in operational excellence, Sulzer employees are committed to improving continuously, sharing knowledge and implementing best practices. Lean manufacturing principles are essential to the corporation. Production in factories is continuously reviewed and internal processes are analyzed and improved. All divisions have electronic platforms for products, systems and processes at their disposal.

Customer orientation, and hence compliance with quality standards, is decisive in relationships not just with customers, but with suppliers as well. The ISO 9001 standard for quality management systems has been applied to 63 production sites, which cover 96% of all employees, by the end of 2009. Another 51 certifications are being attained on an ongoing basis to certify compliance with, e.g., automotive, aviation and medical standards.

Social responsibility: health and safety indicators further improved

Sulzer has put forth considerable effort in raising the commitment of all employees to the corporation's core values of customer partnership, operational excellence and committed people. For more information, refer to page 42.

Health and safety remains a top priority for Sulzer. Performance indicators pertaining to accident frequency and accident severity are documented and evaluated at all sites on a monthly basis. Despite ongoing improvements and intensive training, one fatal incident occurred at a Sulzer site in 2009. Any accident is one too many; the corporation has therefore set the long-term goal of reducing the number of occupational accidents and illnesses to zero. The revised, lower midterm aim is to reduce the occupational accident frequency rate (AFR) to fewer than 4.5 cases per million working hours and the number of working days lost (accident severity rate, ASR) to a rate lower than 70 days per million working hours by 2010. The reduction of both the AFR and the ASR in 2009 to 5.5 and 86 respectively (see graph on page 44) clearly indicate that Sulzer is on track to achieve those targets. All employees received a card containing the six basic rules to ensure safety awareness at Sulzer. The rules are available in 21 different languages and are also used in internal training. They are complemented with information materials on health and safety at the workplace. Visitors to all Sulzer sites receive standardized safety information upon arrival at the reception desk. In 2009, almost half of all production sites had no accidents with one or more lost days. Sulzer Turbo Services and Sulzer Innotec set the individual targets of zero occupational accidents for 2009; Sulzer Chemtech will also set this target for 2010.

Sulzer introduced a worldwide compliance hotline to allow employees to report potential misbehavior, either in writing via the Internet or orally via telephone. Users may remain anonymous if they choose to do so. The main purpose of the hotline is to enhance transparency within the company and to address critical topics at an early stage.

Sulzer is on track for certifying all production sites according to the OHSAS 18001 (Occupational Health and Safety Assessment Series) or the SCC (Safety Checklist Contractors) standard by the end of 2010. At the end of 2009, 36 sites that cover 75% of Sulzer employees had already received the certificate.

Ecological sustainability: improving product efficiency

The efficient use of resources and the protection of the environment are important goals for Sulzer. The company is committed to contribute to the climate change targets defined in the Kyoto Protocol. Using the SEED database, Sulzer records and monitors its activities based on indicators for energy, water, waste and emissions to air. The goal is to maintain or reduce energy consumption in relation to net value added. Targets have also been set for maintaining or reducing the amount of waste produced per employee. Sulzer's ecological performance in 2009 will be assessed in-depth in the upcoming report on sustainability.

At Sulzer production sites, environmental officers are in charge of supervising and implementing local legislation and Sulzer standards, which are also monitored by regular internal audits. The corporation maintains and continuously updates a list of hazardous chemicals. This list is used to identify and replace problematic substances.

Studies have shown that the largest proportion of energy consumption and CO_2 emissions accumulates not during production in Sulzer factories but during product use at the client site. Research and development at Sulzer therefore focuses on the entire life cycle and overall efficiency of the product. Tools applied include life-cycle assessments, environmental product declarations and CO_2 footprint analysis. This integrated approach brings about environmental benefits and economic advantages for the customers because the total cost of ownership decreases. Sulzer Pumps offers its clients the option of retrofitting old equipment to increase the eco-efficiency of the pump systems. The results are improved reliability, reduced running costs and environmental protection. Coatings from Sulzer Metco combine economic and environmental advantages. For instance, innovative coatings for boiler tubes in power plants reduce erosion, fouling and corrosion and lead to higher efficiency and extended lifetime. Sulzer Chemtech has in-depth knowledge of complex mass transfer columns. All internals are custom designed to improve productivity. The field service teams of Sulzer Turbo Services develop unique solutions for their clients. Using state-of-the-art computer-aided analyzing tools, they often prove to their customers that replacement of existing material is not necessary. Often, selected parts can be replaced at a lower cost with a great improvement in efficiency.

Sulzer has set the goal of certifying all production sites according to the ISO 14001 standard for environmental management systems by the end of 2010. By the end of 2009, 34 sites comprising 79% of all Sulzer employees had already been certified.

Corporate Governance

Accountability and compliance

Sulzer is committed to the principles of good corporate governance. The corporation shows responsibility in dealing with the interests of its various stakeholders, including shareholders, creditors, employees, customers and the general public, and it acknowledges their concerns.

The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. A single share class and the separation of the functions of chairman of the Board of Directors and CEO have been standard practice at Sulzer for many years. Since the Annual General Meeting on April 8, 2009, the Board of Directors has been made up exclusively of individuals who have never held an executive position at Sulzer.

Unless otherwise indicated, the following information refers to the situation as of December 31, 2009. Further, continually updated information on corporate governance is published on Sulzer's website at *www.sulzer.com/corpgov*. The information in the following section is set out in the order defined by the SIX Swiss Exchange guidelines on corporate governance information (RLCG), with subsections summarized as far as possible. Sulzer's annual accounts comply with International Financial Reporting Standards (IFRS), and in certain sections, readers are referred to the financial statements in the Sulzer Annual Report 2009. The compensation report can be found in Section 5 of this corporate governance report.

1. Corporate structure and shareholders

The operational corporate structure is shown in the chart on page 53 and in the segment reports in the financial section on pages 82 and 83 (note 3). Sulzer Ltd and Sulzer India Ltd are the only Sulzer companies listed on a stock exchange. Sulzer Ltd is based in Winterthur, Switzerland. Its shares are listed and traded on the SIX Swiss Exchange in Zurich (Securities No. 3838891 / ISIN CH0038388911). As of December 31, 2009, the market capitalization of all registered shares was CHF 2 778 678 207. Information on Sulzer India Ltd and on the unlisted companies included in the consolidation can be found under note 37 on pages 107 to 110 of the financial section.

As far as the company is aware, two shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2009: the Renova Group[1] (10 689 797 shares, 31.20%) and Threadneedle Asset Management Holdings Ltd (1 040 910 shares, 3.04%). The agreement between Sulzer and the Renova Group, signed on October 10, 2007 (for details, see Sulzer Annual Report 2008, page 43, and Sulzer Annual Report 2007, page 38), expired at the end of May 2009; Sulzer and the Renova Group are therefore no longer obligated to report their holdings in Sulzer together as a group as of June 1, 2009 (notification of June 2, 2009). On December 31, 2008, the Renova Group held 27.10% in shares and 4.10% in purchase positions. On March 27, 2009, the Renova Group announced that it had increased its shareholding to 31.20% (notification of March 30, 2009). Threadneedle Asset Management Holdings Ltd notified Sulzer on November 17, 2009, of its holding of 3.04% in shares (notification of November 17, 2009). Subsequently, the company reduced its holding to below 3% (notification of January 19, 2010) and notified Sulzer on February 17, 2010, of an increased holding of 3.05% in shares (notification of February 18, 2010). As of December 31, 2008, Fidelity Management Research held 4.88% in shares (notification of December 29, 2008). On April 2, 2009, the company notified Sulzer of the holding of less than 3% as at March 31, 2009 (notification of April 6, 2009). For the positions held by Sulzer and information on shareholders, see note 22 in the financial section (page 98). There are no cross-shareholdings where the capital or voting stakes on either side exceed the threshold of 3%.

[1] Salve, Everest, Jollinson, Renova Industries, Renova Holding, TZ Columbus, Columbus Trust and Mr Vekselberg are herein referred to as the Renova Group. Salve Beteiligungs GmbH, Griechengasse 2, 1010 Vienna, Austria is a 100% subsidiary of Everest, Griechengasse 2, 1010 Vienna, Austria, which is a 100% subsidiary of Jollinson Holdings Limited, Nestonos 5 CY-6035 Larnaca, Cyprus, which is a 100% subsidiary of Renova Industries, which is a 86% controlled subsidiary of Renova Holding Ltd, 2nd Terrace West Centreville, P.O. Box N-7755 Nassau, Bahamas. The 100% shareholder of Renova Holding is TZ Columbus Services Ltd., Pasea Estate, Road Town, Tortola, British Virgin Island as trustee of the Columbus Trust, a trust established under laws of Cayman Islands, whose ultimate beneficiary is Victor F. Vekselberg, 19 Bakrushina Street, Bld. 2, Apt. 15, 113054 Moscow, Russia, and Susenbergstrasse 94, 8044 Zurich, Switzerland.

2. Capital structure

The fully paid-up share capital of Sulzer Ltd amounts to CHF 342 623.70 and is divided into 34 262 370 registered shares with a par value of CHF 0.01 per share. Each registered share entitles the holder to one vote at the Shareholders' Meeting. There is no authorized capital. The authorized capital in the amount of CHF 21 828.15, which could only have been used for a possible acquisition of Bodycote International PLC, was limited until April 4, 2009. The corresponding clause in the articles of association has been deleted. There is no conditional capital, nor are there any participation or dividend certificates. The latest version of the articles of association can be viewed online at *www.sulzer.com/regulations*. Information on capital changes can be found in the financial statements of Sulzer Ltd (page 117).

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account.

Nominees shall only be entered in the share register with the right to vote, provided that they meet the following conditions: The nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into an agreement with the Board of Directors concerning his status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose account the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register, provided that the above-mentioned conditions are met (see also paragraph 6a of the articles of association at *www.sulzer.com/regulations*).

Until December 31, 2009, 12 nominees holding a total of 5 199 881 shares (15.2% of total shares) had entered into an agreement concerning their status. All of those shares have been entered in the share register with voting rights. There are no transfer restrictions and no privileges under the articles of association; no exceptions have been granted. A removal of the transfer restriction requires a shareholders' resolution with a majority of at least two-thirds of the votes represented.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of the options issued to members of the Board of Directors and the Executive Committee (from 2002 to and including 2008) and restricted stock units (from 2009) are set out in the financial section under note 32 (pages 104 to 105) and in the financial statements of Sulzer Ltd under note 109 (pages 120 to 123).

3. Board of Directors

None of the members of the Board of Directors has ever belonged to the management of a Sulzer company or to the Executive Committee, nor do any significant business relationships, except as noted below, exist between members of the Board of Directors and Sulzer Ltd or a subsidiary of Sulzer Ltd. Business relationships in the double-digit million range exist with the Voith Group (Hans Hubert Lienhard is CEO). Vladimir Kuznetsov and Urs Andreas Meyer have a close relationship with Sulzer's largest shareholder. Vladimir Kuznetsov is the only member of the Board of Directors and Urs Andreas Meyer is CEO of Venetos Management AG, a company of the Renova Group. Business relationships in the low single-digit million range exist with companies that are directly or indirectly controlled by the Renova Group. There are no interlocking directorships.

Elections and terms of office

The articles of association stipulate that the Board of Directors of Sulzer Ltd shall comprise five to nine members. At the Annual General Meeting on April 8, 2009, the mandates for existing members Vladimir Kuznetsov, Urs Andreas Meyer and Daniel Sauter were extended for three years. Ulf Berg was not re-elected. At the Extraordinary General Meeting on August 18, 2009, Jürgen Dormann and Klaus Sturany were elected to the Board of Directors, as proposed by the full Board of Directors, for a term of office of three years and two years respectively. Board members Louis Hughes and Thor Håkstad were de-elected. The Board of Directors has since been made up of seven members: two of Swiss, two of German, one of Italian, one of Austrian and one of Russian origin. Professional expertise and international experience played a key role in the selection of the members. The résumés of the members of the Board of Directors can be viewed online at *www.sulzer.com/board*. In accordance with the articles of association, board members are generally elected for a three-year term of office. Each member is elected individually, with the aim to newly elect around one-third of the Board of Directors each year. The change to the required election cycle is made when the length of the first term of office of newly elected members is defined. According to the organization regulations governing the Board of Directors, the term of office of a board member ends no later than on the date of the Annual General Meeting in the year when the member in question reaches the age of seventy. Exceptions up to but not exceeding the age of 73 can be taken by the Board of Directors. The Board of Directors will recommend the re-election of Hubert Lienhard and Luciano Respini to the shareholders at the 2010 Annual General Meeting.

Internal organization

The Board of Directors is self-constituting, designating from among its members the chairman as well as the chairmen and members of the board committees. Luciano Respini took over as chairman after Ulf Berg was not re-elected at the Annual General Meeting in April 2009. Jürgen Dormann has been chairman of the Board of Directors since August 18, 2009. There are currently three committees: the Audit Committee, the Nomination and Remuneration Committee and the Strategy Committee, which was constituted in the year under review. The division of responsibilities between the Board of Directors and the CEO and the authorities and responsibilities of the chairman of the Board of Directors and of the three committees are defined in the organization regulations and the relevant committee regulations which are published online at *www.sulzer.com/regulations*.

Operating principles of the Board of Directors and its committees

The Board of Directors and the committees meet as often as required by circumstances (the Board of Directors meets at least six times annually, the Audit Committee and the Nomination and Remuneration Committee at least three times annually and the Strategy Committee at least twice annually). In 2009, one two-day meeting as well as five one-day and fifteen shorter board meetings, which lasted about two hours on average, were held. The table on page 52 shows the number of meetings of the committees as well as other information. Board meetings are generally also attended by the CEO, the CFO, and the General Counsel in an advisory role. Other members of the Executive Committee are invited to attend board meetings as required to discuss the midterm planning, the strategy and the budget, as well as division-specific items (such as large investments and acquisitions). The Head of Planning and Acquisition provides regular status reports on ongoing merger and acquisition projects. Meetings of the Audit Committee are attended by the CEO, the CFO, the Head of Internal Auditing and the Chief External Auditor. Meetings of the Nomination and Remuneration Committee are attended by the CEO and the Head of Corporate Human Resources. The CEO and the General Counsel are regularly brought into meetings of the Strategy Committee. In 2009 two external lawyers were called in by the Board of Directors in connection with the Annual General Meeting.

These committees do not make any decisions, but review and discuss the matters assigned to them and submit the required proposals to the full Board of Directors for a decision. At the next full board meeting following the committee meeting, the chairmen of the committees report to the full Board of Directors on all matters discussed, including key findings, opinions, and recommendations.

Audit Committee

The Audit Committee (members listed on page 52) assesses the midyear and annual accounts and in particular the activities — including efficiency and independence — of the internal and external auditors as well as the cooperation between the two bodies, the Internal Control System (ICS) and the risk management. It also assesses compliance with the applicable standards. The regulations of the Audit Committee can be viewed at *www.sulzer.com/regulations.*

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (list of members on page 52) assesses the criteria for the election and re-election of board members and the nomination of candidates for the two highest management levels. It also deals with succession planning, regularly assesses the remuneration systems and recommends compensation for the members of the Board of Directors and the Executive Committee (including bonus targets) on behalf of the Board of Directors and in accordance with its specifications. It also carries out broadly based salary comparisons with international third-party companies, supported by studies of the consulting firms Mercer and Watson/Wyatt and scrutinizes the work of internal and external consultants. The regulations of the Nomination and Remuneration committee can be viewed at *www.sulzer.com/regulations.*

Strategy Committee

The Strategy Committee (list of members of page 52) advises the Board of Directors on strategic matters (such as acquisitions, divestitures as well as alliances relevant to the company and joint ventures) as well as strategic planning and defining of development priorities. The regulations of the Strategy Committee can be viewed at *www.sulzer.com/regulations.*

Division of powers between the Board of Directors and the Executive Management

The Board of Directors has largely delegated executive management powers to the CEO, but it is still responsible for matters that cannot be delegated in accordance with Art. 716a of the Swiss Code of Obligations, such as corporate strategy, approval of midterm planning and the annual budget as well as key personnel decisions including approval of the remuneration system. The same applies to acquisition and divestiture decisions involving an enterprise value exceeding CHF 15 million or CHF 20 million respectively, investments in fixed assets exceeding CHF 15 million, major corporate restructurings, approval of dispute settlements with an impact on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million as well as other matters relevant to the company and decisions that must by law be made by the Board of Directors (including those defined in the Swiss Mergers Act). The

Board of Directors

Jürgen Dormann

Germany, 1940; Master of Economics, University of Heidelberg, Germany

Binding interests
Board Member Metall Zug (Chairman), V-Zug (Chairman) and BG Group

Career
since 2009, Sulzer, Switzerland; Chairman of the Board of Directors
2004–2008, Adecco Group, Switzerland; Member of the Board (Chairman 2007–2008)
2005–2008, IBM, USA; Member of the Board
2001–2007, ABB, Switzerland; Chairman
2002–2004, ABB, Switzerland; CEO
2002–2004, Aventis, France; Chairman
1999–2002, Aventis, France; CEO
1996–2003, IBM, USA; Member of the Board
1994–1999, Hoechst, Germany; CEO
1984–1993, Hoechst, Germany; Member of the Board of Management
1963–1983, Hoechst, Germany; various positions

Vladimir V. Kuznetsov

Russia, 1961; Master of International Affairs, Columbia University, USA; Ph.D., Institute of World Economy and International Relations, Russia; Graduate Degree in Economics, Moscow State University, Russia

Binding interests
Board Member OC Oerlikon (Chairman), Renova Media Enterprises and Venetos Management (company of the Renova Group) (Chairman)

Career
since 2007, Sulzer, Switzerland; Member of the Board of Directors
since 2004, Renova Management, Switzerland; Chief Investment Officer
since 2001, Renova, USA; Vice President
since 1998, Financial Advisory Services, Russia; Director General
1994–1998, Salomon Brothers, Russia; Head of the Moscow subsidiary
1992–1994, Goldman Sachs, Russia; Deputy Director and Director
1984–1992, Institute for Economics and International Relations, Soviet Union/Russia; Head of Financial Markets Research Department

Hans Hubert Lienhard

Germany, 1951; Ph.D., Chemical Engineering, Engler-Bunte-Institute, Germany; Master of Science, Chemical Engineering, Technical University of Karlsruhe, Germany

Binding interests
Supervisory Board Member SGL Carbon

Career
since 2008, Voith, Germany; CEO
since 2003, India-Economic Committee Asia-Pacific of German Business, Germany; Chairman
since 2002, Sulzer, Switzerland; Member of the Board of Directors
since 2001, Voith, Germany; Member of the Corporate Management Board; Chairman and CEO of Voith Siemens Hydro Power Generation
1999–2001, The Energy Consulting Group, Switzerland; Founder and Partner
1996–1998, ABB Power Generation Segment, Switzerland; Member of the Management Board
1996–1998, Steam Turbines and Steam Power Plants, Switzerland; Business Area Manager
1994–1998, ABB Power Generation, Germany; Member of the Management Board
1989–1993, ABB Power Generation, Germany; Head of the Business Unit Gas Turbines and Combined-Cycle Plants

Urs Andreas Meyer

Switzerland, 1964; Harvard Advanced Management Program, USA; Dr. sc. techn. at the Swiss Federal Institute of Technology (ETH), Switzerland

Binding interests
Board Member OC Oerlikon

Career
since 2008, Venetos Management (company of the Renova Group), Switzerland; CEO
since 2007, Sulzer, Switzerland, Member of the Board of Directors
2001–2007, Satisloh (division of Schweiter Technologies), Switzerland; Division CEO
1997–2001, Otto Suhner, Switzerland; Managing Director
1995–1997, Rieter India, India; Managing Director
1990–1995, Rieter Textile, Switzerland; Marketing Planner, Project Manager and Development Engineer

Luciano Respini

Italy, 1946; Doctor in Economics, Università Cattolica of Milan, Italy

Career
since 2004, Sulzer, Switzerland; Member of the Board of Directors, Chairman of the Board of Directors (a.i., 2009)
2002–2006, The Dow Chemical Company, USA; Member of the Office of the Chief Executive
1998–2006, Dow Europe, Switzerland; President
1995–1997, Dow Latin America, Brazil; President
1991–1994, Dow Europe, Switzerland; Vice President Performance Products
1987–1990, Dow Europe, Switzerland; Vice President Finance

Daniel J. Sauter

Switzerland, 1957; Swiss-Certified Banking Expert with federal diploma

Binding interests
Board Member Alpine Select (Chairman), Julius Bär Group, Sika, Model Holding and Trinsic

Career
since 2002, Sulzer, Switzerland; Member of the Board of Directors
1994–2001, Xstrata, Switzerland; Managing Director and CEO
1983–1998, Glencore International, Switzerland; Senior Partner and CFO

Klaus Sturany

Austria, 1946; Ph.D., Mathematics (major) and Physics, University of Innsbruck, Austria; studies in Economics (no degree), University of Linz, Austria

Binding interests
Supervisory Board Member Bayer, Hannover Rückversicherung, Heidelberger Druckmaschinen and Österreichische Industrieholding

Career
since 2009, Sulzer, Switzerland; Member of the Board of Directors
1999–2007, RWE, Germany; CFO
1996–1999, GEA, Germany; CFO (subsequently CEO)
1990–1995, Uhde (now ThyssenKrupp), Germany; CFO
1971–1990, Hoechst Group (now Sanofi-Aventis), Germany; various positions, e.g., Head of Controlling

Board of Directors

						Attending meeting in 2009 of the			
Name	Nationality	Position	Age	Entry	Elected until	Board	AC	NRC	SC
Jürgen Dormann	German	Chairman[1], Chairman SC[1]	70	August 2009	2012	9			2
Vladimir V. Kuznetsov	Russian	Member, NRC[6,3], Chairman NRC[1], AC[3], SC[1]	49	December 2007	2012	15	1	3	
Hans Hubert Lienhard	German	Member, Chairman NRC[3]	59	April 2002	2010	19		2	
Urs Andreas Meyer	Swiss	Member, AC[1]	46	December 2007	2012	16	1		
Luciano Respini	Italian	Chairman[4], AC[3], NRC[1], SC[1]	64	April 2004	2010	21	2	3	2
Daniel J. Sauter	Swiss	Member, AC	53	April 2002	2012	21	2		
Klaus Sturany	Austrian	Member[1], Chairman AC[1], NRC[1]	64	August 2009	2011	9	1	2	
Ulf Berg	Swiss	Chairman[2], NRC[5]	60	April 2007		7		1	
Thor Håkstad	Norwegian	Vice Chairman[3], NRC[3]	64	April 2002		12		2	
Louis R. Hughes	US-American	Member[3], Chairman AC[3]	61	April 2001		10	2		
Total meetings						21	3	4	2

AC = Audit Committee, NRC = Nomination and Remuneration Committee, SC = Strategy Committee
1) As of August 18, 2009 2) Until April 8, 2009 3) Until August 18, 2009 4) Between April 8, 2009, and August 18, 2009 5) Until February 28, 2009 6) As of March 1, 2009

competency regulations and the nature of the collaboration between the Board of Directors and the Executive Committee can be viewed in the organizational regulations at *www.sulzer.com/regulations.*

Information and control instruments

Each member of the Board of Directors receives a copy of the monthly financial statements (January to May and July to November), plus the midyear and annual financial statements. These include information about the balance sheet, income and cash flow statements as well as the key figures for the company and its divisions (including comments on the respective business results). The CEO and CFO report at every board meeting on business developments and all matters relevant to the company. The chairmen of the committees also report at these meetings on all matters discussed by their committees and on the key findings and assessments, and submit proposals accordingly. Each year, the Board of Directors discusses and approves the budget for the following year, and every three years, it establishes a midterm plan, which is also subject to periodic review. The chairman of the Board of Directors regularly consults the CEO and other representatives of the Executive Committee, and participates in the meeting of the Sulzer Management Group (around 100 people) held each year.

Internal Auditing

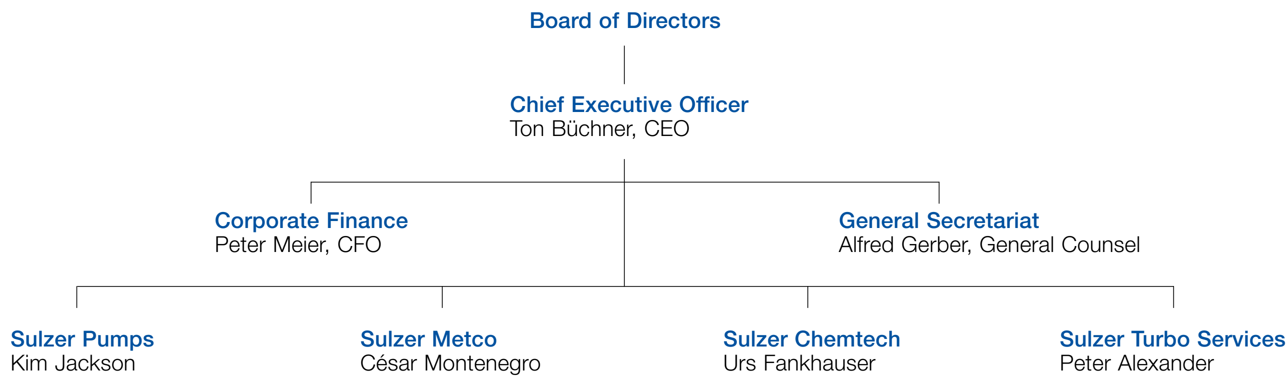
Internal Auditing carried out 36 audits in the year under review. One of the focal points was the internal control system. The results of each audit are discussed in detail with the companies and divisions concerned and key measures agreed. The chairman of the Board of Directors and the members of the Audit Committee, the CEO, the CFO, the General Counsel as well as the respective division president and other line managers of the head of the audited unit receive a copy of the audit report. The key measures agreed are also presented to and discussed with the CEO, the CFO, the General Counsel, the Division Presidents and the Division Controllers during the monthly information meetings. Each year, the Head of Internal Auditing compiles a report summarizing activities. This report is distributed to members of the Board of Directors and the members of the Executive Committee and presented to the Executive Committee and the Audit Committee. It is discussed in both committees and thereafter reported to the Board of Directors. Internal Auditing reports to the CFO for administrative purposes, but reports directly to the chairman of the Audit Committee. Meetings between Internal and External Auditing take place on a regular basis to prepare for the meetings of the Audit Committee; to review the interim and final reports of the External Auditing; to plan and coordinate internal and external audits; as well as to prepare audit instructions for the attention of external auditors of the individual companies.

Risk management and corporate compliance

The General Counsel informs the Board of Directors regularly on legal matters and key changes in legislation that may affect Sulzer, as well as on important litigations. Twice a year, a report is also made to the Audit Committee about any pending or threatened litigation with worst-case exposure exceeding CHF 0.5 million. The Corporate Legal Department carried out nine legal audits in 2009. These audits focused on contractual as well as compliance risks. The results of the audits are discussed with the responsible managers. Measures are agreed upon and the corresponding reports are sent to the same group of recipients that also receives the internal audit reports. Implementation of these measures is monitored on the basis of written information from the responsible managers.

The Corporate Quality, Environment, Safety and Health Department carried out 30 audits in 2009. The focal points were primarily environmental protection and workplace

Organizational structure



safety. The results of each of these audits are discussed directly with the responsible managers, and agreement is reached on any improvements required. The latest status of the company's risks relating to quality, environment, safety and health is reported to the Audit Committee once a year. Sulzer published an externally verified sustainability report in 2008 (see *www.sulzer.com/sustainability*). The company received the highest rating of A+ from the Global Reporting Initiative (GRI) and was included in the Dow Jones World Sustainability Index (DJSI) in 2008. The external auditing institute SGS (Société Générale de Surveillance) also confirmed the highest GRI rating for the 2009 online update of the data.

The Corporate Information Technology Department conducted seven IT audits in 2009, with the focus on IT security. The results of the audits are discussed by the responsible managers. Measures are agreed upon and the corresponding reports are sent to the same group of recipients that also receives the internal audit reports.

In 2003, a Code of Business Conduct was introduced; which can be viewed online at *www.sulzer.com/regulations*. Every employee of the company was and every new employee is required to confirm in writing that he or she has read and understood this code and will comply with it. As of 2006, every member of the Sulzer Management Group (approximately 100 people) as well as the heads of all operating companies and all divisional and local compliance officers must reconfirm in writing such compliance commitment on an annual basis. The company, each division and all operating companies have their own compliance officer. Employees and compliance officers receive regular training so that best practice is always applied to compliance issues. Compliance risk assessments are carried out on a regular basis and discussed both with the management and within the Corporate Risk Council. Once a year, the Audit Committee is informed about compliance-related activities carried out in the current year and those planned for the following year.

During 2009, compliance training again focused on compliance with export controls, competition law and fighting corruption. In 2009, several thousand employees completed interactive training programs (e-learning). In the same year, the compliance hotline, which has existed since 2002 for the US companies, was rolled out to all companies. This provides all employees with another option for reporting any violations of the law or internal directives. Reports can be made via a free hotline or a dedicated website. Users may remain anonymous if they choose to do so. The Corporate Risk Council, comprising the CFO (chairman), the General Counsel, the Head of Internal Auditing, the Corporate Compliance Officer, the Head of Risk Management and representatives of other group staff functions, held four meetings in 2009. The Corporate Risk Council's tasks mainly include formulating and maintaining adequate risk management policies, systems and guidelines, initiating and coordinating risk management activities, and advising the CEO and the Executive Committee on matters relating to risk management. At its August meeting, the Audit Committee was briefed on the present state of risk management within the company and on the results of the risk management process—a process to systematically identify and evaluate significant risks and initiate countermeasures. Each member of the Executive Committee receives a copy of the minutes of the Corporate Risk Council. In addition, if considered necessary, a report is given at the Executive Committee meetings that follow the meetings of the Corporate Risk Council. A major focus of training in 2009 was once again the area of contractual risks (including insurance) and compliance aspects. Several hundred employees from all divisions took part in the training sessions organized by corporate staff units during the reporting year. Internal management of contractual risk was also improved further in the year under review, including with the appointment of additional contract managers.

Executive Committee

Ton Büchner
Netherlands, 1965; Stanford Executive Program, USA; Master of Business Administration (MBA), IMD, Switzerland; Master of Science in Civil Engineering, TU-Delft, Netherlands

Career
since 2007, Sulzer, Switzerland; CEO
2003–2007, Sulzer Pumps, Switzerland; Division President
2000–2003, Sulzer Turbo Services, Switzerland; Division President
1998–2000, Sulzer Turbo, Switzerland; General Manager Customer Support Services
1996–1998, Sulzer International (China Operation), P.R. China; Chief Representative, Beijing Representative Office; General Manager Compressors, China
1994–1996, Sulzer Management, Switzerland; Strategic Development Manager
1992–1993, John Brown Engineers and Constructors (an AkerKvaerner company), Netherlands, and R.J. Brown and Associates, Singapore; Project Manager
1990–1992, R.J. Brown and Associates, Indonesia, Malaysia, Singapore; Project Design Engineer, Project Manager offshore pipelines
1987–1990, Allseas Engineering, Netherlands; Oil and Gas Construction Engineer

Peter Meier
Switzerland, 1965; Advanced Management Program (AMP), Wharton School of Pennsylvania, USA; Master of Business Administration (MBA), Switzerland and USA; Certified Specialist for Accounting and Controlling, Switzerland; Bachelor of Business Administration, Switzerland

Career
since 2007, Sulzer, Switzerland; CFO
2004–2006, Sulzer Metco, Switzerland; Head of Finance and Controlling
2001–2004, Sulzer Chemtech, Switzerland; Head of Finance and Controlling
1999–2001, Sulzer Chemtech USA, USA; Controller North and South America, Vice President Finance
1996–1999, Sulzer Chemtech, Switzerland; Head of Finance
1992–1996, Sulzer Chemtech, Switzerland; Controller environmental technology

Alfred Gerber
Switzerland, 1959; Law degree, bar exam, University of Zurich, Switzerland; LL.M. (Master of Law), UK

Binding interests
Board Member Association of Swiss Companies in Germany (VSUD); Chairman of European Legal Council of the Conference Board

Career
since 2001, Sulzer, Switzerland; General Counsel
1995–2001, Sulzer Management, Switzerland; Attorney
1991–1995, Kohli & Partners (law firm), Switzerland; Attorney
1989–1990, District Court Meilen, Switzerland; Clerk of the Court, Legal Secretary

Kim Jackson

England, 1962; IOD Financial Management, Institute of Directors, UK; B.Sc. (Hons) in Manufacturing Engineering, University of Hertfordshire, UK

Career
since 2007, Sulzer Pumps, Switzerland; Division President
2004–2007, Sulzer Pumps, China; Head of the Asian and South Pacific Business Area
2000–2003, Hayward Tyler Group, UK; Group Managing Director
1995–2000, Hayward Tyler Group, UK; Group Operations Director
1991–1995, Hayward Tyler Group, UK; Production Engineering Manager
1990–1991, Hayward Tyler Group, UK; Machine and Fabrication Manager

César Montenegro

Venezuela, 1953; Post-graduate studies in Business Engineering, University Simon Bolivar, Venezuela; BA Mechanical Engineering, University Simon Bolivar, Venezuela

Career
since 2008, Sulzer Metco, Switzerland; Division President
2002–2008, Sulzer Pumps (US), Head of Business Area North America
1996–2001, Sulzer (Mexico, Mexico; Managing Director
1989–1996, Sulzer de Venezuela, Venezuela; Managing Director
1988, Sulzer International, Switzerland; Sub-Regional Manager Andean Countries
1987, Gebr. Sulzer (Pump Division), Switzerland; Sales Manager Export
1985–1986, Sulzer Bros., USA; Pumps Application Engineer
1978–1985, Sulzer de Venezuela, Venezuela; Manager Energy Department

Urs Fankhauser

Switzerland, 1960; Advanced Management Program (AMP), Harvard University, USA; Master of Business Administration, Henley Management College, UK; Dipl. Ing. FH, Switzerland

Binding interests
Board Member Sulzer India (Chairman), Burckhardt Compression and Bossard

Career
since 2002, Sulzer Chemtech, Switzerland; Division President
2000–2002, Sulzer Chemtech, USA; President North and South America
1993–2000, Sulzer Chemtech, Singapore; President East Asia/Pacific
1990–1993, Sulzer Chemtech, Singapore; Engineering Manager
1989–1990, Sulzer Pumps, UK; Production Engineer

Peter Alexander

USA, 1958; B.Sc. Marine Engineering, Texas A&M University, USA

Career
since 2005, Sulzer Turbo Services, Switzerland; Division President
2004–2005, Sulzer Turbo Services, Switzerland; Head Business Development, Division President (a.i.)
1994–2004, PT Sulzer Hickham Indonesia, Indonesia; Co-Founder and Director of Operations and Engineering
1987–1994, Hickham Industries, USA; Engineering Manager and Project Engineer

4. Executive Committee

Executive management powers are delegated by the Board of Directors to the CEO. The Division Presidents are charged by the CEO with defining and attaining business targets for their respective divisions in accordance with corporate goals. The appropriate powers have largely been delegated to the Division Presidents by the CEO. The organization regulations govern, among other things, the transfer of responsibilities from the Board of Directors to the CEO, and these regulations can be viewed at *www.sulzer.com/regulations*. The other members of the Executive Committee support the CEO in his corporate management tasks. There are no management contracts with third parties. The résumés of the members of the Executive Committee can be viewed online at *www.sulzer.com/management.*

5. Compensation report

Board of Directors

The compensation paid to the chairman of the Board of Directors, the vice chairman (until August 18, 2009) and the other members of the Board of Directors is based on a compensation regulation. They consist of a fixed cash component and a restricted stock unit component (RSU). The latter replaced the option component in 2009 and serves the long-term alignment of the interests of shareholders and board members. The value of the allocated RSU on the grant date is fixed (CHF 125 000 per board member and CHF 250 000 for the chairman of the board). In the event of an election of a new board member at an Annual General Meeting, the number of RSUs is calculated on the basis of the volume-weighted average share price of the last ten trading days prior to the grant date, which lies between the date of the publication of the year-end results and the Annual General Meeting. For the calculation of the RSU component for the two members newly elected to the Board of Directors on August 18, 2009, the grant date was replaced with the election date, and the value was reduced pro rata temporis. The vesting period for those options and RSUs granted to the members of the Board of Directors ends no later than the date on which the individual steps down from his respective function. Additionally, the chairmen and the members of the committees receive a fixed amount of cash compensation (CHF 20 000 for the chairmen; CHF 10 000 for the members). The total amount of compensation for the Board of Directors depends on the amount of responsibility, the complexity of the tasks, the professional and personal requirements placed on them and the expected average time spent. No attendance fees are paid. The suitability of compensation is reviewed by the Nomination and Remuneration Committee on an annual basis and, if necessary, adjusted by the full Board of Directors in response to a proposal by the committee. Comparisons are also made with the compensation paid to the Boards of Directors of other industrial companies of a similar size listed in Switzerland. The Board of Directors decided to reduce the corresponding compensation for the reporting year. Further details on the RSU component are available in the Executive Committee subsection. Detailed information on the remuneration of the Board of Directors is given in the financial statements of Sulzer Ltd under note 109 (pages 120 to 123).

Executive Committee

The CEO and members of the Executive Committee as well as other members of senior management (Sulzer Management Group) receive, in addition to their basic salary (fixed amount in cash), a performance- and results-based bonus (also in cash), as well as a value in restricted stock units (RSUs) consistent with their functional grade, which replaced the stock options plan in 2009. Jobs are evaluated according to the Watson/Wyatt Global Grading System (*www.watsonwyatt.com/tools/globalgradingsystem*; as of January 1, 2010, Tower Watson).

Basic salary (fixed, in cash): The basic salary reflects the market median level for the respective position, individual qualifications, and the prevailing local labor market conditions, i.e., for members of the Executive Committee, Swiss labor market conditions. In order to review, assess and, where needed, to adjust the individual compensation, multinational salary benchmark studies are used, which are issued by external advisors (Watson/Wyatt: *Global 50 Remuneration Planning Report 2008/2009*; PricewaterhouseCoopers: *Executive Compensation*

Benchmark 2008; and Mercer: *Mercer Executive Remuneration Guide Switzerland 2008*).

Bonus (variable, performance-based, in cash): The annual target bonus corresponds to a percentage of the basic annual salary (50% for the CEO, between 20% and 35% for the other members of the Sulzer Management Group). The actual bonus paid depends on the attainment of the agreed targets. 70% of these targets are of a financial nature (such as order intake, operating income, net income and return on capital employed) and 30% are individual targets, which can be both qualitative and quantitative. For each of those targets, a target value as well as a lower and an upper target level are set. Depending on the level of achievement, a corresponding number of points is calculated. The sum of the points determines the payout ratio, which amounts to a maximum value of two and a half times the target bonus. No bonus at all is paid if the minimum target level is not reached. Exceptions to this policy may be defined by the Board of Directors in response to a proposal by the Nomination and Remuneration Committee. For the year 2009, the Board of Directors decided to grant a discretionary bonus to selected senior managers at Sulzer Metco and Sulzer Chemtech. The amount of this bonus is lower than the bonus that would have been paid out if the minimum target level had been reached.

RSU plan (fixed, share-based remuneration): Sulzer has been implementing a restricted stock unit plan (RSU plan) as a long-term performance incentive since 2009. Following a benchmarking analysis (PricewaterhouseCoopers: *Executive Compensation Benchmark 2008*) and in consultation with PricewaterhouseCoopers and Mercer, the Board of Directors decided to replace the previous long-term option plan with an RSU plan from 2009. Each year, members of the Sulzer Management Group receive RSUs; the value of the RSUs upon issue depends on the respective management grade (according to the Watson/Wyatt Global Grading System) and is regularly reviewed using benchmarks (PricewaterhouseCoopers: *Executive Compensation Benchmark 2008*). All senior managers with the same global grade receive the same number of RSUs. The number of RSUs is based on the defined value per global grade (see above) and the volume-weighted average share price over the last ten trading days before the grant date. The RSUs are not definitively allocated when issued; instead, one-third of the units granted are vested every year. In the event of the termination of an employment, all options and RSUs, which were unvested on the day the working relationship has expired, shall lapse. Details of the remuneration of the Executive Committee are given in the financial statements of Sulzer Ltd under note 109 (pages 120 to 123).

The compensation of the Executive Committee is reviewed annually by the Nomination and Remuneration Committee. This committee proposes to the full Board of Directors the main annual bonus criteria, as well as the total compensation of the CEO and other members of the Executive Committee. Changes to and the determination of the compensation system are subject to a decision by the full Board of Directors in response to a proposal by the Nomination and Remuneration Committee. The members of the Executive Committee have no right to neither attend nor vote at meetings concerning their compensation. However, the CEO attends meetings in which proposed compensation of members of the Executive Committee is being discussed, and submits proposals (except for his own compensation).

No severance payments to members of the Executive Committee were made during the reporting year. The employment contracts of the Executive Committee members make no provision for unusually long notice periods or contract terms. However, since February 2006, they do contain the right to compensation if an employment contract is terminated within 18 months after a change of control or in the event of a considerable change to a member's function. This compensation consists of the basic salary plus the target bonus plus 10% of the basic salary for one year. The Board of Directors has undertaken this measure in the interests of the company. Furthermore, if there is a change of control (for members of the Executive Committee including the replacement of the majority of the members of the Board of Directors) or a public takeover bid that is not supported by the Board of Directors, all allocated options of the option plan and RSUs of the RSU plan are automatically vested.

All other information on compensation (including that of the CEO and the Executive Committee as a whole) can be found in the financial section under note 32 (pages 104 to 105) and note 33 (page 105) as well as in the financial statements of Sulzer Ltd under note 109 (pages 120 to 123).

6. Shareholder participation rights

Restrictions and representation of voting rights

Only nominees are subject to restrictions (see Section 2, Capital structure). No exceptions were granted during the reporting year, and no measures to remove these restrictions are planned.

A shareholder may be represented at the Annual General Meeting by a legal representative, another shareholder with the right to vote, a corporate proxy, an independent proxy, or a depositary. Shares held by a shareholder may be represented by only one person.

Statutory quorum

Changes to the articles of association may only be approved by a majority of at least two-thirds of the voting rights represented; share capital increases are carried out, however, upon an absolute majority of the votes represented. The dissolution or a merger of the company can only be decided upon if at least half the shares issued are represented at the Shareholders' Meeting and two thirds thereof vote in favor of the corresponding proposal (see also paragraph 18 of the articles of association).

Convocation of the Annual General Meeting and submission of agenda items

None of the applicable regulations deviate from the law regarding the convocation of a Shareholders' Meeting. Shareholders representing at least 2% of the share capital may submit items for inclusion on the agenda of a Shareholders' Meeting. Such submissions must be requested in writing at least two months prior to the meeting, and must specify the agenda items and proposals of the shareholder concerned.

Entry in the share register

Voting rights may be exercised by registered shareholders whose names are entered in the share register no later than five working days prior to the Annual General Meeting.

7. Takeover and defense measures

The articles of association contain no opting-out or opting-up clause. None of the contracts with members of the Board of Directors contains a change of control clause. The contracts of the members of the Executive Committee contain a remuneration clause provided the contract is terminated or the member's function is changed considerably within 18 months after a change of control (see Section 5, Compensation report). If there is a change of control (which, for members of the Executive Committee, also includes replacement of the majority of the members of the Board of Directors) or a public takeover bid that is not supported by the Board of Directors, all allocated options of the option plan and RSUs of the RSU plan are automatically vested. The vesting period for those options and RSUs granted to the members of the Board of Directors ends no later than the date on which the individual steps down from his respective function.

8. Auditors

PricewaterhouseCoopers AG has been the statutory auditor of Sulzer Ltd since 1992. The statutory auditor is elected by the Annual General Meeting for a one-year term of office. Christian Kessler has been acting as the Chief External Auditor for the Sulzer mandate since the 2006 Annual General Meeting. The Chief External Auditor is replaced every seven years.

The Audit Committee is in charge of the supervision and monitoring of the statutory auditor, and it reports to the Board of Directors (see Section 3, Board of Directors). The members of the Audit Committee receive summaries of audit findings and improvement proposals at least once a year. The Chief External Auditor is invited to attend meetings of the Audit Committee. In 2009, he has attended all Audit Committee meetings. The Audit Committee or its chairman meets separately with the Head of Internal Auditing and the Chief External Auditor on the occasion of every Audit Committee meeting to assess (among other things) the independence of internal and external auditors. The Audit Committee evaluates the work done by the auditors based on the documents, reports and presentations provided by the auditors as well as on the materiality and objectivity of their statements. In order to do so, the committee gathers the opinions of the CFO and the Head of Internal Auditing. The fee paid to the auditor is reviewed on a regular basis and compared with the auditing fees paid by other internationally active Swiss industrial companies. Said fee is negotiated by the CFO, checked by the Audit Committee and signed off by the Board of Directors. Further information on the auditor, in particular the amount of the auditor's fees and any additional fees received by the auditor for advisory services outside its statutory audit mandate, is listed in the financial section under note 34 (page 106). All advisory services provided outside the statutory audit mandate (essentially consisting of consulting services related to audit and accounting as well as legal and tax advisory services) are compatible with the audit tasks.

9. Information policy

Sulzer Ltd reports on order intake every quarter (media releases), and on its financial results every half-year, in each case also commenting on business performance and outlook. In addition, the company reports on important events on an ongoing basis (ad hoc publications). The reporting in Section 5 of the Corporate Governance Report (including the references to the financial section) corresponds to the compensation report as laid out in Section 8 of Annex 1 of the Swiss Code of Best Practice for Corporate Governance.

Key dates in 2010:

January 14	Order intake 2009
February 25	Annual results 2009
April 15	Annual General Meeting 2010, Order intake for the first quarter of 2010
July 22	Midyear report 2010
October 14	Order intake for the first three quarters of 2010

The above dates and any changes can be viewed at *www.sulzer.com/events*. Media releases (sent via e-mail) can be subscribed to at *www.sulzer.com/newsletter*. Other information is available on the Sulzer website *www.sulzer.com*, including details of the Annual General Meeting (available in the run-up to the meeting), the company profile, corporate presentations and current share information, ad hoc publications, as well as contact addresses.

Material changes

Reference is made in the text to any material changes occurring between the balance sheet date (December 31, 2009) and the copy deadline for the annual report (February 18, 2010).

Our sound financial situation builds a solid foundation

Financial controlling at the Sulzer site in Shanghai, China

Sulzer Financial Section 2009

Consolidated Financial Statements

Sulzer achieved a net income of CHF 276 million and increased the free cash flow substantially to CHF 529 million. The capital structure was further strengthened, which is reflected in the equity ratio of 52.5%.

Consolidated Financial Statements

Five-year Summaries

Consolidated Income Statement

January – December

millions of CHF	Notes	2009	2008
Sales		3 350.4	3 713.5
Cost of goods sold		–2 343.9	–2 564.2
Gross profit		1 006.5	1 149.3
Selling and distribution expenses		–290.6	–312.2
General and administrative expenses		–277.5	–293.4
Research and development expenses	07	–63.4	–59.6
Other operating income	08	98.0	65.0
Other operating expenses	08	–56.4	–70.6
Operating income before restructuring		416.6	478.5
Restructuring expenses		–48.6	–3.4
Operating income		368.0	475.1
Interest and securities income	09	8.0	10.8
Interest expenses	09	–10.1	–14.6
Other financial income	09	3.7	–19.7
Income before income tax expenses		369.6	451.6
Income tax expenses	10	–93.8	–123.9
Net income		275.8	327.7
Attributable to shareholders of Sulzer Ltd		270.4	322.9
Attributable to minority interests		5.4	4.8
Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF)			
Basic earnings per share	23	8.06	9.59
Diluted earnings per share	23	7.99	9.52

Consolidated Statement of Comprehensive Income

January – December

millions of CHF	Notes	2009	2008
Net income		275.8	327.7
Fair value changes on available-for-sale financial assets, net of tax		3.9	–24.3
Cash flow hedges, net of tax		25.5	–26.8
Currency translation differences		26.6	–142.0
Total comprehensive income for the year		331.8	134.6
Attributable to shareholders of Sulzer Ltd		325.5	132.5
Attributable to minority interests		6.3	2.1

Consolidated Balance Sheet

December 31

millions of CHF	Notes	2009	2008
Non-current assets			
Intangible assets	11	511.9	491.5
Property, plant and equipment	12	558.1	605.8
Other financial assets	13	32.1	33.3
Non-current receivables		6.2	3.4
Deferred income tax assets	10	92.1	69.0
Total non-current assets		1 200.4	1 203.0
Current assets			
Inventories	14	512.8	635.3
Advance payments to suppliers		68.8	60.0
Trade accounts receivable	16	696.1	859.3
Other accounts receivable and prepaid expenses	17	128.6	174.9
Assets held for sale	18	10.4	9.2
Marketable securities	20	36.5	41.3
Cash and cash equivalents	19	730.6	447.2
Total current assets		2 183.8	2 227.2
Total assets		3 384.2	3 430.2

Equity			
Share capital	22	0.3	0.3
Reserves		1 777.2	1 538.0
Equity attributable to shareholders of Sulzer Ltd		1 777.5	1 538.3
Minority interests		11.4	8.0
Total equity		1 788.9	1 546.3
Non-current liabilities			
Long-term borrowings	24	49.0	25.9
Deferred income tax liabilities	10	65.6	72.3
Non-current income tax liabilities	10	31.6	35.1
Non-current provisions	25	179.1	177.2
Other non-current liabilities		1.9	6.1
Total non-current liabilities		327.2	316.6
Current liabilities			
Short-term borrowings	24	47.5	156.5
Current income tax liabilities	10	74.2	59.4
Current provisions	25	186.2	136.0
Trade accounts payable		243.7	317.3
Customers’ advance payments		313.8	396.2
Other current and accrued liabilities	26	402.7	501.9
Liabilities directly associated with assets held for sale	18	–	–
Total current liabilities		1 268.1	1 567.3
Total liabilities		1 595.3	1 883.9
Total equity and liabilities		3 384.2	3 430.2

Consolidated Statement of Changes in Equity

January – December

millions of CHF	Notes	Share capital	Retained earnings	Treasury stock	Financial instruments	Currency translation adjustment	Net income	Total	Minority interests	Total equity
		Attributable to shareholders of Sulzer Ltd								
Equity as of January 1, 2008		0.1	1 654.9	–381.2	38.9	–45.6	284.1	1 551.2	8.2	1 559.4
Total comprehensive income for the year					–42.9	–147.5	322.9	132.5	2.1	134.6
Addition/deduction of minority interests								–		–
Change in treasury shares			–301.2	257.4				–43.8		–43.8
Cost of share-based payments			0.3					0.3		0.3
Increase share capital	22	0.2	–0.2					–		–
Dividend							–101.9	–101.9	–2.3	–104.2
Allocation of net income			182.2				–182.2	–		–
Equity as of December 31, 2008		0.3	1 536.0	–123.8	–4.0	–193.1	322.9	1 538.3	8.0	1 546.3
Total comprehensive income for the year					26.5	28.6	270.4	325.5	6.3	**331.8**
Addition/deduction of minority interests								–	0.3	**0.3**
Change in treasury shares			–21.0	25.1				4.1		**4.1**
Cost of share-based payments			5.5					5.5		**5.5**
Dividend							–95.9	–95.9	–3.2	**–99.1**
Allocation of net income			227.0				–227.0	–		**–**
Equity as of December 31, 2009		0.3	1 747.5	–98.7	22.5	–164.5	270.4	1 777.5	11.4	**1 788.9**

Consolidated Statement of Cash Flows

January – December

millions of CHF	Notes	2009	2008
Cash and cash equivalents as of January 1		**447.2**	363.6
Cash flow from operating activities			
Operating income		**368.0**	475.1
Depreciation/amortization		**111.2**	100.8
Changes in inventories		**146.4**	–68.8
Changes in advance payments to suppliers		**–7.5**	34.5
Changes in trade accounts receivable		**203.6**	–160.5
Changes in advance payments from customers		**–122.4**	105.9
Changes in trade accounts payable		**–87.4**	–
Changes in provisions		**29.5**	32.1
Changes in other net current assets		**–11.3**	36.5
Other non-monetary income statement items		**34.1**	30.3
Interest received		**9.7**	11.1
Interest payments		**–7.1**	–10.7
Income tax paid		**–134.6**	–128.4
Income from disposals of subsidiaries and property, plant and equipment		**–44.2**	–8.0
Total cash flow from operating activities		**488.0**	449.9
Cash flow from investing activities			
Purchase of intangible assets		**–1.3**	–5.2
Sale of intangible assets		**0.1**	–
Purchase of property, plant and equipment		**–110.9**	–110.8
Sale of property, plant and equipment		**152.9**	29.2
Acquisitions	30	**–40.2**	–77.1
Divestitures		**0.6**	–
Purchase of financial assets		**–0.2**	–7.5
Sale of financial assets		**0.5**	4.2
Purchase of marketable securities		**–6.3**	–46.7
Sale of marketable securities		**17.8**	15.9
Total cash flow from investing activities		**13.0**	–198.0
Cash flow from operating and investing activities		**501.0**	251.9
Cash flow from financing activities			
Dividend		**–94.0**	–94.6
Purchase/sale of treasury stock		**–28.0**	–14.0
Minority interests		**–3.2**	–2.3
Additions in long-term borrowings		**20.0**	0.8
Repayment of long-term borrowings		**–1.1**	–1.0
Changes in short-term borrowings		**–119.0**	12.2
Total cash flow from financing activities		**–225.3**	–98.9
Exchange gains/losses on cash and cash equivalents		**7.7**	–69.4
Net change in cash and cash equivalents		**283.4**	83.6
Cash and cash equivalents as of December 31		**730.6**	447.2

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Notes

Corporate Accounting Principles

1 General information

Sulzer Ltd (the "company") is a company domiciled in Switzerland. The address of the company's registered office is Zürcherstrasse 14 in Winterthur, Switzerland. The consolidated financial statements as at and for the year ended December 31, 2009, comprise the company and its subsidiaries (together referred to as the "corporation" and individually as the "subsidiaries") and the corporation's interest in associates and jointly controlled entities.

The corporation is mainly active in the machinery and equipment, the surfacing technology business and associated services.

Sulzer was founded in 1834 in Winterthur, Switzerland and employs some 12 200 people in over 120 locations worldwide.

The company is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

These consolidated financial statements were authorized for issue by the Board of Directors on February 18, 2010.

2 Key accounting policies and valuation methods

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) using the historical cost convention except for the following:

- financial instruments at fair value through profit or loss are measured at fair value (incl. derivative financial instruments),
- available-for-sale financial instruments are measured at fair value,
- liabilities for cash-settled share-based payments are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by subsidiaries.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 4 "Critical accounting estimates and judgments".

2.2 Change in accounting policies

a) Amendments, interpretations to published standards or new standards effective in 2009

- IFRS 7 (amendment) Financial Instruments — Disclosures requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share. The amendment became mandatory for the corporation's 2009 financial statements.
- IFRS 8 Operating Segments introduces the "management approach" to segment reporting and replaces IAS 14. IFRS 8, which became mandatory for the corporation's 2009 financial statements, requires the disclosure of segment information based on the internal reports regularly reviewed by the corporation's Chief Executive Officer (CODM) in order to assess each segment's performance (e.g., operating income) and to allocate resources to them.
- IAS 23 (revised) Borrowing Costs removed the option to expense borrowing costs and requires that an entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 became mandatory for the corporation's 2009 financial statements and did not have any material impact on the consolidated financial statements.
- IAS 1 (revised) Presentation of Financial Statements prohibits the presentation of items of income and expenses (i.e., non-owner changes in equity) in the statement of changes in equity, requiring these items to be presented separately from the owner changes in equity in a separate performance statement. The revised IAS 1 became mandatory for the corporation's 2009 financial statements and had only an impact on the presentation of the financial statements.
- IFRIC 16 Hedges of a Net Investment in a foreign Operation (effective from October 1, 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that the net investment hedging relates to differences in functional currency not presentation currency and hedging may be held anywhere in the corporation. IFRIC 16, which became mandatory for the corporation's 2009 financial statements, did not have any material impact on the consolidated financial statements.

b) Standards, amendments and interpretations which the corporation has decided not to early adopt in 2009

- IAS 27 (revised) Consolidated and Separate Financial Statements requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The corporation will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from January 1, 2010.
- IFRS 3 (revised) Business Combinations continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All transaction costs should be expensed. The corporation will apply IFRS 3 (Revised) from January 1, 2010.
- IFRIC 17 Distributions of Non-cash Assets to owners clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. The interpretation states that a dividend payable should be recognized when appropriately authorized and should be measured at the fair value of the net assets to be distributed. The difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. IFRIC 17 will become mandatory effective for the corporation's 2010 financial statements, with prospective application required. It is not expected to have any impact on the consolidated financial statements.

- There are a number of minor amendments, which are part of the IASB's annual improvement project published in April 2009. Such amendments are IAS 1 current/non-current classification of convertible instruments, IFRS 2 scope of IFRS 2 and IFRS 3 (revised), IFRS 5 disclosures required in respect of non-current assets classified as held for sale or discontinued operations, IFRS 8 disclosure of information about segment assets, IAS 7 classification of expenditures on unrecognized assets, IAS 17 classification of leases of land and buildings, IAS 18 determining whether an entity is acting as principal or as an agent, IAS 36 unit of accounting for goodwill impairment test, IAS 38 additional consequential amendments arising from IFRS 3 (revised), IAS 38 measuring the fair value of an intangible asset acquired in a business combination, IFRIC 18 provides guidance on how to account for property, plant and equipment received from customers, IFRIC 19 extinguishes financial liability with equity instruments, IFRS 9 treatment of financial instruments, IAS 39 treating loan pre-payment penalties as closely related derivatives, IAS 39 scope exemption for business combination contracts and IAS 39 cash flow hedge accounting. These amendments will become mandatory on or after January 1, 2010, and are unlikely to have an impact on the corporation's financial statements.

c) Standards, amendments and interpretations effective in 2009 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2009, but are not relevant to the corporation's operations:

- IFRIC 9 and IAS 39 (amendment) — Embedded Derivatives. The amendment requires that an entity should reassess whether an embedded derivative is to be separated from the host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. IFRIC 9, which became mandatory for the corporation's 2009 financial statements, did not have any impact on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which became mandatory for the corporation's 2009 financial statements, did not have any impact on the consolidated financial statements.
- IFRIC 15 Agreements for the Construction of Real Estates. This interpretation clarifies whether IAS 18 Revenue or IAS 11 Construction contracts, should be applied to specific transactions. IFRIC 15 is not relevant to the corporation's operations as no construction of real estate business is performed.
- IFRS 2 (amendment) Share-based payments deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether done by the entity or by other parties, should receive the same accounting treatment. IFRS 2 (amendment), which became mandatory for the corporation's 2009 financial statements, did not have any impact on the consolidated financial statements.

2.3 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the corporation has the power to govern the financial and operating policies generally accompanying a shareholding (voting rights) of more than 50% or otherwise controls the company's activities directly or indirectly, by applying the full consolidation method. Changes in the scope of consolidation take effect from the date on which control was transferred. The consolidation of equity has been carried out according to the purchase method. The accounting policies of subsidiaries have been changed to align them with the policies adopted by the corporation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the corporation. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the corporation's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

b) Associates and jointly controlled entities

Associates are those entities in which the corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the corporation holds, directly or indirectly, between 20% and 50% of the voting rights. Joint ventures are those entities over whose activities the corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method and are initially recognized at cost.

c) Transactions eliminated on consolidation

All material intercompany transactions and balances and any unrealized gains or losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. A summary of the major subsidiaries or affiliated entities is shown in note 37 "Major subsidiaries."

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance (e.g., operating income) of the operating segments, has been identified as the steering committee that makes strategic decisions. The operating segments for Sulzer are shown in note 03 "Segment information."

2.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of affiliated companies are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs (CHF), which is the functional and presentation currency of Sulzer Ltd.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary items denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the item and other changes in the carrying amount of the item. Translation differences related to changes in the amortized cost are recognized in profit or loss and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

c) Subsidiaries

The results and financial position of all the subsidiaries (excluding the ones with hyperinflationary economy) that have a functional currency different from the presentation currency of the corporation are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates.

Translation differences resulting from consolidation are taken to equity. In the event of a sale or liquidation of foreign affiliated companies, exchange differences which were recorded in equity are recognized in the income statement as part of the gain or loss on sale or liquidation.

2.6 Intangible assets

An intangible asset is classified either as an asset with indefinite useful life when timely limitation of generating net cash inflows is not foreseeable, or as an asset with a finite useful life.

Intangible assets with an indefinite useful life are not to be amortized. The corporation performs an annual review determining whether events and circumstances still support this classification is compulsory. Reassessing the useful life indicates that an asset might be impaired.

The intangible assets with finite useful life are amortized in line with expected useful life, usually on a straight-line basis. The period of useful life is to be assessed according to business rather than legal criteria. This assessment is being made at least once a year. An impairment might be required in the event of sudden or unforeseen value changes.

a) Goodwill

Goodwill represents the difference between the costs of acquiring a business and the fair value of the corporation's share in the identifiable net asset value of the acquired business at the time of acquisition. Any goodwill arising as a result of a company acquisition is included within intangible assets. Goodwill originating from the acquisition of an associated company is included in the book value of the participation in associated companies. Goodwill is subject to an annual impairment test and valued at its original acquisition cost less accumulated impairment losses. Profits and losses arising from the sale of a business include the book value of the goodwill assigned to the business being sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The corporation allocates goodwill to each operating segment.

b) Trademarks and licenses

Other intangible assets include material licenses, patents, trademarks and similar rights acquired from third parties. Such assets are amortized over their expected useful life, generally not exceeding 10 years. Minor purchases of patents, licenses, trademarks and similar rights and any related internally generated intangibles are expensed as incurred.

c) Research and development expenses

Development costs for major projects are only capitalized and amortized over the period of use if required criteria are met. Other research and development expenses are charged directly to income as incurred.

d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to max. 5 years).

e) Customer relationships

As part of a business combination acquired customer rights are recorded at fair value (cost at the time of acquisition). These costs are amortized over their estimated useful lives, generally not exceeding 10 years.

f) Other intangible assets

Other intangible assets comply with the general requirements for intangible assets but cannot be classified in another category as defined above. Such intangible assets are stated on the basis of costs incurred and are amortized over their estimated useful lives, generally not exceeding 10 years.

2.7 Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less operationally required depreciation and impairments. Acquisition cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful life. Land is stated at cost and is not depreciated.

The useful lives are as follows:

Buildings	20 – 50 years
Machinery	5 – 15 years
Technical equipment	5 – 10 years
Vehicles	max. 4 years
Other equipment	max. 5 years

Property, plant and equipment financed by long-term financial leases is capitalized and amortized in the same way as other assets. The applicable leasing commitments are shown as liabilities and are included under long-term borrowings. Substantial appreciations are also capitalized and amortized over the useful lives of the assets.

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not depreciated under a fixed schedule, but assessed annually for impairment. Assets depreciated under a fixed schedule are only assessed for impairment if relevant events or changes in circumstances indicate that the book value is no longer recoverable. An impairment loss is recorded equal to the excess of the carrying value over the recoverable amount. The recoverable amount is the higher of the fair value of the asset less disposal costs and its value in use. The value in use is based on the estimated cash flow over at least a five year period and the extrapolated projections for subsequent years. The results are discounted using an appropriate long-term interest rate. For the purposes of the impairment test, assets are grouped together at the lowest level for which separate cash flows can be identified (cash-generating units).

2.9 Financial assets

Financial assets, including marketable securities, are classified into the following four categories: "Financial assets at fair value through profit or loss", "Available-for-sale financial assets", "Loans and receivables" and "Held to maturity financial assets". Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at the date of purchase and reviews it on every accounting date. The fair value of financial instruments is either taken from an actively traded market or, in the case of non-traded financial instruments, from a valuation using standard formula-based methods. The marketable securities held by the corporation belong either to the first or the second category.

a) Financial assets at fair value through profit or loss

Assets in this category are capitalized at fair value and subsequently adjusted to fair values, with any adjustments charged or credited to financial income. Derivative financial instruments are recorded at fair value (cost at the time of acquisition) and subsequently adjusted to fair values. Financial assets designated at fair value from inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. With the exception of derivative financial instruments which meet the requirements of a "cash flow hedge" or a "net investment hedge", all adjustments are charged or credited to financial income. Assets in this category are classified as current assets.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, unless the maturity is greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

d) Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payment terms and fixed maturities are classified as held to maturity when there is the positive intention and ability to hold to maturity. After initial recognition held to maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

Purchases and disposals of financial assets are recognized on the trade date. The corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the corporation has transferred all substantial risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement line "Other financial income" in the period they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of financial income.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost and other changes in the carrying amount. The translation differences on monetary items are recorded in the income statement, the translation differences on non-monetary items are recorded in equity. Changes in the fair value of financial assets classified as available-for-sale are recorded in equity. When these assets are sold or impaired, the accumulated fair value adjustments recorded in equity are recycled and booked to the financial income.

2.10 Derivative financial instruments and hedging activities

The corporation uses hedge accounting mainly for so-called "cash flow hedges" and "net investment hedges". Cash flow hedges are used to secure future cash flows which have a high probability of occurrence. The hedge instrument is recorded on the balance sheet at fair value and the effective portions are booked against "Equity" in the column "Financial instruments". If the hedge relates to a non-financial transaction which will subsequently be recorded on the balance sheet, the adjustments cumulated under "Equity" at that time will be included in the initial book value of the asset or liability. In all other cases the cumulative changes of fair value of the hedging instrument that have been recorded in equity are included as a charge or credit to income when the forecasted transaction is recognized or when hedge accounting is discontinued as the criteria are no longer met. In general, the fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion on the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as gains or losses. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed or sold.

The corporation documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The corporation also documents its assessment, both at hedge inception and on ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.11 Inventories

Raw materials, supplies and consumables are stated at the lower of cost or net realizable value. Finished products and work in progress are stated at the lower of production cost or net realizable value. Production costs include the cost of materials, direct and indirect manufacturing costs and contract-related costs of construction. Inventories are valued by reference to weighted average costs. Provisions are made for slow moving and excess inventories.

2.12 Trade receivables

Trade and other accounts receivable are stated at face value less provision for impairments. The respective value corresponds approximately to the amortized costs. A provision for impairment of trade receivables is established when there is objective evidence that the corporation will not be able to collect all the amounts due according to the original payment terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables which are past due more than 120 days are subject to regular review and adequate impairment is considered. The amount of the impairment provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment charge is booked within selling and marketing expenses in the income statement and the carrying amount of the trade receivable is deducted through an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Any subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents comprises bills, postal giro and bank accounts, together with other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are reported within borrowings in the current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.15 Trade payables

Trade payables and other payables are stated at face value. The respective value corresponds approximately to the amortized costs.

2.16 Borrowings

Financial debt is stated at fair value when initially recognized, after recognition of transaction costs. In subsequent periods it is valued at amortized cost. Any difference between the amount borrowed (after deduction of transaction costs) and the repayment amount is reported in the income statement over the duration of the loan using the effective interest method. Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the corporation's subsidiaries and associates operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The liability method is used to provide deferred taxes on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are valued by applying tax rates (and regulations) in force on the balance sheet date or any that have essentially been legally approved and are expected to apply at the time when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are applied to the extent that it is likely that a taxable profit will be available against which the temporary difference can be applied. Deferred tax liabilities arising as a result of temporary differences relating to investments in subsidiaries and associated companies are applied unless the corporation can control when temporary differences are reversed and it is unlikely that they will be reversed in the foreseeable future.

2.18 Employee benefits

a) Defined benefit plans

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

b) Defined contribution plans

Defined contribution plans are defined to be pure savings plans, under which the employer makes certain contributions into a separate legal entity (fund) and does not have a legal or an extendible (constructive) liability to contribute any additional amounts in the event this entity does not have enough funds to pay out benefits. A "constructive" commitment exists when it can be assumed that the employer will voluntarily make additional contributions in order not to endanger the relationship with its employees. Company contributions to such plans are considered in the income statement as personnel expenses.

c) Other employee benefits

Some subsidiaries provide other post-employment benefits to their employees. Short-term benefits are payable within 12 months after the end of the period in which the employees render the related employee service. In the case of liabilities of a long-term nature, the discounting effects and employee turnover are to be taken into consideration. Provisions for other post-employment employee benefits are reported as long-term provisions in category "Other employee benefits".

In case of termination benefits (e.g., contributions on early retirement) the calculation of the provision is similar as the calculation for post-employment benefits. Obligations to employees arising from restructuring measures are included under the category "Restructuring provisions".

d) Share-based compensation

Sulzer operates equity-settled and cash-settled, share-based compensation plans. For the equity-settled, share-based compensation plan the fair value of the employee service received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (e.g., profitability and sales growth targets). At each balance sheet date, the entity reassesses its estimates of the number of options that are expected to be exercised. It recognizes the impact of the reassessment of original estimates, if any, in the income statement and a corresponding adjustment to equity over the options are exercised. For cash-settled share-based payments a liability equal to the proportion of the goods or service received is recognized at the current fair value determined at each balance sheet date.

Refer to note 32 "Share participation plans" for further information.

2.19 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the corporation's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the corporation.

The corporation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

a) Sale of goods/products

Revenue from the sale of goods/products derives in the ordinary course of business. Goods and products are described as ordinary when they are part of the official product range of the Sulzer organization. Goods and products are those items produced/engineered and/or purchased for resale. This includes standard products (off the rack) as well as (pre-)engineered or tailor made products.

Revenue from the sale of goods is recognized when all of the below stated conditions are fulfilled. The return rights of products and goods are also considered. Conditions for the recognition of revenue from sale of goods and products:

- it is probable that any future economic benefit associated with the revenue will flow to the entity,
- the revenue can be measured reliably,
- the costs incurred or to be incurred can be measured reliably,
- the entity (seller) has transferred significant risks and rewards of ownership to the buyer and
- the entity (seller) retained neither continuing managerial involvement nor effective control over the goods.

Revenue is recognized only when it is probable that it is collectible and measurable. Revenue can only be collectible when there is a binding sales agreement. Once revenue is recognized, any subsequent uncertainty about the collectability of the revenue is recognized as an expense/adjustment to the amount receivable rather than as an adjustment to revenue.

b) Rendering of services

The rendering of services involves an entity performing an agreed task for a customer. This service may involve asset maintenance, membership services, professional services and the construction development or customization of assets. Service contracts may be single element, in which the entity renders one type of service, or multiple elements contracts that provide for delivery of more than one service, or may include delivery of goods as well as services. Services are often performed within the reporting period. The percentage of completion basis is applicable to such services, but the stage of completion increases from 0% to 100% within one accounting period.

Services that are provided over a period beyond the reporting period involve estimates. Revenue is then recognized according to the stage, or percentage, of completion of the contract. The method used to determine the stage of completion will depend on the nature of the contract. A consistent approach is taken to the revenue recognition of similar contracts.

Revenue from rendering of services is recognized by reference to the stage of completion of the transaction when the following conditions are cumulatively met:

- the amount of revenue can be measured reliably,
- the flow of economic benefits to the entity is probable,
- the state of completion at the period end can be measured reliably and
- the costs incurred to date and the costs to completion can be measured reliably.

c) Percentage of completion method

Major long-term customer orders are reported using the percentage of completion method (PoC), based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. The income statement contains a share of sales, including an estimated share of profit, while the balance sheet includes the corresponding trade accounts receivable after adjustment for advance payments received.

When it appears probable that the total costs of an order will exceed the expected income, the total amount of expected loss is recognized immediately in the income statement. The impact out of the percentage of completion orders on the consolidated income statement and balance sheet is shown in note 15 "Percentage of completion contracts."

d) Other revenue

Revenue from the use of entity assets by third parties yielding interest, royalties and dividends in the form of:

- interest — charges for the use of cash or cash equivalents or amounts due to the entity,
- royalties — charges for the use of long-term assets (for example: patents, trademarks, copyrights and computer software) and
- dividends — distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital.

Interest is recognized using the effective interest method. Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividends are recognized when the shareholder's right to receive payment is established.

The earnings process is complete when all of the following have cumulatively occurred:

- probable that economic benefits will flow to the entity,
- revenue can be measured reliably.

2.21 Discontinuing operations

In line with IFRS 5, Sulzer classifies operations as discontinuing if the criteria for "held for sale" classification have been met. This is the case if it is a major line of business, geographical area of operations or parts thereof and when there is a co-ordinated plan to dispose a major line of business or geographical area of operations.

2.22 Assets and disposal groups held for sale

A non-current asset or a group of assets is classified as "held for sale" (IFRS 5) if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the management must be committed to sell the assets, the assets must be actively marketed for sale and the sale is expected to be completed within one year. A non-current asset or a group of assets classified as "held for sale" shall be measured at the lower of its carrying amount and fair value less selling costs.

2.23 Dividend distribution

Dividend distribution to the shareholders of Sulzer Ltd are resolved upon decision of the general assembly and will be paid in the same reporting period.

3 Financial risk management

3.1 Financial risk factors

The corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the corporation's financial performance. The corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Corporate Treasury). Corporate Treasury identifies, evaluates and hedges financial risks in close co-operation with the corporation's affiliated companies. Principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity exist in writing.

(a) Market risk

(i) Foreign exchange risk

The corporation operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR, CHF, USD, CAD and GBP.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require affiliated companies to manage their foreign exchange risk against their functional currency. The affiliated companies are required to hedge their major foreign exchange risk exposure using forward contracts or other standard instruments, usually transacted with Corporate Treasury.

For segment reporting purposes, each affiliated company designates contracts with Corporate Treasury as fair value hedges or cash flow hedges, as appropriate. Presently most of the contracts are designated as cash flow hedges. External foreign exchange contracts are designated at corporate level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The corporation has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. If required, currency exposure arising from the net assets of the corporation's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The following tables show the hypothetical influence on the income statement for 2009 and 2008 related to foreign exchange risk. The volatility used for the calculation is the one year historic volatility on December 31 for the relevant currency pair and year. For 2009, the only currency pairs with significant inherent risk were the Euro versus the Indian rupee as well as the US dollar versus the Swiss franc.

2009 in income statement

millions of CHF Currency pair	EUR/INR	USD/CHF
Volatility	**12.1%**	**12.7%**
Effect on profit after tax (rate increase)	**1.0**	**0.7**
Effect on profit after tax (rate decrease)	**–1.0**	**–0.7**

2008 in income statement

millions of CHF Currency pair	USD/CAD
Volatility	15.8%
Effect on profit after tax (rate increase)	–2.8
Effect on profit after tax (rate decrease)	2.8

If, at December 31, 2009, the Euro had increased by 12.1% against the Indian rupee with all other variables held constant, profit after tax for the year would have been CHF 1.0 million higher mainly due to foreign exchange gains on EUR-denominated current assets. A decrease of the rate would have caused a loss of the same amount. For 2008, an increase (decrease) of the Euro against the Indian rupee would have caused a gain (loss) of CHF 0.2 million.

The following tables show the hypothetical influence on equity for 2009 and 2008 related to foreign exchange risk of the most important currency pairs as at December 31, 2009. The volatility used for the calculation is the one year historic volatility on December 31 for the relevant currency pair and year.

Most of the hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flows in foreign currencies.

2009 in equity

millions of CHF Currency pair	GBP/USD	USD/CAD	EUR/CHF	USD/MXN	GBP/CHF	USD/CHF	EUR/USD
Volatility	13.9%	14.7%	6.3%	16.2%	13.8%	12.7%	12.2%
Effect on equity (rate increase)	7.4	–3.0	–1.9	–1.7	–1.5	–1.4	1.3
Effect on equity (rate decrease)	–7.4	3.0	1.9	1.7	1.5	1.4	–1.3

2008 in equity

millions of CHF Currency pair	EUR/CHF	USD/MXN	GBP/USD	USD/CAD	USD/CHF	USD/BRL	EUR/BRL
Volatility	9.2%	19.0%	14.0%	15.8%	15.1%	29.1%	27.2%
Effect on equity (rate increase)	–7.6	–13.0	8.9	–9.7	–6.0	–7.6	–4.5
Effect on equity (rate decrease)	7.6	13.0	–8.9	9.7	6.0	7.6	4.5

(ii) Price risk

The corporation is exposed to equity securities price risk because of investments held by the corporation and classified on the consolidated balance sheet either as “available-for-sale” or at “fair value through profit or loss”. The corporation’s equity investments are mostly publicly traded and are included in one of the following equity indexes: SPI equity index or FTSE-250 UK equity index.

The table below summarizes the hypothetical impact of increases/decreases of the two equity indexes on the corporation’s post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by its one year historic volatility at December 31 with all other variables held constant and all the corporation’s equity instruments moved according to the historical correlation with the index.

millions of CHF	2009			2008		
Index	Volatility	Impact on post-tax profit	Impact on equity	Volatility	Impact on post-tax profit	Impact on equity
SPI	19.3%	0.3	4.7	33.2%	0.3	6.6
FTSE-250 UK	24.4%	–	–	32.7%	0.8	–

Post-tax profit for the year would increase as a result of gains on equity securities classified as at “fair value through profit or loss”. Equity would increase as a result of gains on equity securities classified as “available-for-sale”. A decrease of the equity markets would cause a loss of the same amount.

(iii) Interest rate sensitivity

The corporation’s interest rate risk arises from interest bearing assets and liabilities. Assets and liabilities at variable rates expose the corporation to cash flow interest rate risk. Assets and liabilities at fixed rates expose the corporation to fair value interest rate risk.

The corporation analyzes its interest rate exposure on a net basis. The following table shows the hypothetical influence on the income statement for variable interest bearing assets net of liabilities at variable interest rates, assuming market interest rate levels would have increased/decreased by 100 basis points. For the most significant currencies CHF, USD, BRL, CNY and EUR, increasing interest rates would have a positive impact on the income statement, since the amount of variable interest bearing assets (comprising mainly cash and cash equivalents) are exceeding the amount of variable interest bearing liabilities.

millions of CHF	2009			2008		
Variable interest bearing assets (net)	Amount	Sensitivity in basis points	Impact on post-tax profit	Amount	Sensitivity in basis points	Impact on post-tax profit
CHF	237.8	100	1.8	56.2	100	0.4
USD	116.1	100	0.9	44.7	100	0.3
BRL	75.2	100	0.6	19.0	100	0.1
CNY	69.1	100	0.5	32.9	100	0.3
EUR	52.2	100	0.4	13.2	100	0.1

At December 31, 2009, if the interest rates on CHF-denominated assets net of liabilities had been 100 basis points higher with all variables held constant, post-tax profit for the year would have been CHF 1.8 million (2008: CHF 0.4 million) higher, mainly as a result of higher interest income on cash and cash equivalents. In prior year's financial statements only the interest rate risks arising from borrowings have been considered.

(b) Credit risk

Credit risk is managed on a corporation-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, generally only independently rated parties with a minimum rating of 'A' are accepted and the total volume of transactions is split among several banks to reduce the individual risk with one bank.

For every wholesale customer with a large order volume an individual risk assessment to credit the quality of the customer is performed considering independent ratings, financial position, past experience and other factors. Additionally, bank guarantees and letters of credit are requested.

For more details on the credit risk out of trade accounts receivable please refer to note 16 "Trade accounts receivable."

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Corporate Treasury maintains flexibility in funding by maintaining availability under a committed credit line.

Management monitors forecast figures of the corporation's liquidity reserve on the basis of expected cash flow. In 2007 a syndicated credit line with maturity 2012 has been established to provide financial flexibility also in the short run. During 2008, the syndicated credit line has been partially extended until 2013. If special needs arise, financing will be reviewed case by case.

The table below analyzes the corporation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows calculated with the year-end closing rates. Borrowings include the notional amount as well as interest payments.

millions of CHF	2009					2008				
	<1 year	1–2 years	2–5 years	>5 years	**Total**	<1 year	1–2 years	2–5 years	>5 years	Total
Borrowings	50.2	12.8	26.0	18.4	**107.4**	163.6	9.3	4.9	16.0	193.8
Trade accounts payable	243.7	–	–	–	**243.7**	317.3	–	–	–	317.3
Other liabilities	142.1	1.7	0.3	–	**144.1**	210.4	5.7	0.4	–	216.5

The following table analyzes the corporation's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows calculated with the year-end closing rates. With every forward contract the corporation is obliged to pay an amount, however receives the equivalent amount in a different currency. In case of options, only short positions are considered as only these positions may generate a payment liability.

millions of CHF	2009				
	< 1 year	1–2 years	2–5 years	> 5 years	Total
Forward exchange contracts					
– outflow	739.6	47.1	2.3	–	**789.0**
– inflow	739.6	47.1	2.3	–	**789.0**
Currency options					
– outflow	–	–	–	–	**–**
– inflow	–	–	–	–	**–**
Other options					
– outflow	35.8	–	–	–	**35.8**
– inflow	–	–	49.8	–	**49.8**

millions of CHF	2008				
	< 1 year	1–2 years	2–5 years	> 5 years	Total
Forward exchange contracts					
– outflow	990.6	40.7	0.8	–	1 032.1
– inflow	990.6	40.7	0.8	–	1 032.1
Currency options					
– outflow	1.2	–	–	–	1.2
– inflow	1.2	–	–	–	1.2
Other options					
– outflow	36.7	–	–	–	36.7
– inflow	–	–	49.8	–	49.8

3.2 Capital risk management

The corporation's objectives when managing capital are to safeguard the corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the same industry, the corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as total financial debt divided by total equity (debt to equity ratio). The equity capital as shown in the balance sheet corresponds to the managed equity capital.

The gearing ratio as at December 31, 2009 and 2008 were as follows:

millions of CHF	2009	2008
Total financial debt	**96.5**	182.4
Total equity (excluding minorities)	**1 777.5**	1 538.3
Gearing Ratio	**0.05**	0.12

The decrease in the gearing ratio during 2009 resulted from both a lower amount of outstanding financial debt as well as an increase of shareholder's equity.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the corporation is the current bid price. Such instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Such instruments are included in level 2.

The following table presents the financial assets and liabilities that are measured at fair value at 31 December 2009.

millions of CHF	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	1.1	35.4	–	**36.5**
Derivative assets	–	15.5	–	**15.5**
Available-for-sale financial assets	27.4	–	–	**27.4**
Total assets	28.5	50.9	–	**79.4**
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	–	**–**
Derivative liabilities	–	9.2	–	**9.2**
Total assets	–	9.2	–	**9.2**

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less allowance for doubtful trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. Allowances are based on past experience in the relevant markets. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the corporation for similar financial instruments.

The corporation does not have significant financial assets for which valuation techniques not based on observable market data are used (Level 3).

4 Critical accounting estimates and judgments

All estimates and assessments are continually reviewed and are based on historical experiences and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The corporation makes estimates and assumptions that relate to the future. By their nature, these estimates will only rarely correspond to actual subsequent events. The estimates and assumptions that carry a significant risk, in the form of a substantial adjustment to the present values of assets and liabilities within the next financial year, are set out below.

a) Goodwill

In accordance with the accounting policies set forth in section 2.6 “Intangible assets”, the corporation carries out an annual impairment test on goodwill. The recoverable amount from cash-generating units is measured on the basis of value in use calculations. These calculations require the establishment of assumptions.

The management defines budgeted gross margins based on developments in the past and on future market expectations. The applied discount rates are based on pre-tax interest rates and reflect the specific risks of the respective industry.

As in the previous year enhanced attention was paid to the valuation of goodwill of two acquisitions in the Netherlands completed in 2000. The involved divisions are Sulzer Metco and Sulzer Turbo Services. The unit of Sulzer Metco showed decreasing sales compared to 2008. Main reasons are the delays of several aircraft programs (B787, A400M) and the general crisis in the aircraft industry. As a result, Sulzer Eldim reduced their workforce accordingly. This allowed Sulzer Eldim to maintain the profitability at a good level. It is not expected that the top line will be back at the level of 2008 within the next 2 years. Due to the cost savings initiated in the course of 2009, Sulzer Eldim will be able to maintain a good profitability level in the next years. Sulzer Turbo Services’ subsidiaries results in 2009 are in line with the projections made in prior year. The relevant growth rates were reduced in order to reflect current market expectations.

The valuation calculations performed on this basis for the two acquisitions in the Netherlands did not require impairments. No other acquisition reported weak earnings and required special attention.

b) Income taxes

The corporation is obliged to pay income taxes in numerous jurisdictions. Significant assumptions are required in order to determine global tax provisions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business.

c) Provisions

The provisions of warranties/liabilities include significant amounts to cover pending items in connection with liabilities and disagreements with the buyer of the locomotive business. The assessment of the related risks is, in view of the complex character of the contracts involved and their partially long-term nature difficult.

d) Revenue recognition

The corporation uses the percentage of completion method (PoC) in accounting for major long-term contracts. The use of the PoC method requires the corporation to estimate the proportional revenue and costs. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or trader quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

f) Employee benefit plans

The present value of the pension obligation and the plan assets depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used in determining the defined benefit obligation and the plan assets include the discount rate, the expected rate of return on plan assets and the participation of Sulzer in the pension plans. The assumptions are reviewed and reassessed at the end of each year based on observable market data, i.e. interest rate of high-quality corporate bonds denominated in the corresponding currency and asset management studies. The participation of Sulzer in the pension plans covers the active employees and the retirees related to Sulzer.

Notes to the Consolidated Financial Statements

01 Significant changes in the scope of consolidation

All current figures related to business combinations in the reporting period are of temporary nature only as they can change during the measurement period. If the estimates need to be revised, the cost of the business combination shall be adjusted accordingly. The impact on cash flow and the income statement of the acquisitions listed below is disclosed in note 30.

Sulzer Metco

2009: On June 1, 2009, Sulzer Metco acquired the assets of Select Transmission Technologies Inc. The contribution of this acquisition to the consolidated income statement and to the total of Sulzer's employees is not material.

Sulzer Chemtech

2009: On January 15, 2009, Sulzer Chemtech acquired the TowerTech companies based in Australia, Thailand and Singapore. TowerTech averages annual sales of approximately AUD 10 million (CHF 7.5 million), employs over 20 people and is a renowned specialist in tower field services.

On April 30, 2009, Sulzer Chemtech acquired Kühni Ltd. located in Allschwil, Switzerland. The company is also present in the USA and active in Asia. Kühni is an expert in thermal, diffusion and membrane separation technology for the separation and purification of aqueous and organic mixtures. The acquired company achieved sales of CHF 37 million in 2008 and employs over 80 people.

On July 31, 2009, Sulzer Chemtech acquired SAB Technical Services and renamed it to Sulzer Chemtech Tower Field Service (India) Pvt Ltd. The company is mainly active in India and Singapore. SAB's annual sales are approximately USD 4 million (approximately CHF 4.4 million) and employs approximately 50 people.

On October 7, 2009, Sulzer Chemtech acquired assets and liabilities of Manfred Preu Kolonnenservice. Manfred Preu Kolonnenservice is mainly active in Germany. The acquired business achieved average annual sales of approximately EUR 2.3 million (approximately CHF 3.5 million) over the past years.

In addition, Sulzer Chemtech acquired Freeze Tec B.V. The contribution of this company to the consolidated income statement and to the total of Sulzer's employees is not material.

Sulzer Turbo Services

2008: On December 2, 2008, the assets of Capime were acquired by Sulzer Turbo Services. Their main locations are in Argentina, Uruguay, Brazil and Venezuela.

The total purchase price amounted to USD 15.7 million (provisional USD 18.8 million), whereof USD 4.8 million and USD 7.2 million were paid to the seller in 2008 and in 2009. USD 3.7 million (deferred payments) will be remitted to the seller in 2011. Compared to the provisional purchase price allocation, the related opening goodwill decreased by CHF 2.9 million with a decrease in net assets acquired of CHF 0.8 million.

The purchase price of the six acquisitions in 2009 amounted to CHF 81.1 million, with CHF 32.2 million of cash acquired. The resulting goodwill amounted to CHF 17.0 million. In 2009, CHF 72.1 million was remitted to the sellers.

Revaluations of identified acquired net assets

millions of CHF	Acquiree's carrying amount	Revaluations	**Fair Value**
Intangible assets	–	21.5	**21.5**
Other non-current assets	16.3	1.8	**18.1**
Inventories	7.2	0.7	**7.9**
Other current assets	43.9	0.4	**44.3**
Liabilities with third parties	–25.0	–2.7	**–27.7**
Identified acquired net assets	42.4	21.7	**64.1**

02 Major currency exchange rates

CHF	2009		2008	
	Average rate	Year-end rate	Average rate	Year-end rate
1 EUR	1.51	1.48	1.59	1.49
1 GBP	1.70	1.66	2.00	1.54
1 USD	1.09	1.03	1.08	1.06
1 BRL	0.55	0.59	0.60	0.45
1 CAD	0.95	0.98	1.02	0.87
100 CNY	15.89	15.09	15.58	15.53
100 INR	2.24	2.21	2.50	2.18
100 MXN	8.04	7.87	9.76	7.68
1 SGD	0.75	0.73	0.76	0.73
100 ZAR	13.00	13.94	13.23	11.30

03 Segment information

millions of CHF		Sulzer Pumps 2009	Sulzer Pumps 2008	Sulzer Metco 2009	Sulzer Metco 2008	Sulzer Chemtech 2009	Sulzer Chemtech 2008	Sulzer Turbo Services 2009	Sulzer Turbo Services 2008
Sales		1 856.7	1 817.0	556.0	743.5	632.3	823.3	291.3	313.6
Nominal growth (unaudited)		2.2%	4.8%	–25.2%	–1.3%	–23.2%	8.1%	–7.1%	12.4%
Adjusted growth (unaudited)[1]		8.2%	15.9%	–23.0%	3.5%	–26.3%	13.1%	–9.5%	21.8%
Operating income before depreciation and amortization	EBITDA	231.5	257.0	46.3	94.3	96.2	171.8	41.0	38.1
Depreciation/amortization		–26.8	–25.1	–25.8	–24.7	–41.7	–31.7	–8.0	–7.6
Operating income before restructuring	EBITR	223.4	232.3	34.2	71.2	65.5	140.4	38.2	31.6
Restructuring expenses		–18.7	–0.4	–13.7	–1.6	–11.0	–0.3	–5.2	–1.1
Operating income	EBIT	204.7	231.9	20.5	69.6	54.5	140.1	33.0	30.5
Operating assets		1 062.4	1 189.4	483.0	515.4	566.5	627.9	267.2	289.5
Unallocated assets		–	–	–	–	–	–	–	–
Total assets as of December 31		1 062.4	1 189.4	483.0	515.4	566.5	627.9	267.2	289.5
Operating liabilities		737.7	799.1	96.7	106.1	169.1	226.9	75.9	91.9
Unallocated liabilities		–	–	–	–	–	–	–	–
Total liabilities as of December 31		737.7	799.1	96.7	106.1	169.1	226.9	75.9	91.9
Operating net assets		324.7	390.3	386.3	409.3	397.4	401.0	191.3	197.6
Unallocated net assets		–	–	–	–	–	–	–	–
Total net assets as of December 31		324.7	390.3	386.3	409.3	397.4	401.0	191.3	197.6
Capital expenditure		38.6	31.7	24.5	31.3	28.1	30.5	12.5	9.8
Research and development expenses		17.5	19.1	19.3	19.6	24.5	19.5	–	–
Employees (number of full-time equivalents) as of December 31		5 928	6 239	1 796	2 105	2 977	2 769	1 189	1 314
Order intake (unaudited)		1 684.5	2 308.7	545.5	715.6	498.4	770.4	278.3	303.4
Nominal growth (unaudited)		–27.0%	11.2%	–23.8%	–6.2%	–35.3%	–13.5%	–8.3%	–3.1%
Adjusted growth (unaudited)[1]		–22.9%	23.3%	–21.4%	–1.8%	–36.8%	–9.3%	–9.8%	5.0%
Order backlog (unaudited)		1 436.0	1 518.6	57.2	68.2	238.9	347.9	137.2	160.0
Return on capital employed (EBIT in % of average capital employed)	ROCE	49.1%	53.5%	5.0%	16.0%	13.0%	32.9%	17.4%	17.0%
Return on sales before restructuring (EBITR/sales)	ROSR	12.0%	12.8%	6.2%	9.6%	10.4%	17.1%	13.1%	10.1%
Return on sales (EBIT/sales)	ROS	11.0%	12.8%	3.7%	9.4%	8.6%	17.0%	11.3%	9.7%

[1] Adjusted for currency effects as well as acquisitions and divestitures.

The four divisions are Sulzer Pumps, active in developing and supplying centrifugal pumps; Sulzer Metco, provider of services, products and equipment for surface technologies; Sulzer Chemtech, which supplies in the field of separation columns, static mixing, as well as two-component mixing and dispensing systems; and Sulzer Turbo Services, providing repair and maintenance services for thermal turbomachinery and other rotating equipment. There are no significant transactions across the segments.

03 Segment information (continued)

millions of CHF		Total divisions 2009	Total divisions 2008	Others 2009	Others 2008	Total Sulzer 2009	Total Sulzer 2008
Sales		3336.3	3697.4	14.1	16.1	3350.4	3713.5
Nominal growth (unaudited)		–9.8%	4.8%	–	–	–9.8%	5.0%
Adjusted growth (unaudited)[1]		–7.2%	13.1%	–	–	–7.3%	13.2%
Operating income before depreciation and amortization	EBITDA	415.0	561.2	64.2	14.7	479.2	575.9
Depreciation/amortization		–102.3	–89.1	–8.9	–11.7	–111.2	–100.8
Operating income before restructuring	EBITR	361.3	475.5	55.3	3.0	416.6	478.5
Restructuring expenses		–48.6	–3.4	–	–	–48.6	–3.4
Operating income	EBIT	312.7	472.1	55.3	3.0	368.0	475.1
Operating assets		2379.1	2622.2	100.4	151.5	2479.5	2773.7
Unallocated assets		–	–	–	–	904.7	656.5
Total assets as of December 31		2379.1	2622.2	100.4	151.5	3384.2	3430.2
Operating liabilities		1079.4	1224.0	97.7	62.2	1177.1	1286.2
Unallocated liabilities		–	–	–	–	418.2	597.7
Total liabilities as of December 31		1079.4	1224.0	97.7	62.2	1595.3	1883.9
Operating net assets		1299.7	1398.2	2.7	89.3	1302.4	1487.5
Unallocated net assets		–	–	–	–	486.5	58.8
Total net assets as of December 31		1299.7	1398.2	2.7	89.3	1788.9	1546.3
Capital expenditure		103.7	103.3	8.5	12.7	112.2	116.0
Research and development expenses		61.3	58.2	2.1	1.4	63.4	59.6
Employees (number of full-time equivalents) as of December 31		11890	12427	293	299	12183	12726
Order intake (unaudited)		3006.7	4098.1	10.9	18.5	3017.6	4116.6
Nominal growth (unaudited)		–26.6%	1.3%	–	–	–26.7%	1.5%
Adjusted growth (unaudited)[1]		–24.3%	9.9%	–	–	–24.3%	10.1%
Order backlog (unaudited)		1869.3	2094.7	2.4	5.5	1871.7	2100.2
Return on capital employed (EBIT in % of average capital employed)	ROCE	21.8%	32.0%	–	–	24.8%	30.6%
Return on sales before restructuring (EBITR/sales)	ROSR	10.8%	12.9%	–	–	12.4%	12.9%
Return on sales (EBIT/sales)	ROS	9.4%	12.8%	–	–	11.0%	12.8%

[1] Adjusted for currency effects as well as acquisitions and divestitures.

Others summarizes the following activities: Real Estate, Sulzer Innotec, Corporate Center and consolidation adjustments.

04 Segment information by geographical regions

millions of CHF	Operating assets by company locations		Capital expenditure in intangible assets and property, plant and equipment by company locations		Sales by region	
	2009	2008	2009	2008	2009	2008
Europe	1424.6	1661.9	66.9	71.9	1046.5	1276.2
North America	559.7	703.4	26.3	23.9	951.7	1048.5
Central and South America	177.7	123.0	3.7	3.2	238.7	195.5
Asia, Middle East, Australia	250.5	248.2	14.5	16.3	885.4	1039.6
Africa	67.0	37.2	0.8	0.7	228.1	153.7
Total	**2479.5**	2773.7	**112.2**	116.0	**3350.4**	3713.5

Sales of divisions by region (as percentage)

	Europe		North America		Central and South America		Asia, Middle East, Australia		Africa	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sulzer Pumps	23.3%	27.8%	28.2%	28.9%	10.0%	8.5%	26.8%	27.4%	11.7%	7.4%
Sulzer Metco	57.4%	58.7%	21.9%	21.3%	1.2%	1.8%	19.1%	18.1%	0.4%	0.1%
Sulzer Chemtech	35.1%	30.1%	24.6%	26.8%	2.0%	2.5%	37.3%	39.7%	1.0%	0.9%
Sulzer Turbo Services	19.1%	21.1%	52.5%	46.9%	11.6%	2.7%	16.2%	26.0%	0.6%	3.3%

The countries representing more than 10% of third-party sales in 2009 were USA and Germany with CHF 798.6 million and CHF 341.4 million respectively (2008: CHF 878.7 million and CHF 388.9 million respectively). Third-party sales in Switzerland in 2009 amounted to CHF 68.9 million (2008: CHF 63.6 million). The countries that represented more than 10% of operating assets by company location in 2009 are Switzerland and USA with CHF 476.3 million and CHF 447.1 million respectively (2008: CHF 608.2 million and CHF 559.5 million respectively). No other countries represented more than 10% of operating assets and sales from third parties in 2009 and 2008. In 2009 and 2008, no customer represented 10% or more of the corporation's third-party sales.

05 Personnel expenses

millions of CHF	2009	2008
Salaries and wages	742.2	762.9
Employee defined contribution plans	22.2	24.6
Employee defined benefit plans	22.8	24.9
Cost of share-based payments	13.0	14.8
Other personnel costs	143.8	134.3
Total personnel expenses	**944.0**	961.5

Although the number of employees at the end of 2009 was significantly lower than on December 31, 2008, the average number of employees was still considerably higher in 2009 than in the prior year. Nevertheless personnel expenses were reduced by CHF 17.5 million.

06 Employee benefit plans

The defined benefit obligation for the active members of pension plans is the present value of accrued pension obligations at balance sheet date considering future salary and pension increases as well as turnover rates (using the Project Unit Credit Method). The defined benefit obligation for the retirees is the present value of the ongoing pensions considering future pension increases. In Switzerland and in most other countries, pension liabilities are covered by assets held by separate legal entities. The financing of pension benefit plans in Germany, however, is made by means of provisions accrued in the accounting records of the companies affected. The actuarial valuations for the defined benefit plans were performed at the balance sheet closing date. The Swiss pension plans are treated as defined benefit plans in accordance with IAS 19.

millions of CHF	Funded plans	Unfunded plans	2009	2008
Reconciliation of the amount recognized in the balance sheet as of December 31				
Present value of funded defined benefit obligation[1]	–1 687.8	–	**–1 687.8**	–3 209.6
Fair value of plan assets[1]	1 770.3	–	**1 770.3**	3 152.6
Overfunding (+) / underfunding (–)	82.5	–	**82.5**	–57.0
Present value of unfunded defined benefit obligation	–	–66.8	**–66.8**	–63.1
Unrecognized actuarial gains (–) / losses (+)	–0.3	1.5	**1.2**	80.7
Overfunding not recognized[2]	–65.4	–	**–65.4**	–10.3
Asset (+) / Liability (–) recognized in balance sheet	16.8	–65.3	**–48.5**	–49.7
thereof as liabilities under non-current provisions	–3.1	–65.3	**–68.4**	–69.7
thereof as prepaid expenses	19.9	–	**19.9**	20.0

millions of CHF	2009	2008
Pension expenses recognized in profit or loss		
Current service cost (employer)	**–35.2**	–36.6
Interest cost	**–112.9**	–118.7
Expected return on plan assets	**128.1**	173.4
Actuarial gain (+) / loss (–) recognized in current year	**54.7**	–457.3
Past service cost[1]	**7.3**	1.3
Effect of overfunding not recognized	**–51.2**	409.0
Effect of curtailment and settlements	**–17.1**	0.4
Expense recognized in profit (+) / loss (–)	**–26.3**	–28.5
thereof charged to personnel expenses	**–22.8**	–24.9
thereof charged to financial income (interest on unfunded plans)	**–3.5**	–3.6
Actual return on plan assets	**417.3**	–455.2
Principal actuarial assumptions as of December 31		
Discount rate	**3.6%**	3.5%
Expected rate of return on plan assets	**4.4%**	4.1%
Future salary increases	**2.3%**	2.1%
Future pension increases	**0.6%**	0.4%
Expected average remaining working lives in years	**9.6**	9.1
Life expectance at retirement age (male/female) in years	**18/22**	18/22

1) Due to the underfunding of the Swiss pension plans in 2008, different measures were taken in 2009. Among others the Board of Trustees decided to reduce the pension conversion rates in the Swiss pension funds which lead to negative past service costs of CHF 7.3 million. In this relation as well as due to the introduction of new partial liquidation rules required by a change in applicable law, the allocation of the defined benefit obligations as well as plan assets (particularly of retirees) were reassessed. The reassessment resulted in a reduction of the defined benefit obligation of CHF 1 578.9 million and plan assets of CHF 1 685.0 million with proportionate actuarial losses of CHF 89.8 million.

2) Legal requirements, particularly those in Switzerland, restrict the utilization of overfunded amounts in separate legal benefit plans. Only amounts for which the future economic benefit to the employer is imminent are capitalized in the consolidated balance sheet.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. The expected long-term return for investment categories is as follows: 2.5% for bonds, 6.3% for equities, 4.1% for properties and 3.5% for others.

06 Employee benefit plans (continued)

millions of CHF	2009	2008
Reconciliation of defined benefit obligation		
Defined benefit obligation as of January 1[1]	3 272.7	3 496.0
Interest cost	112.9	118.7
Current service cost (employer)	35.2	36.6
Contributions by plan participants	12.0	11.5
Past service cost	–7.3	–1.3
Benefits paid/deposited	–190.1	–187.9
Change in scope of consolidation	15.8	–
Curtailment and settlements[2]	–1 578.9	–0.7
Actuarial gain (–) / loss (+) on obligation	68.6	–100.3
Currency translation differences	13.7	–99.9
Defined benefit obligation as of December 31[3]	1 754.6	3 272.7
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of January 1	3 152.6	3 859.4
Expected return on plan assets	128.1	173.4
Contributions by the employer/benefits paid directly by employer	25.6	27.2
Contributions by plan participants	12.0	11.5
Benefits paid/deposited	–190.1	–187.9
Change in scope of consolidation	21.3	–
Curtailment and settlements[2]	–1 685.0	–0.3
Actuarial gain (+) / loss (–) on plan assets	289.2	–628.7
Currency translation differences	16.6	–102.0
Fair value of plan assets as of December 31	1 770.3	3 152.6
thereof equity instruments Sulzer Ltd	1.9	4.0
thereof equity instruments – third-party	453.6	729.2
thereof debt instruments – third-party	846.3	1 369.4
thereof properties occupied by or used by third-party	320.9	721.8
thereof others	147.6	328.2
Best estimate of contributions for upcoming financial year		
Contributions by the employer/benefits paid directly by employer[4]	23.9	23.5
Contributions by plan participants	11.3	10.9

1) Defined benefit obligation includes the funded part (CHF 3 209.6 million) and the unfunded part (CHF 63.1 million).

2) Due to the underfunding of the Swiss pension plans in 2008, different measures were taken in 2009. Among others the Board of Trustees decided to reduce the pension conversion rates in the Swiss pension funds which lead to negative past service costs of CHF 7.3 million. In this relation as well as due to the introduction of new partial liquidation rules required by a change in applicable law, the allocation of the defined benefit obligations as well as plan assets (particularly of retirees) were reassessed. The reassessment resulted in a reduction of the defined benefit obligation of CHF 1 578.9 million and plan assets of CHF 1 685.0 million with proportionate actuarial losses of CHF 89.8 million.

3) Defined benefit obligation includes the funded part (CHF 1 687.8 million) and the unfunded part (CHF 66.8 million).

4) Benefits directly paid by the employer mainly refer to the German plans.

Five-year summary	2009	2008	2007	2006	2005
millions of CHF					
Present value of funded defined benefit obligation	–1 687.8	–3 209.6	–3 422.2	–3 514.3	–3 463.9
Fair value of plan assets	1 770.3	3 152.6	3 859.4	3 892.0	3 706.7
Overfunding (+) / underfunding (–)	82.5	–57.0	437.2	377.7	242.8
Present value of unfunded defined benefit obligation	–66.8	–63.1	–73.8	–80.7	–77.1
Experience adjustments on defined benefit obligation	31.2	–5.0	–21.7	–1.1	27.3
Experience adjustments on plan assets	289.2	–628.7	–66.8	98.6	280.5

07 Research and development expenses

In 2009, the total research and development expenses amounted to CHF 63.4 million (2008: CHF 59.6 million). The increase is mainly due to larger investments into research and development projects in the divisions (CHF 61.3 million in 2009 vs. CHF 58.2 million in 2008). The investments of Sulzer Innotec, the corporate research and development department, amounted in 2009 to CHF 2.5 million (2008: CHF 1.4 million). Furthermore, Sulzer Innotec and some of the divisions maintain close cooperation with the Swiss Federal Institutes of Technology, domestic and foreign universities and research laboratories. A breakdown of the research and development expenses per division is shown in note 03 “Segment information”.

08 Other operating income and expenses

millions of CHF	2009	2008
Income from rental/leasing of real estate	14.6	22.1
Gain from sale of real estate	52.9	11.3
Income from services to third parties	15.0	14.4
Other operating income	15.5	17.2
Total other operating income	**98.0**	65.0
Expenses from rental/lease of real estate	–21.1	–25.6
Operating currency exchange gains/losses	3.7	–10.7
Other operating expenses	–39.0	–34.3
Total other operating expenses	**–56.4**	–70.6
Total other operating income and expenses	**41.6**	–5.6

Total other operating income and expenses amounted to CHF 41.6 million compared with CHF –5.6 million in the previous year. Compared with previous year income from rental and leasing decreased by CHF 7.5 million to CHF 14.6 million in 2009 whereas gains from sale of real estate increased from CHF 11.3 million to CHF 52.9 million. Both changes are basically due to the sale of real estate properties located in Switzerland.

09 Financial income/expenses

millions of CHF	2009	2008
Interest and securities income	**8.0**	10.8
Interest expenses	**–6.6**	–11.0
Interest on unfunded employee benefit plans	**–3.5**	–3.6
Interest expenses	**–10.1**	–14.6
Total interest income	**–2.1**	–3.8
Income from participations and financial assets	**2.0**	–0.4
Fair value changes	**–10.5**	–4.2
Other financial income/expenses	**1.2**	1.1
Currency exchange gains/losses	**11.0**	–16.2
Total other financial income	**3.7**	–19.7
Total financial income	**1.6**	–23.5
thereof from financial assets held at fair value through profit or loss	**–10.5**	–4.4
thereof from available-for-sale financial assets	**–**	–
thereof from loans and receivables	**0.4**	–10.1
thereof from borrowings	**–6.6**	–11.0

The income on interests and securities decreased due to the interest rates, which fell further during 2009. The lower drawings on the syndicated credit facility as well as the decreasing interest rates also led to lower interest expenses compared with 2008. The "Fair value changes" mainly comprise the fair valuation of derivative financial instruments that are classified as financial assets or financial liabilities at fair value through profit or loss and that are used as hedging instruments with regard to foreign exchange risks. The impact of the fair valuation of these derivatives is largely offset by the currency exchange gains/losses on the respective hedged items.

10 Income taxes

millions of CHF	2009	2008
Current income tax expenses	–140.5	–125.1
Deferred income tax expenses	46.7	1.2
Total income tax expenses	**–93.8**	**–123.9**

The weighted average tax rate is the tax rate that results from applying each subsidiary's statutory income tax rate to the income before taxes and minority interest. Since the corporation operates in countries that have differing tax laws and rates the consolidated weighted average effective tax rate will vary from year to year according to variations in income per country and changes in applicable tax rates.

millions of CHF	2009	2008
Income before income tax expenses	369.6	451.6
Weighted average tax rate	**28.6%**	**29.6%**
Income taxes at weighted average tax rate	–105.7	–133.7
Income taxed at different tax rates	9.7	2.9
Effect of tax loss carryforwards and allowances for deferred income tax assets	1.2	10.0
Expenses not deductible for tax purposes	–8.6	–1.9
Effect of changes in tax rates and legislation	6.4	–0.6
Prior period adjustments	3.2	–0.6
Total income tax expenses	**–93.8**	**–123.9**
Effective income tax rate	25.4%	27.4%

The effective income tax rate decreased by two percentage points from 27.4% in 2008 to 25.4% in 2009. The reasons for this decrease are extraordinary contributions from Sulzer Real Estate, which were taxed at a favorable tax rate; positive effects due to changes in applicable tax rates on accounting differences in Switzerland, China and Mexico; and the release of tax provisions that were no longer required.

Income tax liabilities

millions of CHF	2009	2008
Balance as of January 1	94.5	107.7
Changes in scope of consolidation	2.4	–
Additions	89.9	82.8
Released as no longer required	–7.7	–5.4
Released for utilization	–74.2	–83.2
Currency translation differences	0.9	–7.4
Total income tax liabilities as of December 31	**105.8**	**94.5**
thereof non-current	31.6	35.1
thereof current	74.2	59.4

The higher volume of newly added tax provisions is due to higher taxable statutory income. The decrease of released provisions for utilization is due to lower tax payments for prior tax periods which could be offset against income tax provisions.

10 Income taxes (continued)

Summary of deferred income tax assets and liabilities in the balance sheet

millions of CHF	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	2.2	33.9	2.6	33.5
Property, plant and equipment	1.4	15.3	2.8	22.8
Other financial assets	0.4	11.9	0.4	6.6
Inventories	17.2	3.9	12.0	7.4
Other assets	17.8	12.7	15.7	16.9
Non-current provisions	17.1	5.3	14.1	4.2
Current provisions	39.3	5.9	29.6	6.2
Other current liabilities	14.2	10.1	12.6	10.1
Tax loss carryforwards	31.6	–	25.6	–
Elimination of intercompany profits	4.5	–	4.6	–
Total potential tax effect	145.7	99.0	120.0	107.7
Valuation allowances	–20.2	–	–15.6	–
Deferred income tax – gross	125.5	99.0	104.4	107.7
Offset of assets and liabilities	–33.4	–33.4	–35.4	–35.4
Net recorded deferred income tax assets and liabilities	92.1	65.6	69.0	72.3

Deferred income taxes directly recorded in equity amounted to CHF –0.3 million (2008: CHF 11.8 million). Thereof CHF –1.9 million (2008: CHF 10.5 million) are related to the cash flow hedges recognized in other comprehensive income and CHF 1.6 million (2008: CHF 1.3 million) are related to fair value changes on available-for-sale financial assets. In compliance with the exception clause of IAS 12, the corporation does not recognize deferred taxes on investments in subsidiaries in the balance sheet.

Tax loss carryforwards

millions of CHF	2009	2008
Expiring in the next 3 years	10.5	30.4
Expiring in 4 to 7 years	36.8	18.0
Available without limitation	111.2	72.8
Total tax loss carryforwards	158.5	121.2
Calculated potential tax assets thereof	31.6	25.6
Valuation allowances	–19.6	–14.6
Net tax asset from tax loss carryforwards	12.0	11.0

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Furthermore, the current company structure limits the use of some of the existing tax loss carryforwards. Hence they are not capitalized as deferred income tax assets.

11 Intangible assets

millions of CHF	2009			2008		
	Goodwill	Other intangible assets	**Total**	Goodwill	Other intangible assets	Total
Acquisition cost						
Balance as of January 1	389.2	170.4	**559.6**	402.2	153.9	556.1
Changes in scope of consolidation	17.0	21.5	**38.5**	21.9	2.4	24.3
Final purchase price allocation adjustment	–2.9	–1.3	**–4.2**	–	–	–
Additions	–	1.3	**1.3**	–	5.2	5.2
Disposals	–	–3.2	**–3.2**	–	–1.3	–1.3
Reclassifications	–	8.9	**8.9**	–	16.0	16.0
Currency translation differences	0.3	0.1	**0.4**	–34.9	–5.8	–40.7
Balance as of December 31	403.6	197.7	**601.3**	389.2	170.4	559.6
Accumulated amortization						
Balance as of January 1	–	68.1	**68.1**	–	41.0	41.0
Changes in scope of consolidation	–	–	**–**	–	–	–
Additions	–	22.4	**22.4**	–	16.6	16.6
Disposals	–	–3.2	**–3.2**	–	–1.3	–1.3
Reclassifications	–	2.0	**2.0**	–	14.4	14.4
Impairment	–	–	**–**	–	–	–
Currency translation differences	–	0.1	**0.1**	–	–2.6	–2.6
Balance as of December 31	–	89.4	**89.4**	–	68.1	68.1
Net book value						
as of January 1	389.2	102.3	**491.5**	402.2	112.9	515.1
as of December 31	403.6	108.3	**511.9**	389.2	102.3	491.5

The change in goodwill in 2009 refers mainly to the acquisition of TowerTech and Select Transmission Technologies. The final purchase price allocation adjustments of the acquisition of Capime reduced the goodwill by CHF 2.9 million (for further information see note 01). The position "Other intangible assets" includes purchased patents, licenses, brand names and know-how, software licenses, as well as capitalized development costs. The amortization of “Other intangible assets” was broadly in line with the prior year and was largely related to intangible assets in connection with the Kühni acquisition (consolidated in 2009) and the Mixpac, Werfo and Mold acquisition (consolidated in 2006). In 2003, Sulzer Metco entered into a long-term risk- and revenue-sharing agreement for the development and supply of jet engine components for the Airbus A380. The recoverability of this capitalized intangible asset is directly associated with the long-term development partnership. The corresponding share paid to third parties for the development cost has been capitalized for an amount of CHF 10.7 million as of December 31, 2009 (2008: CHF 11.5 million).

11 Intangible assets (continued)

Goodwill impairment test

millions of CHF	Sulzer Pumps	Sulzer Metco	Sulzer Chemtech	Sulzer Turbo Services	Total
Goodwill, net book value as of December 31, 2008	89.9	119.0	100.0	80.3	**389.2**
Goodwill, net book value as of December 31, 2009	89.3	122.4	112.4	79.5	**403.6**
The test is based on the following assumptions:					
Growth rate for the residual amount	1.2%	2.0%	0.0%	0.0%	
Pre-tax discount rate	13.3%	11.2%	10.8%	11.9%	

Goodwill is allocated to the smallest identifiable cash-generating unit (CGU) identified according to the appropriate operating segment. The fair value of this unit is determined by calculating its value in use. The calculation is based on cash flow projections derived from midrange plans that have been approved by the management. Cash flows beyond this planning period are extrapolated, using the rather conservative growth rates stated above. The assumptions above were used for the analysis of every cash-generating unit allocated to the appropriate operating segment. Compared with the prior year growth and pre-tax discount rates were adjusted where necessary. The allocation of goodwill to the segments is displayed in the above table. No impairment charge had to be recognized in 2009 and 2008. In the case of two acquisitions completed in 2000 in the Netherlands, sensitivity analyses were performed with respect to parameters such as growth, profitability and discount rate. These sensitivity analyses did not give reason to adjust the respective initial impairment test assessments.

12 Property, plant and equipment

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	2009 Total
Acquisition cost					
Balance as of January 1	624.0	641.8	222.5	35.8	**1 524.1**
Changes in scope of consolidation	10.5	2.5	2.5	–	**15.5**
Additions	19.9	36.5	16.2	38.3	**110.9**
Disposals	–133.7	–22.0	–22.6	–	**–178.3**
Reclassifications	9.5	12.9	1.4	–35.6	**–11.8**
Currency translation differences	4.1	6.2	3.2	0.5	**14.0**
Balance as of December 31	534.3	677.9	223.2	39.0	**1 474.4**
Accumulated depreciation					
Balance as of January 1	308.1	443.7	166.5	–	**918.3**
Changes in scope of consolidation	0.1	–1.8	0.2	–	**–1.5**
Additions	18.5	47.6	18.6	–	**84.7**
Disposals	–57.0	–18.7	–21.8	–	**–97.5**
Reclassifications	–4.1	0.3	3.7	–	**–0.1**
Impairment	2.0	1.8	0.3	–	**4.1**
Currency translation differences	1.2	4.8	2.3	–	**8.3**
Balance as of December 31	268.8	477.7	169.8	–	**916.3**
Net book value					
as of January 1	315.9	198.1	56.0	35.8	**605.8**
as of December 31	265.5	200.2	53.4	39.0	**558.1**
thereof leased property, plant and equipment					
Acquisition cost of leased property, plant and equipment	5.4	–	0.3	–	**5.7**
Accumulated depreciation	1.8	–	0.1	–	**1.9**
Net book value as of December 31	3.6	–	0.2	–	**3.8**
Leasing commitments (present value)	4.2	–	0.2	–	**4.4**
Fire insurance value	869.2	970.6	327.8	39.0	**2 206.6**

Sulzer owns a number of real estate properties no longer essential for its operations, with a book value of about CHF 61 million (2008: CHF 134 million). Sulzer plans to sell these properties over time, or to develop them for different utilization. The value of these properties is strongly linked with their future use and application. The fair market value of these properties exceeds the book value by approximately CHF 50 million (the valuation is based on discounted cash flow calculation and similar transactions performed by an accredited independent appraiser).

12 Property, plant and equipment (continued)

millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	2008 Total
Acquisition cost					
Balance as of January 1	657.7	668.2	267.2	34.9	1628.0
Changes in scope of consolidation	–	0.2	0.6	0.4	1.2
Additions	8.5	44.6	19.6	38.1	110.8
Disposals	–16.7	–19.9	–14.2	–	–50.8
Reclassifications	15.3	23.1	–26.1	–34.5	–22.2
Currency translation differences	–40.8	–74.4	–24.6	–3.1	–142.9
Balance as of December 31	624.0	641.8	222.5	35.8	1524.1
Accumulated depreciation					
Balance as of January 1	307.4	458.0	207.6	–	973.0
Changes in scope of consolidation	–	–	–	–	–
Additions	21.0	46.4	16.8	–	84.2
Disposals	–9.8	–16.7	–13.4	–	–39.9
Reclassifications	5.6	8.4	–26.0	–	–12.0
Impairment	–	–	–	–	–
Currency translation differences	–16.1	–52.4	–18.5	–	–87.0
Balance as of December 31	308.1	443.7	166.5	–	918.3
Net book value					
as of January 1	350.3	210.2	59.6	34.9	655.0
as of December 31	315.9	198.1	56.0	35.8	605.8
thereof leased property, plant and equipment					
Acquisition cost of leased property, plant and equipment	4.4	0.4	0.9	–	5.7
Accumulated depreciation	4.4	0.4	0.8	–	5.6
Net book value as of December 31	–	–	0.1	–	0.1
Leasing commitments (present value)	1.8	0.2	0.2	–	2.2
Fire insurance value	1374.1	1102.1	348.6	35.8	2860.6

13 Other financial assets

millions of CHF	Available-for-sale financial assets	Loans and receivables	2009
Balance as of January 1	25.0	8.3	**33.3**
Changes in scope of consolidation	1.6	–	**1.6**
Additions	0.2	–	**0.2**
Deductions	–4.5	–0.1	**–4.6**
Reclassifications	–	–3.5	**–3.5**
Changes in fair value	4.2	–	**4.2**
Currency translation differences	0.9	–	**0.9**
Balance as of December 31	27.4	4.7	**32.1**

millions of CHF	Available-for-sale financial assets	Loans and receivables	2008
Balance as of January 1	53.5	5.4	58.9
Changes in scope of consolidation	–	–	–
Additions	2.1	5.4	7.5
Deductions	–2.7	–2.3	–5.0
Reclassifications	–	–	–
Changes in fair value	–26.3	–	–26.3
Currency translation differences	–1.6	–0.2	–1.8
Balance as of December 31	25.0	8.3	33.3

Financial assets that belong to the category “Available-for-sale financial assets” include securities of a capital investment nature and participations of less than 20%. The fair value revaluation of CHF 4.2 million (2008: CHF –26.3 million) was recognized through equity not effecting net income. The category “Loans and receivables” includes mainly loans and receivables to third parties with maturities beyond twelve months.
The net book value of the category “Available-for-sale financial assets” of CHF 27.4 million consists mainly of the participation in Burckhardt Compression. The increase compared with the prior year is due to the fair value revaluation. In total CHF 3.5 million were reclassified from the category “Loans and receivables” to non-current receivables.

14 Inventories

millions of CHF	2009	2008
Raw materials, supplies and consumables	**109.7**	148.8
Work in progress	**289.7**	360.9
Finished products and trade merchandise	**113.4**	125.6
Total inventories	**512.8**	635.3

In 2009, Sulzer recognized write-downs to CHF 20.7 million (2008: CHF 18.6 million). Based on the gross value, the total write-downs amounted to CHF 62.0 million as of December 31, 2009 (2008: CHF 62.3 million).

15 Percentage of completion contracts

millions of CHF	2009	2008
Contract revenue recognized in period	**278.4**	354.7
Net receivables relating to construction contracts (relating to current contracts)	**94.5**	195.9
Net liabilities relating to construction contracts (relating to current contracts)	**–47.7**	–82.8
Advances received from customers	**–320.2**	–236.1

Sales recognized in accordance with the percentage of completion method for the reporting period amounted to CHF 278.4 million which corresponds to 8.3% of total sales (2008: CHF 354.7 million or 9.6% of sales). The costs related to this sales figure amounted to CHF 229.3 million (2008: CHF 261.5 million). The impact on gross profit was CHF 49.1 million, which corresponds to 4.9% of total gross profit (2008: CHF 93.2 million, 8.1%).

16 Trade accounts receivable

Aging structure of trade accounts receivable

millions of CHF	2009	2008
Not past due	**497.0**	586.9
Past due		
1–30 days	**105.3**	124.2
31–60 days	**50.9**	71.3
61–90 days	**16.8**	35.1
91–120 days	**12.6**	29.6
> 120 days	**44.8**	38.4
thereof impaired	**–31.3**	–26.2
Total trade accounts receivable	**696.1**	859.3

Allowance for doubtful trade accounts receivable

millions of CHF	2009	2008
Balance as of January 1	**26.2**	23.6
Changes in scope of consolidation	**0.1**	–
Additions	**21.9**	15.0
Released as no longer required	**–10.2**	–4.7
Released for utilization	**–6.5**	–5.3
Currency translation differences	**–0.2**	–2.4
Balance as of December 31	**31.3**	26.2

In 2009, the total amount of trade accounts receivable decreased by CHF 163.2 million to CHF 696.1 million. Approximately one-third of the trade accounts receivable are past due and an allowance of CHF 31.3 million (4.5%) is recorded. The recoverability of trade accounts receivable is reviewed regularly and the credit quality of new customers is assessed thoroughly. Due to the large and independent customer base the credit risk of the corporation is limited. Receivables that are more than 120 days past due are subject to regular review and adequate allowances are considered.

17 Other accounts receivable and prepaid expenses

millions of CHF	2009	2008
Receivables from tax authorities	46.9	46.4
Derivative financial instruments	15.2	41.9
Other accounts receivable	22.3	31.0
Total other accounts receivable	**84.4**	119.3
Insurance premiums	3.9	2.9
Overfunding of employee benefit plans	19.9	20.0
Other prepaid expenses	20.4	32.7
Total prepaid expenses	**44.2**	55.6
Total other accounts receivable and prepaid expenses	**128.6**	174.9

For further details on the position "Derivative financial instruments" refer to note 27 "Derivative financial instruments." Other current accounts receivable do not include any material positions that are past due or impaired.

18 Assets held for sale

millions of CHF	2009	2008
Intangible assets	–	–
Property, plant and equipment	10.4	9.2
Inventories	–	–
Other current assets	–	–
Total assets held for sale	**10.4**	9.2
Current liabilities	–	–
Provisions	–	–
Total liabilities directly associated with assets held for sale	**–**	–

All amounts disclosed as "Assets held for sale" reflect transactions that Sulzer expects will be closed within the next twelve months. The amount shown as of December 31, 2009, mainly represents agreed upon and projected sales of real estate properties located in Switzerland and Poland.

19 Cash and cash equivalents

millions of CHF	2009		2008	
	Average eff. interest rate	Amount	Average eff. interest rate	Amount
Cash		676.3		365.3
Cash equivalents		54.3		81.9
Total cash and cash equivalents	1.22	**730.6**	1.75	447.2

20 Marketable securities

millions of CHF	2009	2008
Designated at fair value through profit or loss	36.5	41.3
Total marketable securities	**36.5**	41.3

Marketable securities designated at fair value through profit or loss as of December 31, 2009, consist of equities (13%) and interest bearing investments (87%). Fair value adjustments are booked in the financial income.

21 Pledged assets

millions of CHF	2009	2008
Land and buildings	**2.6**	5.6
Machinery and equipment	**0.1**	–
Total pledged assets	**2.7**	5.6

22 Share capital

thousands of CHF	Number of shares	2009	Number of shares	2008
Issued shares				
Shares with dividend entitlement				
Balance as of January 1 (par value CHF 0.01, 2008: CHF 0.03)	34 262 370	**342.6**	3 638 030	109.1
Share buyback program/reduction of share capital			–211 793	–6.4
Share capital increase			–	239.9
Subtotal before share split (par value CHF 0.10)			3 426 237	342.6
Share split ten-for-one				
Balance as of December 31 (par value CHF 0.01)	34 262 370	**342.6**	34 262 370	342.6

The share capital amounts to CHF 342 623.70, made up of 34 262 370 shares with a par value of CHF 0.01. All shares are fully paid in and registered. Further details on the individual equity components are presented in the consolidated statement of changes in equity on page 64.

Share ownership

Sulzer shares are freely transferable provided that, when requested by the company to do so, buyers declare that they have purchased and will hold the shares in their own name and for their own account. Nominees shall only be entered in the share register with the right to vote, provided that they meet the following conditions: The nominee is subject to the supervision of a recognized banking and financial market regulator; the nominee has entered into an agreement with the Board of Directors concerning his status; the share capital held by the nominee does not exceed 3% of the registered share capital entered in the commercial register; and the names, addresses and number of shares of those individuals for whose account the nominee holds at least 0.5% of the share capital have been disclosed. The Board of Directors is also entitled, beyond these limits, to enter shares of nominees with voting rights in the share register, provided that the above-mentioned conditions are met (see also paragraph 6a of the articles of association at www.sulzer.com/regulations).

In accordance with the information available to the corporation, the following shareholders hold in excess of 3% of the share capital of Sulzer Ltd:

Shareholders as of December 31

	2009		2008	
	Number of shares	in %	Number of shares	in %
Shareholders larger than 3%				
Renova Group	10 689 797	31.20	9 285 607	27.10
Threadneedle Asset Management Holdings Ltd	1 040 910	3.04	–	–
Fidelity Management Research Corp.	–	–	1 673 476	4.88
Sulzer Ltd	691 844	2.02	699 439	2.04

The agreement between Sulzer Ltd and the Renova Group, signed in October 2007 in order to govern the formal relationship between both parties, ended on May 31, 2009. Therefore, the Renova Group and Sulzer Ltd are no longer to be considered a group for the purpose of disclosure of shareholdings pertaining to Art. 15 SESTO-FINMA. Sulzer Ltd is not aware of any other agreements between the above-named shareholders regarding the shares held or regarding the execution of voting rights. The total number of shares held by Sulzer Ltd as of December 31, 2009, amounted to 691 844, which are mainly held for the purpose of the management stock option and restricted stock unit plan (refer to note 32). For further information on shareholders, refer to page 47.

23 Earnings per share

	2009	2008
Net income attributable to shareholders of Sulzer Ltd (in millions of CHF)	**270.4**	322.9
Average number of shares outstanding	**33 567 516**	33 675 840
Adjustment for share participation plans	**295 411**	255 806
Average number of shares for calculating diluted earnings per share	**33 862 927**	33 931 646

Earnings per share, attributable to a shareholder of Sulzer Ltd (in CHF)		
Basic earnings per share	**8.06**	9.59
Diluted earnings per share	**7.99**	9.52
Dividend per share	**2.80**[1)]	2.80

1) Proposal to the Annual General Meeting.

24 Borrowings

millions of CHF	2009			2008		
	Short-term	Long-term	**Total**	Short-term	Long-term	Total
Bank loans	46.9	35.8	**82.7**	155.6	14.8	170.4
Mortgage loans	–	8.4	**8.4**	–	8.6	8.6
Other loans and debts	0.5	0.4	**0.9**	0.8	0.5	1.3
Leasing obligations	0.1	4.4	**4.5**	0.1	2.0	2.1
Total borrowings	47.5	49.0	**96.5**	156.5	25.9	182.4
thereof due in < 1 year	47.5	–	**47.5**	156.5	–	156.5
thereof due in 1–5 years	–	31.4	**31.4**	–	10.5	10.5
thereof due in > 5 years	–	17.6	**17.6**	–	15.4	15.4

Compared with 2008, the outstanding short-term borrowings were reduced by CHF 109.0 million. The use of the syndicated credit line, which was established in 2007, was CHF 43.0 million as of December 31, 2009. The carrying amount of financial borrowings is approximately equivalent to its fair value.

Borrowings by currency

	2009			2008		
	millions of CHF	in %	Interest rate	millions of CHF	in %	Interest rate
BRL	20.5	21.2	4.5%	–	–	–
CHF	6.1	6.3	1.4%	106.0	58.1	3.2%
EUR	51.6	53.5	2.7%	52.4	28.7	4.4%
GBP	15.3	15.9	1.1%	14.2	7.8	4.3%
USD	0.7	0.7	3.1%	5.1	2.8	5.6%
Other	2.3	2.4	–	4.7	2.6	–
Total	96.5	100.0	–	182.4	100.0	–

25 Provisions

millions of CHF	Employee benefit plans[1]	Other employee benefits	Warranties/ liabilities	Restructuring	Real estate obligations	Other	Total
Balance as of December 31, 2008	69.7	44.3	109.9	4.4	36.1	48.8	**313.2**
Changes in scope of consolidation	–	0.1	1.2	–	–	2.0	**3.3**
Additions	5.2	9.3	47.8	37.2	22.4	41.5	**163.4**
Released as no longer required	–2.6	–2.1	–12.9	–	–5.5	–1.0	**–24.1**
Released for utilization	–3.9	–4.0	–26.4	–15.8	–14.0	–28.8	**–92.9**
Reclassifications	–	1.0	–	–1.5	–	0.1	**–0.4**
Currency translation differences	–	–0.3	2.8	–0.1	–	0.4	**2.8**
Total provisions as of December 31, 2009	68.4	48.3	122.4	24.2	39.0	63.0	**365.3**
thereof non-current	68.4	39.1	32.5	2.7	29.7	6.7	**179.1**
thereof current	–	9.2	89.9	21.5	9.3	56.3	**186.2**

[1] For further details of employee benefit plans refer to note 06 “Employee benefit plans.”

The largest position in provisions refers to “Warranties/liabilities". These provisions include customer claims, penalties, litigation and legal cases relating predominantly to delivered goods. In 2009, this position has increased by CHF 12.5 million to CHF 122.4 million. The provision for risks referring to an ongoing dispute with the purchaser of the locomotive business is accrued within this category. About CHF 90 million is classified as current and is therefore expected to result in a cash outflow in 2010. The nature of much of the remaining provision is such that the timing of cash outflows is uncertain. The provision for “Restructuring” increased by CHF 19.8 million to CHF 24.2 million. The additions of CHF 37.2 million consist of personnel expenses to dismissed employees and other expenses related to the cost reduction program announced on June 24, 2009.

The category “Other employee benefits” increased by CHF 4.0 million to CHF 48.3 million. One major reason for the increase was the recording respectively valuation of the liability booked in connection with the cash-settled stock option plan (see note 32). This liability is measured at fair value at each balance sheet date and adjusted for vesting reasons and fluctuation expectations. The liability amounted to CHF 4.3 million as of December 31, 2009. The remaining portion of “Other employee benefits” includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees. Of this position, Sulzer expects to pay out only CHF 9.2 million in 2010. The provisions in the “Real estate obligations” category cover the obligations from sales of real estate. Cash outflow of about one fourth of the total CHF 39.0 million is expected in 2010.

“Other” includes provisions which do not fit into the aforementioned categories. A large number of these provisions refer to onerous contracts. In addition, a provision for ongoing asbestos lawsuits is included. Based on the currently known facts, Sulzer is of the opinion that the resolution of the open cases will not have material effects on its liquidity or financial condition. Although Sulzer expects a large part of the category “Other” to be realized in 2010, by their nature, the amounts and timing of any cash outflows are difficult to predict.

26 Other current and accrued liabilities

millions of CHF	2009	2008
Notes payable	3.2	3.1
Social security institutions	10.3	9.9
Taxes (VAT, withholding tax)	22.7	24.2
Derivative financial instruments	8.6	43.4
Other current liabilities	97.3	129.8
Total other current liabilities	**142.1**	210.4
Vacation and overtime claims	31.9	34.5
Salaries, wages and bonuses	70.3	67.2
Contract-related costs	109.4	123.8
Other accrued liabilities	49.0	66.0
Total accrued liabilities	**260.6**	291.5
Total other current and accrued liabilities	**402.7**	501.9

The line "Other current liabilities" includes the put option of CHF 35.8 million (2008: CHF 36.5 million) issued on treasury shares and the forward contract of CHF 20.5 million (2008: CHF 50.3 million) on treasury shares. The accrued liabilities for vacation and overtime claims as well as salaries, wages and bonuses remained overall unchanged. Contract-related costs decreased in line with sales.

27 Derivative financial instruments

millions of CHF	2009				2008			
	Derivative assets		Derivative liabilities		Derivative assets		Derivative liabilities	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
Forward exchange contracts	477.3	11.1	311.7	9.2	566.0	39.6	466.1	47.6
Currency options	–	–	–	–	1.2	–	1.2	–
Interest rate swaps	–	–	–	–	–	–	–	–
Other options	114.0	4.4	–	–	127.1	4.0	–	–
Total	591.3	15.5	311.7	9.2	694.3	43.6	467.3	47.6
thereof due in < 1 year	578.8		274.8		681.9		438.2	
thereof due in 1–2 years	10.2		36.9		12.4		28.3	
thereof due in 2–5 years	2.3		–		–		0.8	
thereof due in > 5 years	–		–		–		–	

The notional and fair value of derivative assets and liabilities include current and also non-current derivative financial instruments. The cash flow hedges of the expected future sales in 2010 were assessed to be highly effective. As at December 31, 2009, a net unrealized profit of CHF 2.2 million (2008: CHF –32.1 million) with a deferred tax asset of CHF 1.3 million (2008: CHF 13.0 million) relating to the hedging instruments is included in equity. In 2009 a loss of CHF 13.9 million (2008: Gain of CHF 5.3 million) cash flow hedge reserve has been recognized in profit or loss. There was no ineffectiveness that arose from cash flow hedges in 2009 (2008: CHF 0.0 million). There was no ineffectiveness to be recorded from fair value hedges and net investments in foreign entity hedges. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

The notional value of the outstanding forward foreign exchange contracts as at December 31, 2009, amounted to CHF 789.0 million (2008: CHF 1 032.1 million). The hedged highly probable forecast transactions denominated in foreign currency are mostly expected to occur at various dates during the next twelve months. Gains and losses recognized in the hedging reserve (cash flow hedges) in equity on forward foreign exchange contracts as of December 31, 2009, are recognized either in sales, cost of goods sold or in other operating income/expenses in the period or periods during which the hedged transaction affects the income statement. This is generally within twelve months from the balance sheet date unless the gain or loss is included in the initial amount recognized for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (5 to 10 years).

28 Other financial commitments

millions of CHF	2009			2008		
	Rented premises	Other	**Total**	Rented premises	Other	Total
Maturity < 1 year	10.6	6.3	**16.9**	7.4	7.6	15.0
Maturity 1–5 years	33.4	5.6	**39.0**	20.7	6.6	27.3
Maturity > 5 years	16.3	–	**16.3**	7.7	–	7.7
Total rental commitments (incl. operational leasing)	60.3	11.9	**72.2**	35.8	14.2	50.0
Total commitments for future investments and acquisitions	0.1	0.6	**0.7**	0.4	15.2	15.6

29 Contingent liabilities

millions of CHF	2009	2008
Pledges in favor of third parties	1.7	1.3
Guarantees in favor of third parties	0.2	0.3
Total contingent liabilities	1.9	1.6

The contingent liabilities increased by CHF 0.3 million to CHF 1.9 million.

30 Cash flow from acquisitions

millions of CHF	2009	2008
Other non-current assets	–39.6	–3.3
Inventories	–7.9	–5.5
Other current assets	–44.3	–2.1
Other liabilities	27.7	7.5
Identified acquired net assets	–64.1	–3.4
Cash acquired	32.2	2.9
Subtotal	–31.9	–0.5
Goodwill	–17.0	–21.9
Purchase of minorities	–	–
Purchase of loans given	7.6	–
Purchase price to be paid in future periods	9.0	16.8
Payments of purchase price relating to prior periods	–7.9	–71.5
Total cash flow from acquisitions	–40.2	–77.1
Acquisition related impact for the period		
Order intake (unaudited)	21.3	–
Sales	32.9	–
Operating income	–4.0	–

Refer to note 01 for information on the acquisitions and their impact in 2008 and 2009.

31 Capital expenditure by category (unaudited)

millions of CHF	2009	in %	2008	in %
Expansion	54.7	48.8	55.2	47.6
Rationalization	5.4	4.8	3.9	3.4
Replacing	30.1	26.8	21.8	18.8
IT	7.5	6.7	9.1	7.8
QESH (Quality, environment, safety and health)	2.8	2.5	3.3	2.8
Other	11.7	10.4	22.7	19.6
Total capital expenditure by category	112.2	100.0	116.0	100.0

The total capital expenditure consists of purchase of intangible assets of CHF 1.3 million (2008: CHF 5.2 million) and purchase of property, plant and equipment of CHF 110.9 million (2008: CHF 110.8 million).

32 Share participation plans

Stock option plan

From 2002 until 2008 there was a Sulzer stock option plan in place for key members of the management and board members. Awards were made annually and were dependent on the organizational position of the employee. The exercise price was determined on the basis of the average stock market price of the Sulzer share during the last ten days before the options were granted. Sulzer operates equity and cash-settled compensation plans. For equity-settled compensation plans 25% of the options vest after one year, with an additional 25% vesting in each of the following three years. Equity-settled options are valid for ten years from the grant date. They do not lead to an increase of the company's share capital. For cash-settled compensation plans one-third of the options vest after one year, with an additional one-third vesting in each of the following two years. Cash-settled options are valid for five years from the date of grant. One option entitles the purchase of ten shares. In 2009, a total of CHF 7.5 million was charged to the operating income for the existing option plans. In the previous year, CHF 14.8 million was included in operating income. The cash-settled plan is hedged with derivative instruments of a Swiss bank.
For details on option holdings by members of the Board of Directors and the Executive Committee see note 109 of Sulzer Ltd's financial statements.

Option right for ten Sulzer shares 2009

Grant year	Outstanding 1.1.2009	Granted 2009	Exercised 2009	Forfeited 2009	Expired 2009	Outstanding 31.12.2009	Average exercise price in CHF
2002	2 488	–	73	50	–	2 365	33.10
2003	3 450	–	350	50	–	3 050	17.30
2004	9 020	–	1 990	–	–	7 030	31.80
2005	13 293	–	2 980	400	–	9 913	52.20
2006	24 082	–	2 230	–	–	21 852	94.20
2007	34 962	–	2 580	200	–	32 182	149.50
2008	37 122	–	1 280	400	–	35 442	127.90
Total	124 417	–	11 483	1 100	–	111 834	–

Option right for ten Sulzer shares 2008

Grant year	Outstanding 1.1.2008	Granted 2008	Exercised 2008	Forfeited 2008	Expired 2008	Outstanding 31.12.2008	Average exercise price in CHF
2002	3 768	–	1 280	–	–	2 488	33.10
2003	3 920	–	470	–	–	3 450	17.30
2004	11 465	–	2 445	–	–	9 020	31.80
2005	16 233	–	2 590	350	–	13 293	52.20
2006	29 212	–	4 430	700	–	24 082	94.20
2007	41 692	–	5 410	1 320	–	34 962	149.50
2008	–	38 922	–	1 800	–	37 122	127.90
Total	106 290	38 922	16 625	4 170	–	124 417	–

Expiry of option rights for ten Sulzer shares

	2009		2008	
Year of expiry	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
2011	21 852	94.20	24 082	94.20
2012	34 547	141.53	37 450	141.70
2013	38 492	119.14	40 572	118.50
2014	7 030	31.80	9 020	31.80
2015	9 913	52.20	13 293	52.20
Outstanding as of December 31	111 834	–	124 417	–

In 2009, no options were granted.

32 Share participation plans (continued)

Restricted stock unit plan settled in Sulzer shares

Since 2009, there has been a restricted stock unit plan in place for key members of the management and board members. Awards are made annually and depend on the organizational position of the employee. For equity-settled restricted stock unit plans one-third of the RSU's vest after one year, with an additional one-third vesting in each of the following two years. One RSU award is settled with one Sulzer share. The number of awards granted is determined on the basis of the average stock market price of the Sulzer share during the last ten days before the awards are granted and the cash equivalent determined per participant. After vesting the unrestricted shares are transferred to the plan participant. They do not lead to an increase of the company's share capital. In 2009, a total of CHF 5.5 million is charged for this restricted stock unit plan to the operating income. Awards to members of the Board of Directors automatically vest with the departure from the board.

For details of option holdings by members of the Board of Directors and the Executive Committee see note 109 of the financial statements of Sulzer Ltd.

Grant year	Outstanding 1.1.2009	Granted 2009	Exercised 2009	Forfeited 2009	Expired 2009	Outstanding 31.12.2009	Average exercise price in CHF
2009	–	190 138	5 268	–	–	184 870	47.48

33 Transactions with members of the Board of Directors, Executive Committee and related parties

Key management compensation

thousands of CHF	2009			2008		
	Short-term benefits	Equity-based compensation	**Total**	Short-term benefits	Equity-based compensation	Total
Board of Directors	1 049	1 950	**2 999**	1 209	2 541	3 750
Executive Committee	5 630	3 234	**8 864**	6 221	5 169	11 390

The amounts for equity-based compensation are valued according to IFRS 2. Employer contribution to post-employment benefits (incl. early retirement benefits) for the Board of Directors amounted to CHF 0.1 million (2008: CHF 0.3 million) and for the Executive Committee to CHF 1.1 million (2008: CHF 1.3 million). No other long-term or termination benefits were paid to the members of the Executive Committee and the Board of Directors in the reporting year. There are no outstanding loans with members of the Board of Directors as per balance sheet date. There is one loan over CHF 0.1 million (2008: CHF 0.1 million) outstanding with a member of the Executive Committee as per balance sheet date.

No shares have been granted to members of the Board of Directors, the Executive Committee or related persons, with the exception of shares granted in connection with service awards.

Related parties

Administration and asset management of the Sulzer pension fund in Switzerland is done by staff members of Sulzer Management Ltd and Sulzer Immobilien Ltd. The individual foundations have no own staff. The related costs were invoiced to the foundations (2009: CHF 3.5 million; 2008: CHF 3.6 million). At the time of completion of the corporation's consolidated financial statements on February 18, 2010, no major business transactions or outstanding balances with the Renova Group, their representatives or any other related parties or companies were known.

Board and Executive Committee compensation disclosures as required by Swiss law (article CO 663b – 663c)

These consolidated financial statements have been prepared in accordance with IFRS. The compensation disclosure requirements in accordance with the Swiss law for companies, the Swiss Code of Obligations (CO), are disclosed in the financial statements of Sulzer Ltd, note 109.

34 Auditor remuneration

Fees for the audit work by PricewaterhouseCoopers as the group auditor amounted to CHF 2.0 million (2008: CHF 2.2 million). Additional services provided by PricewaterhouseCoopers amounted to total CHF 1.9 million (2008: CHF 1.8 million). This figure includes CHF 0.8 million (2008: CHF 0.7 million) for statutory audit fees, CHF 0.6 million (2008: CHF 0.8 million) for audit and accounting related fees and CHF 0.5 million (2008: CHF 0.3 million) for tax and legal fees.

35 Corporate risk management process

Sulzer has an integrated risk management system that is under constant scrutiny for further improvement.

A defined risk management process and four common tools (risk assessment schedule, risk-profiling matrix, risk description schedule, loss control schedule) are applied in order to assess and control all key risks, to implement and maintain risk financing and risk transfer measures, to monitor the results and to define and implement corrective actions if required. The divisions and the corporation generate their respective key risk-profiling matrices and complete and update the related risk control schedules on an annual basis. These schedules identify specific risk exposures and the related risk objectives, list existing loss controls, address their effectiveness, list (where required) additional or alternative loss controls and determine responsibilities and time frames for their implementation. The divisions' key risk-profiling matrices are reviewed at the corporate level and are then consolidated into a divisions' key risk-profiling matrix. The head of Corporate Risk Management informs the audit committee at least once a year of the current risks and risk mitigation as well as of the progress toward achieving major risk objectives. The risk management process is audited by corporate auditing.

36 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated financial statements for issue on February 18, 2010. They are subject to approval at the Annual General Meeting, which will be held on April 15, 2010. The Board of Directors and the Executive Committee are, at the time of completion of the corporation's consolidated financial statements on February 18, 2010, not aware of any events that would materially affect these statements.

37 Major subsidiaries

	31.12.2009	Participation Registered Capital (including paid-in capital in the USA and Canada)	Research and Devel-opment	Production and Engin-eering	Sales	Service	Division
Europe							
Switzerland	Sulzer Pumpen AG, Winterthur Kim Jackson	100% CHF 3 000 000	■	■	■	■	Sulzer Pumps
	Sulzer Metco AG, Wohlen Marc Hamacher	100% CHF 5 000 000	■	■	■	■	Sulzer Metco
	Sulzer Chemtech AG, Winterthur Urs Fankhauser	100% CHF 10 000 000	■	■	■	■	Sulzer Chemtech
	Sulzer Immobilien AG, Winterthur Martin Schmidli	100% CHF 13 000 000					Others
	Sulzer Markets and Technology AG, Winterthur Urs Hirt	100% CHF 4 000 000	■				Others
	Sulzer Management AG, Winterthur Peter Meier	100% CHF 500 000					Others
	Sulzer Finance (Switzerland) AG, Winterthur Jean-Daniel Millasson	100% CHF 3 600 000					Others
	Sulzer Mixpac AG, Haag Oliver Bailer	100% CHF 100 000	■	■	■		Sulzer Chemtech
	Sulzer Chemtech Allschwil AG, Allschwil Peter Moritz	100% CHF 1 500 000	■	■	■	■	Sulzer Chemtech
Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal Michael Streicher	100% EUR 2 300 000	■	■	■	■	Sulzer Pumps
	Sulzer Metco Europe GmbH, Hattersheim Paul-Heinz Müller-Planteur	100% EUR 1 000 000			■	■	Sulzer Metco
	Sulzer Metco Coatings GmbH, Salzgitter Franz Jansen	100% EUR 1 000 000	■	■	■		Sulzer Metco
	Sulzer Friction Systems (Germany) GmbH, Bremen Dietmar Köster	100% EUR 1 000 000	■	■	■		Sulzer Metco
	Sulzer Metaplas GmbH, Bergisch Gladbach Valentin Bühler	100% EUR 1 000 000	■	■	■	■	Sulzer Metco
	Sulzer Metco WOKA GmbH, Barchfeld Salvatore Musso	100% EUR 1 000 000	■	■	■		Sulzer Metco
	Sulzer Metco OSU GmbH, Duisburg Stephan Knapp	100% EUR 300 000	■	■	■	■	Sulzer Metco
	Sulzer Chemtech GmbH, Linden Roland Böcher	100% EUR 300 000		■	■	■	Sulzer Chemtech
	Sulzer Holding (Deutschland) GmbH, Singen Gert Müller	100% EUR 20 000 000					Others
	VBG Beteiligungen GmbH, Singen Gert Müller	100% EUR 25 000					Others
Finland	Sulzer Pumps Finland Oy, Kotka Mikko Hirvensalo	100% EUR 16 000 000	■	■	■	■	Sulzer Pumps
France	Sulzer Pompes France SASU, Mantes Jacques Rigaux	100% EUR 1 500 000	■	■	■	■	Sulzer Pumps
	Sulzer Pompes Process SASU, Schweighouse-s/Moder Laurent Riva	100% EUR 462 000			■		Sulzer Pumps
	Compagnie de Construction Mécanique Sulzer SASU, Mantes, Jacques Rigaux	100% EUR 4 200 000					Others
Great Britain	Sulzer Pumps (UK) Ltd, Leeds Richard Whiteley	100% GBP 9 610 000	■	■	■	■	Sulzer Pumps
	Sulzer Metco (UK) Ltd, Cwmbran Andy Coomber	100% GBP 500 000			■	■	Sulzer Metco
	Sulzer Metco Coatings Ltd, Cheshire Barry Godwin	100% GBP 57 125	■	■	■		Sulzer Metco

37 Major subsidiaries (continued)

	31.12.2009	Participation Registered Capital (including paid-in capital in the USA and Canada)	Research and Development	Production and Engineering	Sales	Service	Division
Europe							
Great Britain	Neomet Ltd, Stockport Richard Hammersley	100% GBP 292 671	■	■	■		Sulzer Metco
	Sulzer Chemtech (UK) Ltd, Stockton on Tees Jon Bailey	100% GBP 100 000		■	■	■	Sulzer Chemtech
	Sulzer (UK) Holdings Ltd, Leeds Garth Bradwell	100% GBP 6 100 000					Others
Italy	Sulzer Friction Systems (Italia) S.r.l., Caivano Salvatore Piccirillo	100% EUR 250 000	■	■	■		Sulzer Metco
	Sulzer Chemtech Italia S.r.l., Milano Cesare Somaini	100% EUR 422 300	■	■	■		Sulzer Chemtech
The Netherlands	Sulzer Eldim (NL) B.V., Lomm Rene van Doorn	100% EUR 397 057	■	■	■		Sulzer Metco
	Sulzer Chemtech Nederland B.V., Breda Arnold van Sinderen	100% EUR 1 134 451	■	■	■	■	Sulzer Chemtech
	Sulzer Turbo Services Rotterdam B.V., Europoort Joris Ringelberg	100% EUR 18 000		■	■	■	Sulzer Turbo Services
	Sulzer Turbo Services Venlo B.V., Lomm Bernard Doorenbos	100% EUR 444 705		■	■	■	Sulzer Turbo Services
	Sulzer Netherlands Holding B.V., Breda Eric Koning	100% EUR 10 010 260					Others
	Sulzer Capital B.V., Breda Eric Koning	100% EUR 50 000					Others
	Sulzer Pumps (Benelux) N.V., Standaarbuiten Frank Kerstens	100% EUR 22 690				■	Sulzer Pumps
Austria	Sulzer Pumpen Oesterreich Ges.m.b.H., Wels Karl Pilka	100% EUR 350 000			■		Sulzer Pumps
Poland	Sulzer Chemtech Polska Sp. z o.o., Przezmierowo Albert Smektalski	100% PLN 9 760 000		■	■	■	Sulzer Chemtech
	Sulzer Turbo Services Poland Sp. z o.o., Lublin Stijn Pietersen	100% PLN 1 000 000		■		■	Sulzer Turbo Services
Russia	ZAO Sulzer Pumps Russia, St. Petersburg Veli-Pekka Tiittanen	100% RUB 250 000			■		Sulzer Pumps
	Sulzer Chemtech LLC, Serpukhov Lorenzo Ghelfi	100% RUB 55 500 000		■	■	■	Sulzer Chemtech
Czech Republic	Sulzer Pumps CZ + SK s.r.o., Praha Petr Marek	100% CZK 4 100 000				■	Sulzer Pumps
Sweden	Sulzer Pumps Sweden AB, Norrköping Carl Nordenswan	100% SEK 3 000 000			■		Sulzer Pumps
Spain	Sulzer Pumps Spain S.A., Madrid Daniel Späti	100% EUR 300 500			■		Sulzer Pumps
Hungary	Sulzer Eldim (HU) Kft., Debrecen Erik Krol	100% HUF 161 000 000	■	■	■		Sulzer Metco
Liechtenstein	Sulzer Mold AG, Eschen Oliver Bailer	100% CHF 50 000		■	■		Sulzer Chemtech
North America							
Canada	Sulzer Pumps (Canada) Inc., Burnaby R.V.S. Mani	100% CAD 2 771 588		■	■	■	Sulzer Pumps
	Sulzer Metco (Canada) Inc., Fort Saskatchewan Gerald Deck	100% CAD 14 210 627	■	■	■	■	Sulzer Metco
	Sulzer Chemtech Canada Inc., Edmonton Ganapathy Murthy	100% CAD 1 000 000		■	■	■	Sulzer Chemtech
	Sulzer Turbo Services Canada Ltd., Edmonton H. Terry Moon	100% CAD 7 000 000		■	■	■	Sulzer Turbo Services
USA	Sulzer Pumps (US) Inc., Portland, Oregon Mauricio Bannwart	100% USD 40 381 108	■	■	■	■	Sulzer Pumps

37 Major subsidiaries (continued)

	31.12.2009	Participation Registered Capital (including paid-in capital in the USA and Canada)	Research and Devel-opment	Production and Engin-eering	Sales	Service	Division
North America							
USA	Sulzer Process Pumps (US) Inc., Easley, South Carolina	100%		■	■	■	Sulzer Pumps
	Alan Crawford	USD 27 146 250					
	Sulzer Metco (US) Inc., Westbury, New York	100%	■	■	■	■	Sulzer Metco
	Friedrich Herold	USD 26 865 993					
	Sulzer Friction Systems (US) Inc., Dayton, Ohio	100%	■	■	■		Sulzer Metco
	Eric Schueler	USD 1 236 953					
	Sulzer Chemtech USA Inc., Tulsa, Oklahoma	100%	■	■	■	■	Sulzer Chemtech
	Lance Golwas	USD 47 895 000					
	Sulzer Turbo Services Houston Inc., La Porte, Texas	100%		■	■	■	Sulzer
	Darayus Pardivala	USD 18 840 000					Turbo Services
	Sulzer Turbo Services New Orleans Inc., Belle Chasse, Louisiana	100%		■	■	■	Sulzer
	Darayus Pardivala	USD 4 006 122					Turbo Services
	Sulzer US Holding Inc., Sugar Land, Texas	100%					Others
	Kelli Edell	USD 179 051 040					
	Sulzer Mixpac USA Inc., Salem, New Hampshire	100%			■		Sulzer Chemtech
	Richard Wilson	USD 1					
	Sulzer Transmission Technologies Inc., Dayton, Ohio	100%		■			Sulzer Metco
	Eric Schueler	USD 1 000					
Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	100%		■	■	■	Sulzer Pumps
	Marcelo Suhner	MXN 4 887 413					
	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	100%		■	■	■	Sulzer Chemtech
	Leopoldo Rodriguez	MXN 31 345 500					
Central and South America							
Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	100%		■	■	■	Sulzer
	Daniel Corallo	ARS 9 002 984					Turbo Services
Brasil	Sulzer Brasil S.A., Jundiaí	100%		■	■	■	Sulzer Pumps
	Ricardo Coco	BRL 81 789 432					
	Sulzer Friction Systems do Brasil Ltda., Diadema	100%		■	■		Sulzer Metco
	Ronald Bremberger	BRL 4 418 273					
	Sulzer Turbo Services Brasil Ltda., Municipio de Vinhedo	100%				■	Sulzer
	Daniel Corallo	BRL 1 000					Turbo Services
Uruguay	Sulzer Turbo Services Uruguay S.A., Montevideo	100%				■	Sulzer
	Daniel Corallo	UYU 34 566 923					Turbo Services
Venezuela	Sulzer Pumps (Venezuela) S.A., Barcelona	100%			■	■	Sulzer Pumps
	Pablo Moros	VEB 200 000 000					
	Sulzer Turbo Services Venezuela S.A., Caracas	100%				■	Sulzer
	Daniel Corallo	VEB 5 000					Turbo Services
Africa							
South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	75%	■	■	■	■	Sulzer Pumps
	Deon Vorster	ZAR 450 000					
	Sulzer (South Africa) Holdings (Pty) Ltd., Elandsfontein	100%		■	■	■	Sulzer Pumps
	Deon Vorster	ZAR 16 476					
	Sulzer Chemtech (Pty) Ltd., Johannesburg	100%		■	■	■	Sulzer Chemtech
	Patrick Lurà	ZAR 121					
Nigeria	Sulzer Pumps (Nigeria) Ltd, Lagos	100%			■	■	Sulzer Pumps
	Garth Bradwell	NGN 10 000 000					
Middle East							
Arabic Emirates	Sulzer (Middle East) FZCO, Dubai	100%			■	■	Sulzer Pumps
	Andrew Ferrie	AED 500 000					
Saudi Arabia	Sulzer Pumps (Saudi Arabia) LLC, Al Khobar	100%			■	■	Sulzer Pumps
	Andrew Ferrie	SAR 1 000 000					
Bahrain	Sulzer Chemtech Middle East S.P.C., Al Seef	100%			■		Sulzer Chemtech
	Albert Hug	BHD 50 000					

37 Major subsidiaries (continued)

	31.12.2009	Participation Registered Capital (including paid-in capital in the USA and Canada)	Research and Devel-opment	Production and Engin-eering	Sales	Service	Division
Asia							
India	Sulzer Pumps India Ltd., Navi Mumbai	99%		■	■	■	Sulzer Pumps
	Ramanathan Venkatasubramanian	INR 25 000 000					
	Sulzer India Ltd., Pune	80%		■	■	■	Sulzer Chemtech
	Listed in Mumbai with securities identification number ISIN INE 297C01010						
	Market capitalization per 31.12.2009: INR 3077 million (CHF 68 million)						
	Balaji Bakthisaran	INR 34 500 000					
	Sulzer Tech India Pvt. Ltd., Navi Mumbai	100%		■			Sulzer Pumps
	R. Varadarajan	INR 100 000					
	Sulzer Metco India Ltd., Chennai	100%		■	■		Sulzer Metco
	Veeraganta Bhaskara Ramam	INR 7 100 000					
	Sulzer Chemtech Tower Field Services (India) Pvt. Ltd., Mumbai	100%			■	■	Sulzer Chemtech
	Vianney Castelino	INR 500 000					
Indonesia	PT Sulzer Turbo Services Indonesia, Purwakarta	100%		■	■	■	Sulzer
	K. Agus Susena	IDR 28 234 800 000					Turbo Services
Japan	Sulzer Daiichi K.K., Tokyo	60%			■		Sulzer Pumps
	Takumi Seki	JPY 30 000 000					
	Sulzer Metco (Japan) Ltd., Tokyo	100%		■	■	■	Sulzer Metco
	Norio Yumiba	JPY 180 000 000					
Singapore	Sulzer Pumps Asia Pacific Pte Ltd., Singapore	100%		■	■	■	Sulzer Pumps
	David Armstrong	SGD 1 000 000					
	Sulzer Metco (Singapore) Pte Ltd., Singapore	100%			■	■	Sulzer Metco
	Sei Kwong Leong	SGD 600 000					
	Sulzer Chemtech Pte Ltd., Singapore	100%	■	■	■	■	Sulzer Chemtech
	Victor Chiam	SGD 1 000 000					
South Korea	Sulzer Korea Ltd., Seoul	100%			■		Sulzer Pumps
	Youngbae Kim	KRW 222 440 000					
People's	Sulzer Dalian Pumps & Compressors Ltd., Dalian	100%		■	■	■	Sulzer Pumps
Republic of China	Lee Zhenyi Lu	CNY 115 000 000					
	Sulzer Pumps (China) Ltd., Hong Kong	100%			■	■	Sulzer Pumps
	Albert Tong	HKD 8 110 000					
	Sulzer Metco Surface Technology (Shanghai) Co. Ltd.,	100%		■	■	■	Sulzer Metco
	Shanghai, Anthony Herbert	CHF 7 300 000					
	Sulzer Shanghai Eng. & Mach. Works Ltd., Shanghai	100%		■	■	■	Sulzer Chemtech
	Mel Chua	CNY 61 432 607					
	Sulzer Pumps Suzhou Ltd., Suzhou	100%		■	■	■	Sulzer Pumps
	Martin Tempus	CNY 82 069 324					
Australia							
	Sulzer Pumps (ANZ) Pty Ltd, South Yarra	100%			■		Sulzer Pumps
	Michael Bennett	AUD 100 000					
	Sulzer Metco Australia Pty Ltd, Sydney	100%			■	■	Sulzer Metco
	Scott Elson	AUD 500 000					
	Sulzer Australia Holding Pty Ltd, South Yarra	100%					Others
	Subodh Nadkarni	AUD 100					
	Sulzer Chemtech Pty Ltd, Adelaide	100%			■	■	Sulzer Chemtech
	Dale Calderbank	AUD 500 000					

Auditors' Report

PRICEWATERHOUSECOOPERS

Report of the statutory auditor
to the general meeting of
the Shareholders of Sulzer Ltd
8401 Winterthur

Winterthur, February 18, 2010

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Sulzer Ltd, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 62 to 110), for the year ended December 31, 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Adrian Kienast
Audit expert

Five-year Summaries of Key Financial Data

Key figures from consolidated income statement and statement of cash flows

millions of CHF		2009	2008	2007	2006	2005
Sales		**3350.4**	3713.5	3537.0	2801.7	2498.2
Operating income before depreciation/amortization	EBITDA	**479.2**	575.9	501.3	376.1	272.6
Operating income before restructuring	EBITR	**416.6**	478.5	396.0	295.6	166.8
Operating income	EBIT	**368.0**	475.1	393.5	295.6	166.8
Return on sales before restructuring (EBITR/sales)	ROSR	**12.4%**	12.9%	11.2%	10.6%	6.7%
Return on sales (EBIT/sales)	ROS	**11.0%**	12.8%	11.1%	10.6%	6.7%
Return on capital employed (EBIT/capital employed)	ROCE	**24.8%**	30.6%	24.2%	23.7%	13.3%
Depreciation/amortization		**111.2**	100.8	107.8	80.5	105.8
Research and development expenses		**63.4**	59.6	51.8	40.0	43.2
Net income attributable to shareholders of Sulzer Ltd		**270.4**	322.9	284.1	221.4	128.3
in percentage of equity attributable to shareholders of Sulzer Ltd	ROE	**15.2%**	21.0%	18.4%	14.4%	8.6%
Capital expenditure		**112.2**	116.0	134.8	106.0	77.8
Free cash flow		**528.8**	363.1	156.2	206.3	136.8
Cash flow from operating and investing activities		**501.0**	251.9	177.7	170.6	103.5
Employees (number of full-time equivalents) as of December 31		**12183**	12726	11599	10393	9656
Personnel expenses		**944.0**	961.5	948.5	788.1	731.8

Key figures from consolidated balance sheet

millions of CHF	2009	2008	2007	2006	2005
Non-current assets	**1200.4**	1203.0	1294.1	1259.1	1052.5
thereof property, plant and equipment	**558.1**	605.8	655.0	629.3	568.2
Current assets	**2183.8**	2227.2	2171.9	1806.1	1791.8
thereof cash and marketable securities	**767.1**	488.5	384.5	361.6	550.9
Total assets	**3384.2**	3430.2	3466.0	3065.2	2844.3
Equity attributable to shareholders of Sulzer Ltd	**1777.5**	1538.3	1551.2	1536.9	1488.5
Non-current liabilities	**327.2**	316.6	340.9	421.0	460.1
thereof long-term borrowings	**49.0**	25.9	28.1	31.9	212.6
Current liabilities	**1268.1**	1567.3	1565.7	1099.9	883.2
thereof short-term borrowings	**47.5**	156.5	157.9	30.0	33.6
Net liquidity[1]	**670.6**	306.1	198.5	299.7	304.7
Equity ratio[2]	**52.5%**	44.8%	44.7%	50.1%	52.3%
Borrowings to equity ratio (gearing)	**0.05**	0.12	0.12	0.04	0.17

[1] Cash, cash equivalents and marketable securities, less short- and long-term borrowings.
[2] Equity attributable to shareholders of Sulzer Ltd in relation to total assets.

Five-year Summaries by Division

millions of CHF	Order intake 2009	2008	2007	2006	2005	Sales 2009	2008	2007	2006	2005
Divisions	**3006.7**	4098.1	4043.7	3265.8	2616.2	**3336.3**	3697.4	3527.2	2792.1	2480.2
Sulzer Pumps	**1684.5**	2308.7	2076.9	1752.6	1367.5	**1856.7**	1817.0	1733.8	1405.4	1266.4
Sulzer Metco	**545.5**	715.6	762.8	658.7	589.2	**556.0**	743.5	753.1	644.1	583.0
Sulzer Chemtech	**498.4**	770.4	890.8	602.1	415.5	**632.3**	823.3	761.3	500.1	389.5
Sulzer Turbo Services	**278.3**	303.4	313.2	252.4	244.0	**291.3**	313.6	279.0	242.5	241.3
Others	**10.9**	18.5	10.3	11.1	18.9	**14.1**	16.1	9.8	9.6	18.0
Total	**3017.6**	4116.6	4054.0	3276.9	2635.1	**3350.4**	3713.5	3537.0	2801.7	2498.2

millions of CHF	Operating income (EBIT) 2009	2008	2007	2006	2005	Capital employed (average) 2009	2008	2007	2006	2005
Divisions	**312.7**	472.1	416.4	297.7	184.9	**1436.8**	1473.3	1529.0	1155.9	1126.6
Sulzer Pumps	**204.7**	231.9	199.2	159.6	98.2	**416.7**	433.8	448.0	388.7	381.4
Sulzer Metco	**20.5**	69.6	75.8	53.4	36.1	**412.1**	433.8	443.2	437.1	442.6
Sulzer Chemtech	**54.5**	140.1	116.3	65.4	40.6	**417.9**	426.2	464.1	164.3	132.8
Sulzer Turbo Services	**33.0**	30.5	25.1	19.3	10.0	**190.1**	179.5	173.7	165.8	169.8
Others	**55.3**	3.0	–22.9	–2.1	–18.1	**49.9**	80.5	96.4	91.4	126.4
Total	**368.0**	475.1	393.5	295.6	166.8	**1486.7**	1553.8	1625.4	1247.3	1253.0

millions of CHF	Order backlog 2009	2008	2007	2006	2005	Employees[1] 2009	2008	2007	2006	2005
Divisions	**1869.3**	2094.7	1975.1	1481.9	1003.1	**11890**	12427	11312	10111	9379
Sulzer Pumps	**1436.0**	1518.6	1303.8	992.6	667.2	**5928**	6239	5686	5192	5116
Sulzer Metco	**57.2**	68.2	99.7	89.9	75.6	**1796**	2105	2054	1928	1783
Sulzer Chemtech	**238.9**	347.9	414.0	308.1	177.6	**2977**	2769	2393	1979	1443
Sulzer Turbo Services	**137.2**	160.0	157.6	91.3	82.7	**1189**	1314	1179	1012	1037
Others	**2.4**	5.5	3.0	2.6	1.0	**293**	299	287	282	277
Total	**1871.7**	2100.2	1978.1	1484.5	1004.1	**12183**	12726	11599	10393	9656

[1] Number of full-time equivalents as of December 31.

Five-year Summaries by Region

Order intake by region

millions of CHF	2009	2008	2007	2006	2005
Europe	**945.3**	1 286.1	1 293.9	1 082.8	906.3
North America	**762.8**	1 070.6	1 225.1	977.2	827.7
Central and South America	**288.8**	283.1	205.8	190.2	148.7
Asia, Middle East, Australia	**807.5**	1 177.5	1 148.7	880.6	613.7
Africa	**213.2**	299.3	180.5	146.1	138.7
Total	**3 017.6**	4 116.6	4 054.0	3 276.9	2 635.1

Sales by region

millions of CHF	2009	2008	2007	2006	2005
Europe	**1 046.5**	1 276.2	1 319.7	919.5	869.1
North America	**951.7**	1 048.5	1 017.5	875.1	713.0
Central and South America	**238.7**	195.5	162.4	160.7	160.1
Asia, Middle East, Australia	**885.4**	1 039.6	887.4	715.9	606.6
Africa	**228.1**	153.7	150.0	130.5	149.4
Total	**3 350.4**	3 713.5	3 537.0	2 801.7	2 498.2

Capital employed (average) by company location

millions of CHF	2009	2008	2007	2006	2005
Europe	**953.2**	1 046.6	1 045.5	731.7	765.4
North America	**380.3**	367.1	417.5	380.8	360.2
Central and South America	**46.0**	33.4	49.1	48.4	35.6
Asia, Middle East, Australia	**99.8**	96.6	91.3	69.2	69.5
Africa	**7.4**	10.1	22.0	17.2	22.3
Total	**1 486.7**	1 553.8	1 625.4	1 247.3	1 253.0

Employees by company location[1)]

	2009	2008	2007	2006	2005
Europe	**4 915**	5 724	5 544	5 192	4 571
North America	**2 864**	3 156	2 943	2 160	2 179
Central and South America	**823**	710	563	994	934
Asia, Middle East, Australia	**3 125**	2 700	2 157	1 664	1 601
Africa	**456**	436	392	383	371
Total	**12 183**	12 726	11 599	10 393	9 656

1) Number of full-time equivalents as of December 31.

Sulzer Financial Section 2009

Financial Statements of Sulzer Ltd

Content

Balance Sheet of Sulzer Ltd

December 31

millions of CHF	Notes	2009	2008
Non-current assets			
Operational assets		–	–
Investments in subsidiaries and other companies		752.4	743.9
Loans to subsidiaries		80.4	138.4
Other loans and financial assets		1.7	1.7
Total non-current assets		834.5	884.0
Current assets			
Accounts receivable from subsidiaries		245.1	117.9
Other accounts receivable and prepayments		2.3	3.8
Marketable securities	103	54.1	44.7
Cash		73.0	90.5
Total current assets		374.5	256.9
Total assets		1 209.0	1 140.9
Equity			
Registered share capital	104	0.3	0.3
Legal reserves		150.6	149.4
Reserves for treasury stock	104	54.9	56.1
Free reserves		471.5	361.5
Unappropriated retained earnings		5.2	7.2
Net profit for the year		302.2	203.9
Total equity		984.7	778.4
Liabilities			
Non-current liabilities			
Non-current financial liabilities		–	–
Non-current provisions		53.4	53.1
Non-current liabilities with subsidiaries		4.5	4.6
Total non-current liabilities		57.9	57.7
Current liabilities			
Current financial liabilities		0.1	100.0
Current provisions		15.2	11.6
Current liabilities with subsidiaries		114.0	113.2
Accounts payable and accrued liabilities	105	37.1	80.0
Total current liabilities		166.4	304.8
Total liabilities		224.3	362.5
Total equity and liabilities		1 209.0	1 140.9

Income Statement of Sulzer Ltd

January – December

millions of CHF	Notes	2009	2008
Revenues			
Investment income		**316.3**	249.4
Financial income		**56.1**	25.1
Other income		**35.7**	34.2
Total revenues		**408.1**	308.7
Expenses			
Administrative expenses	107	**30.7**	32.4
Financial expenses		**3.1**	65.9
Investment and loan expenses		**64.4**	3.6
Income taxes		**4.9**	0.9
Other expenses		**2.8**	2.0
Total expenses		**105.9**	104.8
Net profit for the year		**302.2**	203.9

Changes in Equity of Sulzer Ltd

January – December

millions of CHF	Share capital	Legal reserves	Reserve for treasury stock	Free reserves	Retained earnings	Net income	Total
Equity as of January 1, 2007	0.1	155.1	183.3	173.8	7.8	193.9	714.0
Dividend						–83.7	–83.7
Allocation of net income				110.0	0.2	–110.2	–
Net profit for the year						346.1	346.1
Change in reserves for treasury stock		5.8	161.3	–167.1			–
Equity as of December 31, 2007	0.1	160.9	344.6	116.7	8.0	346.1	976.4
Dividend						–101.9	–101.9
Cancellation of treasury shares			–300.0				–300.0
Increase share capital	0.2			–0.2			–
Allocation of net income				245.0	–0.8	–244.2	–
Net profit for the year						203.9	203.9
Change in reserves for treasury stock		–11.5	11.5				–
Equity as of December 31, 2008	0.3	149.4	56.1	361.5	7.2	203.9	778.4
Dividend						–95.9	**–95.9**
Allocation of net income				110.0	–2.0	–108.0	**–**
Net profit for the year						302.2	**302.2**
Change in reserves for treasury stock		1.2	–1.2				**–**
Equity as of December 31, 2009	0.3	150.6	54.9	471.5	5.2	302.2	**984.7**

Notes to the Financial Statements of Sulzer Ltd

101 Valuation principles

The financial statements as of December 31, 2009, are in compliance with the requirements of the Swiss Corporation law. However, for the purpose of including Sulzer Ltd in the consolidated financial statements, the corporate accounting principles remain fully applicable.

102 Investments in subsidiaries

A list of the major subsidiaries held directly or indirectly by Sulzer Ltd is included on pages 107 to 110 (note 37).

103 Marketable securities

millions of CHF	2009	2008
Treasury stock	48.9	34.3
Other shares	5.2	10.4
Total marketable securities	**54.1**	44.7

104 Registered share capital

The share capital amounts to CHF 342 623.70, made up of 34 262 370 shares with a par value of CHF 0.01. All shares are fully paid in and registered.

Share ownership

Details of the composition and changes relating to the issued share capital, the share capital authorized but not issued and the shares held as treasury stock, are included in note 22 to the consolidated financial statements. Details, with regards to share data ownership, are also provided in note 22.

Treasury stock held by Sulzer Ltd

millions of CHF	Number of shares	Total acquisition cost
Balance as of January 1, 2009	699 439	56.1
Purchase	8 837	0.7
Sale	–16 432	–1.9
Balance as of December 31, 2009	**691 844**	54.9

The treasury stock held covers the options outstanding from the share participation plan and restricted stock unit plan. The total number of shares as of December 31, 2009, amounted to 691 844 (2008: 699 439).

105 Accounts payable and accrued liabilities

millions of CHF	2009	2008
Other liabilities	4.0	15.6
Accrued liabilities	33.1	64.4
Total accounts payable and accrued liabilities	**37.1**	**80.0**

The accrued liabilities in 2009 include CHF 13.5 million for outstanding options on treasury shares (2008: CHF 49.1 million).

106 Contingent liabilities

millions of CHF	2009	2008
Guarantees, sureties, comfort letters for subsidiaries		
to banks and insurance companies	1 532.0	1 386.9
to customers	425.5	186.4
Guarantees to third parties	–	–
Syndicate transactions	–	–
Total contingent liabilities	**1 957.5**	**1 573.3**

As of December 31, 2009, CHF 480.1 million (2008: CHF 556.5 million) of guarantees, sureties and comfort letters for subsidiaries to banks and insurance companies were utilized.

107 Administrative expenses

millions of CHF	2009	2008
Personnel expenses	17.9	14.6
Other administrative expenses	12.8	17.8
Total administrative expenses	**30.7**	**32.4**

108 Risk management process

Sulzer Ltd is the ultimate parent company of the Sulzer corporation. The key risks of Sulzer Ltd are covered through the risk management process (see note 35 to the consolidated financial statements) for the corporation.

109 Compensation and share participation of the Board of Directors, Executive Committee and related parties

This note has been prepared in accordance with the requirements of the Swiss Code of Obligations (CO) and differs from the compensation disclosures in note 33, mainly due to different valuation.

Compensation 2009

thousands of CHF	Fix	Variable[8]	Cash compensation	Pension fund contribution	Other	Subtotal	Restricted stock unit rights[9]	**Total**
Board of Directors	1 049	–	1 049	31	–	1 080	1 108	**2 188**
Jürgen Dormann, Chairman[1] and Chairman of the strategy committee	156	–	156	–	–	156	146	**302**
Luciano Respini[2]	219	–	219	–	–	219	223	**442**
Ulf Berg[3]	160	–	160	31	–	191	–	**191**
Thor Håkstad[4]	86	–	86	–	–	86	111	**197**
Louis R. Hughes[5]	58	–	58	–	–	58	111	**169**
Vladimir V. Kuznetsov, Chairman of the nomination and remuneration committee	97	–	97	–	–	97	111	**208**
Hans Hubert Lienhard	80	–	80	–	–	80	111	**191**
Urs Andreas Meyer	74	–	74	–	–	74	111	**185**
Daniel J. Sauter	84	–	84	–	–	84	111	**195**
Klaus Sturany, Chairman of the audit committee[6]	35	–	35	–	–	35	73	**108**
Executive Committee[7]	3 153	2 348	5 501	709	129	6 339	2 020	**8 359**
thereof highest single compensation Ton Büchner, CEO	715	900	1 615	142	4	1 761	445	**2 206**

No compensation was granted to former members of the Board of Directors or the Executive Committee. A short-term loan of CHF 0.1 million (2008: CHF 0.1 million) was granted to one member of the Executive Committee. Non arm's length compensation neither was granted to present or former members of the Board of Directors or the Executive Committee nor to related parties.

1) Chairman since August 18, 2009.
2) Chairman between April 8, 2009, and August 18, 2009.
3) Chairman until April 8, 2009.
4) Vice chairman until August 18, 2009.
5) Member until August 18, 2009.
6) Member since August 18, 2009.
7) Members of the Executive Committee:
- Ton Büchner, CEO
- Peter Alexander, President of Sulzer Turbo Services
- Urs Fankhauser, President of Sulzer Chemtech
- Alfred Gerber, General Counsel
- Kim Jackson, President of Sulzer Pumps
- Peter Meier, CFO
- César Montenegro, President of Sulzer Metco

8) Expected variable wage elements (bonus).
9) RSU awards assigned during the reporting period had a fair value of CHF 42.25 at the grant date. In the case of the newly elected board members of the Extraordinary General Meeting of August 2009 the fair value per RSU was CHF 67.46. The fair values include a 11% discount according to the tax procedure regarding reduction due to the limited availability at the grant date (i.e., CHF 5.23 and CHF 8.34 respectively). Employer contribution to the social security institutions due to the execution of equity instruments is not included.

109 Compensation and share participation of the Board of Directors, Executive Committee and related parties (continued)

Compensation 2008

thousands of CHF	Fix	Variable[2]	Cash compensation	Pension fund contribution	Other	Subtotal	Options[3]	Total
Board of Directors	1209	–	1209	92	–	1301	2087	**3388**
Ulf Berg, Chairman	480	–	480	92	–	572	463	**1035**
Thor Håkstad, Vice chairman	174	–	174	–	–	174	232	**406**
Louis R. Hughes, Chairman of the audit committee	100	–	100	–	–	100	232	**332**
Vladimir V. Kuznetsov	95	–	95	–	–	95	232	**327**
Hans Hubert Lienhard, Chairman of the nomination and remuneration committee	95	–	95	–	–	95	232	**327**
Urs Andreas Meyer	75	–	75	–	–	75	232	**307**
Luciano Respini	95	–	95	–	–	95	232	**327**
Daniel J. Sauter	95	–	95	–	–	95	232	**327**
Executive Committee[1]	3262	2713	5975	744	246	6965	3893	**10858**
thereof highest single compensation Ton Büchner, CEO	685	820	1505	137	–	1642	927	**2569**

No compensation was granted to former members of the Board of Directors or the Executive Committee. A short-term loan of CHF 0.1 million was granted to one member of the Executive Committee. Non arm's length compensation neither was granted to present or former members of the Board of Directors or the Executive Committee nor to related parties.

1) Members of the Executive Committee:
- Ton Büchner, CEO
- Peter Alexander, President of Sulzer Turbo Services
- Urs Fankhauser, President of Sulzer Chemtech
- Alfred Gerber, General Counsel
- Kim Jackson, President of Sulzer Pumps
- Peter Meier, CFO
- César Montenegro, President of Sulzer Metco since August 18, 2008
- Henri Steinmetz, President of Sulzer Metco until July 31, 2008

2) Expected variable wage elements (bonus).

3) Options assigned during the reporting period had a fair value of CHF 308.90 at the grant date, considering a discount of CHF 38.20 (11%) according to the tax procedure regarding the value reduction due to the limited availability at the grant date. The fair value of these options was CHF 47.80 at December 31, 2008, considering a discount of 11% due to limited availability. Employer contributions to the social security institutions due to the exercising of options granted is not included.

109 Compensation and share participation of the Board of Directors, Executive Committee and related parties (continued)

Shareholders 2009

	Sulzer shares	Options free to be sold (F)[1]	Options not free to be sold (NF)[1]	Restricted Stock Units (RSU) (NF)[1]	Other call options	Total call options and shares[2]	Put options
Board of Directors	19060	6375	3250	19057	–	134367	–
Jürgen Dormann	7200	–	–	2169	–	9369	–
Vladimir V. Kuznetsov	–	250	500	2634	–	10134	–
Hans Hubert Lienhard	2860	1000	750	2634	–	22994	–
Urs Andreas Meyer	–	250	500	2634	–	10134	–
Luciano Respini	3000	1375	750	5268	–	29518	–
Daniel J. Sauter	6000	3500	750	2634	–	51134	–
Klaus Sturany	–	–	–	1084	–	1084	–
Executive Committee	18612	20600	11700	47817	–	389429	–
Ton Büchner	13330	7000	3000	10533	–	123863	–
Peter Alexander	20	2750	1200	4740	–	44260	–
Urs Fankhauser	1500	4100	1800	6951	–	67451	–
Alfred Gerber	1520	2500	1200	4740	–	43260	–
Kim Jackson	32	–	1800	6951	–	24983	–
Peter Meier	1040	2150	1800	6951	–	47491	–
César Montenegro	1170	2100	900	6951	–	38121	–

1) Options and restricted stock units assigned by Sulzer as compensation.
2) One option entitles to purchase ten shares, one RSU award is converted into one share. This has been reflected in the total balance.

Shareholders 2008

	Sulzer shares	Options free to be sold (F)[1]	Options not free to be sold (NF)[1]	Other call options	Total call options and shares[2]	Put options
Board of Directors	63860	6200	14500	–	270860	–
Ulf Berg	35000	–	5000	–	85000	–
Thor Håkstad	3000	1325	1625	–	32500	–
Louis R. Hughes	–	1625	1500	–	31250	–
Vladimir V. Kuznetsov	–	–	750	–	7500	–
Hans Hubert Lienhard	2860	125	1625	–	20360	–
Urs Andreas Meyer	–	–	750	–	7500	–
Luciano Respini	3000	500	1625	–	24250	–
Daniel J. Sauter	20000	2625	1625	–	62500	–
Executive Committee	18210	12240	23400	–	374610	–
Ton Büchner	11130	4700	6200	–	120130	–
Peter Alexander	20	1350	2600	–	39520	–
Urs Fankhauser	1500	2000	3900	–	60500	–
Alfred Gerber	1520	1100	2600	–	38520	–
Kim Jackson	–	840	3150	–	39900	–
Peter Meier	1040	800	3150	–	40540	–
César Montenegro	1170	1450	1800	–	33670	–
Henri Steinmetz	1830	–	–	–	1830	–

1) Options assigned by Sulzer as compensation.
2) One option entitles to purchase ten shares. This has been reflected in the total balance.

109 Compensation and share participation of the Board of Directors, Executive Committee and related parties (continued)

Information on options and restricted stock units assigned by Sulzer as compensation

	Series																
	2002B		2003		2004		2005		2006		2007		2008		RSU	**Total[3]**	
	F[1]	NF[2]	F	NF	F	NF	F	NF	F	NF	F	NF	F	NF	NF	**F**	**NF**
Board of Directors	500	–	500	–	625	–	750	–	1 500	–	1 250	750	1 250	2 500	19 057	**63 750**	**51 557**
Jürgen Dormann	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2 169	**–**	**2 169**
Vladimir V. Kuznetsov	–	–	–	–	–	–	–	–	–	–	–	–	250	500	2 634	**2 500**	**7 634**
Hans Hubert Lienhard	–	–	–	–	125	–	125	–	250	–	250	250	250	500	2 634	**10 000**	**10 134**
Urs Andreas Meyer	–	–	–	–	–	–	–	–	–	–	–	–	250	500	2 634	**2 500**	**7 634**
Luciano Respini	–	–	–	–	–	–	125	–	500	–	500	250	250	500	5 268	**13 750**	**12 768**
Daniel J. Sauter	500	–	500	–	500	–	500	–	750	–	500	250	250	500	2 634	**35 000**	**10 134**
Klaus Sturany	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1 084	**–**	**1 084**
Executive Committee	–	–	–	–	1 550	–	2 650	–	6 500	–	6 600	3 900	3 300	7 800	47 817	**206 000**	**164 817**
Ton Büchner	–	–	–	–	1 000	–	300	–	2 700	–	2 000	1 000	1 000	2 000	10 533	**70 000**	**40 533**
Peter Alexander	–	–	–	–	–	–	550	–	1 000	–	800	400	400	800	4 740	**27 500**	**16 740**
Urs Fankhauser	–	–	–	–	200	–	900	–	1 200	–	1 200	600	600	1 200	6 951	**41 000**	**24 951**
Alfred Gerber	–	–	–	–	100	–	400	–	800	–	800	400	400	800	4 740	**25 000**	**16 740**
Kim Jackson	–	–	–	–	–	–	–	–	–	–	–	600	–	1 200	6 951	**–**	**24 951**
Peter Meier	–	–	–	–	50	–	100	–	200	–	1 200	600	600	1 200	6 951	**21 500**	**24 951**
César Montenegro	–	–	–	–	200	–	400	–	600	–	600	300	300	600	6 951	**21 000**	**15 951**

1) Options assigned by Sulzer as compensation and free to be sold.
2) Options assigned by Sulzer as compensation and not free to be sold.
3) One option entitles to purchase ten shares, one RSU award is converted into one share. This has been reflected in the total balance.

Series	Year of issue	Expiration date	Exercise price
2002B	2002	04.2012	36.50
2003	2003	04.2013	17.30
2004	2004	04.2014	31.80
2005	2005	04.2015	52.20
2006	2006	04.2011	94.20
2007	2007	03.2012	149.50
2008	2008	03.2013	127.90

Appropriation of Net Profit

CHF	2009	2008
Net profit for the year	302 200 000	203 900 000
Unallocated profit carried forward from previous year	5 239 040	7 273 676
Total available profit	307 439 040	211 173 676
Proposal by the Board of Directors:		
Appropriation to free reserves	205 000 000	110 000 000
Dividend	95 934 636	95 934 636
Balance carried forward	6 504 404	5 239 040
Distribution per share CHF 0.01		
Gross dividend	2.80	2.80
less 35% withholding tax	0.98	0.98
Net payment	1.82	1.82

The Board of Directors proposes the payment of a dividend of CHF 2.80 per share to the Annual General Meeting on April 15, 2010.

Annual General Meeting

The 96th ordinary Annual General Meeting will be held on Thursday, April 15, 2010, 10.00 a.m. at Eulachhalle, Wartstrasse 73, Winterthur (Switzerland).

Auditors' Report

PRICEWATERHOUSECOOPERS

Report of the statutory auditor
to the general meeting of
the Shareholders of Sulzer Ltd
8401 Winterthur

Winterthur, February 18, 2010

Report of the statutory auditor on the financial statements
As statutory auditor, we have audited the financial statements of Sulzer Ltd, which comprise the balance sheet, income statement, changes in equity and notes (pages 116 to 124), for the year ended December 31, 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Christian Kessler	Adrian Kienast
Audit expert	Audit expert
Auditor in charge	

Photo spreads

The market activity level in South America remained strong, which mitigated the effect of the economic downturn. Sulzer has a strong presence in this region and leverages the additional growth opportunities. (Picture: Streetscape in São Paulo, Brazil)

Sulzer's global network encompasses over 120 locations worldwide. It is continually being expanded to serve the customers locally and to keep the cost structure competitive. Know-how transfer and training ensure that the high Sulzer quality standards are maintained at every site. (Picture: The international airport in Mumbai, India)

Local presence and customer proximity is essential for Sulzer because it supports the understanding of the specific local needs. Sulzer has had a strong local presence in China for many years with sites from Sulzer Pumps, Sulzer Metco and Sulzer Chemtech. An additional major Sulzer Pumps site is under construction in Suzhou, China, and will open in 2010. (Picture: Sulzer employees in Shanghai, China)

Imprint

The Sulzer Annual Report 2009 is also available in German and online at *www.sulzer.com/AR09*. Furthermore, the report is available as a summary in German or in English. The original version is in English.

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Investor Information

Data per share

CHF	2009	2008	2007	2006	2005
Net income attributable to a shareholder of Sulzer Ltd	**8.06**	9.59	8.35	6.23	3.60
Change from prior year	**–16%**	15%	34%	73%	79%
Free cash flow	**15.75**	10.78	4.59	5.80	3.84
Equity attributable to a shareholder of Sulzer Ltd	**52.95**	45.83	46.11	44.35	41.73
Dividend	**2.80**[1]	2.80	2.80	2.30	1.40
Payout ratio	**35%**	29%	34%	37%	39%
Average number of shares outstanding	**33 567 516**	33 675 840	34 035 700	35 563 610	35 593 550

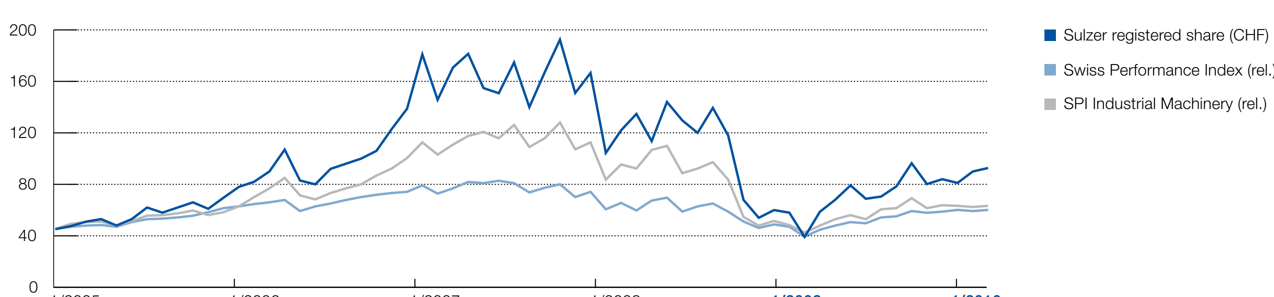
Stock market information

	2009	2008	2007	2006	2005
Registered share (in CHF)					
high	**96.40**	165.20	192.40	140.90	70.10
low	**39.15**	54.00	137.50	69.20	42.70
year-end	**81.10**	60.00	166.50	138.70	69.60
Market capitalization as of December 31					
number of shares outstanding	**33 570 526**	33 562 931	33 642 550	34 657 410	35 667 420
in millions of CHF	**2 723**	2 014	5 601	4 807	2 482
in percentage of equity	**153%**	131%	361%	313%	167%
P/E ratio as of December 31	**10.1x**	6.3x	19.9x	22.3x	19.3x
Dividend yield as of December 31	**3.5%**[1]	4.7%	1.7%	1.7%	2.0%

Title	Security No.	Investdata	Reuters	Bloomberg
Listed on SIX Swiss Exchange Registered share	3 838 891	SUN	SUN.S	SUN SW

Additional key figures and ratios can be found on pages 112 to 114.

Share price development



[1] Proposal to the Annual General Meeting.

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