Annual Report 2007

Key Figures 2007

Strong double-digit growth in order intake, sales, and operating income.

Key Figures

millions of CHF		2007	2006
Order intake		**4 054.0**	3 276.9
Sales		**3 537.0**	2 801.7
Operating income before depreciation/amortization	EBITDA	**501.3**	376.1
Operating income	EBIT	**393.5**	295.6
Return on sales (EBIT/sales)	ROS	**11.1%**	10.6%
Return on capital employed (EBIT/capital employed[1])	ROCE	**24.2%**	23.7%
Net income attributable to shareholders of Sulzer Ltd		**284.1**	221.4
Capital expenditure		**134.8**	106.0
Shareholder's equity excl. minority interests		**1 547.1**	1 536.9
Employees (number of full-time equivalents) as of December 31		**11 599**	10 393
Cash flow from operating and investing activities		**177.7**	170.6
Net liquidity		**198.5**	299.7

Data per Share

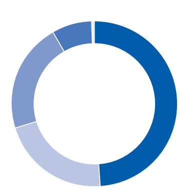
CHF		2007	2006
Basic earnings per share	EPS	**83.47**	62.27
Equity attributable to shareholders of Sulzer Ltd		**455**	432
Dividend		**28[2]**	23

Share Price

CHF	2007	2006
Closing price of the registered share as of December 31	**1 665**	1 387

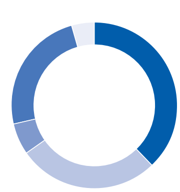
[1] Average capital employed incl. goodwill at net book values [2] Proposal to the general meeting of shareholders

Sales by Division



	2007	2006
Sulzer Pumps	**49.0%**	50.2%
Sulzer Metco	**21.3%**	23.0%
Sulzer Chemtech	**21.5%**	17.8%
Sulzer Turbo Services	**7.9%**	8.7%
Other	**0.3%**	0.3%

Sales by Region



	2007	2006
Europe	**38.0%**	33.7%
North America	**27.4%**	29.3%
Latin America	**6.0%**	7.6%
Asia, Australia[1]	**24.4%**	24.7%
Africa	**4.2%**	4.7%

[1] including Middle East

By Division

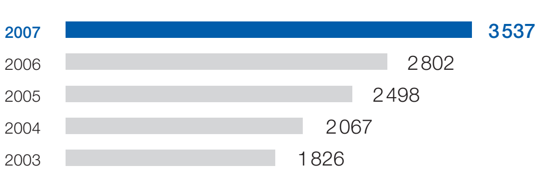
millions of CHF	Order intake			Sales			Operating income (EBIT)		
	2007	2006	+/– %	2007	2006	+/– %	2007	2006	+/– %
Divisions	**4043.7**	3265.8	23.8	**3527.2**	2792.1	26.3	**416.4**	297.7	39.9
Sulzer Pumps	**2076.9**	1752.6	18.5	**1733.8**	1405.4	23.4	**199.2**	159.6	24.8
Sulzer Metco	**762.8**	658.7	15.8	**753.1**	644.1	16.9	**75.8**	53.4	41.9
Sulzer Chemtech	**890.8**	602.1	47.9	**761.3**	500.1	52.2	**116.3**	65.4	77.8
Sulzer Turbo Services	**313.2**	252.4	24.1	**279.0**	242.5	15.1	**25.1**	19.3	30.1
Other	**10.3**	11.1	–	**9.8**	9.6	–	**–22.9**	–2.1	–
Total	**4054.0**	3276.9	23.7	**3537.0**	2801.7	26.2	**393.5**	295.6	33.1

By Region

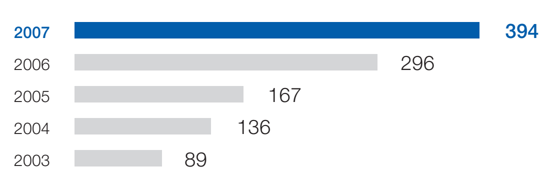
millions of CHF	Order intake			Sales			Number of employees (full-time equivalents) as per 12/31		
	2007	2006	+/– %	2007	2006	+/– %	2007	2006	+/– %
Europe	**1321.8**	1104.1	19.7	**1345.0**	943.0	42.6	**5547**	5192	6.8
North America	**1184.5**	929.6	27.4	**967.9**	821.5	17.8	**2409**	2160	11.5
Latin America	**246.4**	237.8	3.6	**211.9**	214.2	-1.1	**1097**	994	10.4
Asia, Australia[1]	**1120.8**	859.3	30.4	**862.2**	692.5	24.5	**2154**	1664	29.4
Africa	**180.5**	146.1	23.5	**150.0**	130.5	14.9	**392**	383	2.3
Total	**4054.0**	3276.9	23.7	**3537.0**	2801.7	26.2	**11599**	10393	11.6

[1] Including Middle East

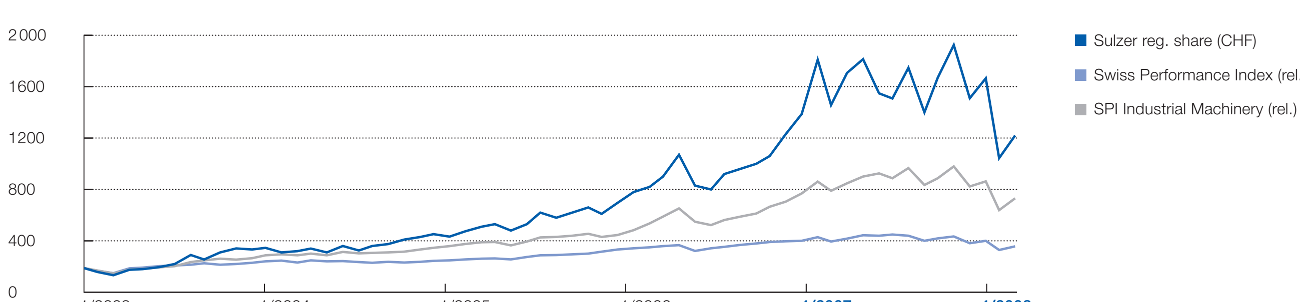
Sales 2003–2007 in millions of CHF



EBIT 2003–2007 in millions of CHF



Share Price Development in comparison with the Swiss Performance Index and the SPI Industrial Machinery



The Year 2007 in Brief
Sulzer achieved record sales and profitability.

Corporation

- Sulzer increased order intake by 23.7% to CHF 4 054.0 million and sales by 26.2% to CHF 3 537.0 million. Return on sales and return on capital employed, at 11.1% and 24.2% respectively, rose to new record levels.
- With a net income of CHF 287.4 million, the board of directors is proposing an increased dividend of CHF 28 per share.
- The CHF 300 million share buyback program started in 2006 was completed in September 2007.
- The shareholder composition changed significantly.

Sulzer Pumps

- The division grew strongly, with an order intake of CHF 2 076.9 million (+18.5%). Sales significantly increased to CHF 1 733.8 million (+23.4%) with the same factory footprint.
- The division globally realigned business processes, which formed the basis for the implementation of a common enterprise resource planning system. This system was successfully rolled out first in North America.
- The global operations and service network was expanded by four new units to sixty service centers in order to be closer to the customers.

Sulzer Metco

- With a return on sales of 10.1% and a return on capital employed of 17.1%, the division continued to improve value creation.
- On-time delivery of powders and spare parts was above 90% throughout the year.
- As part of the division's increased focus on innovation, it has set up a vacuum atomizer pilot plant in Switzerland.

Sulzer Chemtech

- The division achieved a high sales growth of 52.2%, reaching total sales of CHF 761.3 million. Return on sales amounted to a strong 15.3%.
- The newly established business unit Sulzer Mixpac Systems contributed substantially to the performance of the division.
- A new state-of-the-art engineering and production facility was opened in Shanghai, China.

Sulzer Turbo Services

- The division reported good growth rates in all regions, particularly in the USA and the Middle East. Sales rose to CHF 279.0 million (+15.1%) and operating income to CHF 25.1 million (+30.1%).
- The business for F-technology turbines developed well and contributed substantially to the results of the division. This new service offering was also implemented in Europe.
- The division opened four new sales offices and a new Canadian service facility.

Contents
Annual Report 2007

Report by the Chairman of the Board and the CEO

Sulzer focused on organic growth and continued operational excellence.

Dear Shareholders,

Sulzer showed high growth and continued improvement in 2007. Building on its already high volume base in 2006, Sulzer was able to add 23.7% to its order intake. Sales, return on sales (ROS), and return on capital employed (ROCE) all rose to new record levels. A share buyback program of CHF 300 million was concluded in September. With a net income of CHF 287.4 million, the board of directors will propose an increased dividend of CHF 28 per share at the annual general meeting 2008.

Ulf Berg, Chairman of the Board

Ton Büchner, CEO

Markets

Sulzer's markets were highly active during 2007. There was high demand for our solutions, products, and services in all of our core segments; oil and gas, hydrocarbon processing industry, power generation, pulp and paper, aviation, and automotive.

In the upstream oil and gas market, existing fields are maturing and new fields are being found in more challenging areas for development. The quality of the newfound sources of crude oil and natural gas is different from the traditional Middle East and Brent characteristics. Canadian tar sands and deep water developments pose a challenge for engineering contractors and operators worldwide, which embodies a positive trend for Sulzer.

In the hydrocarbon processing industry (HPI, oil and gas downstream), activities continued to increase. The Middle East and Asia invested heavily in new facilities. North America also started investing in HPI facilities.

National oil companies are playing an increasing role in the decision making, both in the upstream and downstream oil and gas activities—also for Sulzer products.

The power generation market became more dynamic during 2007. As opposed to the situation in the past, this activity was not restricted to selected regions, but rather occurred on a worldwide basis. Developed countries increasingly realize that the requirements for electricity will soon be structurally higher than the existing capacity for its generation. Furthermore, in the next fifteen to twenty years, many of the existing power plants will begin to reach the end

of their design lifetimes, and upgrade and replacement needs will increase. Environmental pressures will influence decision making about the type of power plants to build.
The pulp segment showed high project volume in Latin America, whereas the paper market continued its good activity in Asia. The aviation markets have been lively, with a large number of airplanes on order. Utilization of planes was high worldwide, which positively impacted the Sulzer Metco supply to engine maintenance providers. Our automotive replacement technologies saw strong growth, and we believe this trend has the potential to continue further. The biofuel segment started very actively in the USA, and initial projects were kicked off in Europe. In the third quarter of the year, the structural problems in the USA with corn supply, logistical challenges, and biofuel pricing strongly reduced this momentum.

Divisions

Sales at Sulzer Pumps again grew at a strong double-digit rate of 23.4%, on top of the already high base of 2006. Although the new equipment business continued to grow faster than the services business and none of the non-recurring positive effects of 2006 recurred, Sulzer Pumps was able to reach a strong ROS level of 11.5%. ROCE achieved 44.5%, in part because of continued good management of net working capital. Additional service stations were opened, and further equipment technology transfers to Asian factories were carried out.
Sulzer Metco continued its efforts to increase its operational effectiveness in 2007. The division was able to increase sales by 16.9%. Despite strong fluctuations in raw material prices, Sulzer Metco increased its ROS to 10.1% and ROCE to 17.1%, and clearly created financial value.
Sulzer Chemtech continued its extraordinary growth, particularly in its mass transfer solutions business and with the acquisition of Mixpac, Werfo, and Mold. Overall, ROS was improved to 15.3% and ROCE, affected by the acquisition, achieved 25.1%, a sign of high value creation. Integration of the Mixpac, Werfo, Mold, and Knitmesh separator business acquisitions is ongoing.
Sulzer Turbo Services progressed in getting nearer to the midrange targets. Strong sales growth of 15.1% was accompanied by an improved profitability of 9.0%. Base profitability of long-term projects in the backlog hampered the ability to further improve ROS. The majority of this part of the backlog is expected to clear in 2008.
Sulzer Innotec continued to support the divisions in its core technology areas: fluid dynamics and material technology. The seed function of Sulzer Innotec has been strong: Key support projects for the divisions bore fruit in 2007. After a very successful 2006, Sulzer Real Estate had a year of slightly lower activity. Our midterm prospects for the sale of operationally non-essential real estate remain good.

Management Principles and Strategy

Sulzer's vision of being the recognized leader in innovative, sustainable, engineered, and customer-focused solutions for performance-critical applications in selected industries was formulated to focus our continued growth. Sulzer aims to be a multi-industry company with a strong brand, which provides solutions that combine our products, services, engineering, and customer application expertise. Compliance and sustainability as well as health and safety are core to our behavior and decision making. We are close to the customer by being primarily direct-sales driven. Engineering, innovation, and technology are our cornerstones. We strive to create an environment where our employees can excel, and we focus on creating value for our shareholders. The Sulzer culture bases on trust, experience, positive energy, and ethics. It has served us well in motivating and retaining our employees in a challenging growth environment. Our management principles encourage us to focus on operational excellence first before embarking on growth initiatives.
Since 2003, Sulzer has almost doubled its order intake and sales primarily through organic growth without making large acquisitions and without adding proportionally to staff. The small-to-midsize acquisitions were integrated well, and they have grown significantly and organically under Sulzer's ownership. Sulzer has increased its efforts in pursuit of acquisitive growth; we are focused on filling product and geographical gaps or on adjacencies to the existing divisional activities. Strategic fit and value creation are essential when evaluating acquisitions, and Sulzer will maintain its discipline in acquisition valuations going forward.

Financial Results

Sulzer's order intake grew by 23.7% to CHF 4 054.0 million, while sales grew by 26.2% to CHF 3 537.0 million. Sales trailed order intake primarily due to the project-driven activities of Sulzer Pumps and Sulzer Chemtech. Increased lead times in newly acquired projects have increased the backlog to CHF 1 978.1 million, a record figure.

The increase in operating income (EBIT) from CHF 297.7 million to CHF 416.4 million (+39.9%) was generated by the divisions. Other, containing Sulzer Real Estate, Sulzer Innotec, and corporate expenses, had significantly fewer positive one-offs compared to previous years. Expenses related to the high acquisition activities at the start of the year and to shareholder base activities increased headquarter costs. Furthermore, Sulzer Real Estate did not have the strong results of 2006.

Capital expenditure was increased in the divisions primarily to increase efficiency and expand Asian factories. Sulzer also committed to investing in service facilities, thereby allowing us to be closer to our key customers. Net working capital grew, primarily due to project-related timing of milestone payments. Overall net working capital ratios have stayed on a stable level. The corporation's ROCE reached a value-creating level of 24.2% — 0.5 percentage points higher than last year.

The sale of Burckhardt Compression shares positively influenced financial income. At the end of the year, the net liquidity was CHF 198.5 million, down from CHF 299.7 million last year, mainly because of the share buyback program.

Based on these results, the board of directors will propose a dividend of CHF 28 per share (previous year CHF 23 per share) at the annual general meeting of shareholders on April 3, 2008.

Outlook

Sulzer communicated new midrange targets in March 2007. These targets are significantly above the previously communicated targets and above the 2006 performance levels. In 2007, Sulzer's sales growth exceeded these projections, but due to the further increased base for all divisions, Sulzer expects reduced order intake growth rates in the future.

The oil and gas upstream and downstream markets are expected to remain strong, as are the power and aviation segments. Some weakening in the pulp and paper and in the general industries segments is anticipated. Overall, geographically, Sulzer only sees slowing economic growth in the USA and Europe, whereas the other regions should continue to be strong. Neither the slowdown in growth in the USA and Europe, nor the financial crisis has impacted the capital goods sector yet, and we feel the investment cycle will continue into 2008. The Sulzer operating income is expected to grow in 2008.

Sulzer maintains the midrange targets at the levels communicated in March 2007, with the exception of a slight increase for Sulzer Pumps. However, divisional ROS figures are affected by increased corporate charges of 0.5 percentage points. The divisional targets have therefore become more challenging.

Employees

The year 2007 has been an extraordinary one for all our employees. The high workload, increased challenges in the supply chain, and difficulties in finding additional project managers and engineers have been compensated by the great efforts of our employees. The Sulzer spirit has made it possible to execute the challenges in an environment where resources were scarce. Sulzer's focus on training as well as health and safety remained, and additional employee-related initiatives were introduced.

Shareholders

The Sulzer shareholder base changed significantly during the year. Whereas we had no individual notified shareholders over 5% on January 1, 2007, we closed the year with four notified shareholders over the new legal notification level of 3%. As per December 31, 2007, the latest notifications show Everest and its subsidiary Salve, both with Victor Vekselberg as the beneficiary owner, holding 24.5% shares, 1.7% options, and 3.9% equity swaps. Fidelity notified Sulzer of a 10.0% shareholding. Focus Capital held 5.0% shares and reduced its holding to below 3% in February 2008. Deutsche Bank held 4.8% shares.

During the first quarter, an unusually large number of both publicly traded and over-the-counter (OTC-)options were issued by market participants, adding substantial volume and volatility to our stock. On April 26, 2007, Everest notified Sulzer that it held 17.5% shares and 14.4% options. These holdings have developed into the combined Everest and Salve holdings stated above. The various owners of Everest were reduced to a single owner (Renova) in August. Constructive discussions between Sulzer and Renova resulted in an agreement defining the formal relationship until May 2009. This agreement has created transparency for customers, employees, and shareholders.

Changes in the Sulzer Board and Management

Leonardo Vannotti and Bruno Allmendinger retired in 2007. The positions of chairman of the board and CFO were assumed by Ulf Berg, previously CEO, and Peter Meier, previously divisional controller at Sulzer Metco. Ton Büchner succeeded Ulf Berg as CEO of Sulzer, while Kim Jackson succeeded Ton Büchner as division president of Sulzer Pumps. These intense succession arrangements, executed simultaneously, were communicated in 2006 and prove Sulzer's ability in succession planning and talent development. At an extraordinary shareholders meeting on December 11, 2007, two board members were elected to the Sulzer board until the annual general meeting in 2009: Vladimir Kuznetsov and Urs Andreas Meyer. They represent Renova, the 100% owner of Everest and Salve.

Since 2002, as part of a long-term incentive program, Sulzer has operated a share option plan. Given the development of the Sulzer share price with increased volatility and accordingly higher option costs, the board has decided to limit the expenses for the 2008 option award and to implement a new restricted share unit plan as of 2009, which will reduce the respective costs significantly.

Thanks

The board and management of Sulzer appreciate the concerted efforts of our committed employees to deliver on objectives set and recognize their ability not to lose focus in challenging times. This commitment embodies the true Sulzer spirit.

Our customers' appreciation for Sulzer solutions is the foundation of our success. Without it, Sulzer's continuous positive development would not have been possible and would not be so in the future. We highly appreciate the trust you, as a shareholder, place in us, and we are aware that we need to maintain this confidence through reliably excellent operational performance.

Ulf Berg, Chairman of the Board

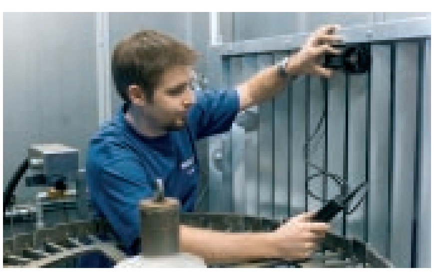
Ton Büchner, CEO

Divisions and Markets

The divisions are global leaders in selected industrial markets. Their solutions, products, and services aim to 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 position in its focus market segments. Its customers come from the oil and gas, hydrocarbon processing, power generation, pulp and paper, water distribution and treatment sectors, as well as from specialized areas in the food, metals, and fertilizer businesses.



Sulzer Metco

Sulzer Metco is a leading global supplier of services and products for thermal-spray and thin-film surface technologies. Through its innovative and high-quality products and solutions, it helps its customers to improve performance, increase reliability, and ensure safe operations of their products. Sulzer Metco serves customers from a wide variety of industries such as power generation, aviation, automotive, and other specialized markets.

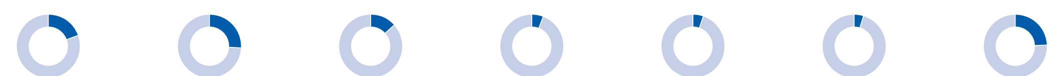
Sulzer Chemtech

Sulzer Chemtech has a leading position in the fields of separation columns, static mixing, as well as two-component mixing and dispensing systems. With locations for sales, engineering, production, and customer services, 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 the largest 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 located 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	▪	■	■	▪			▪

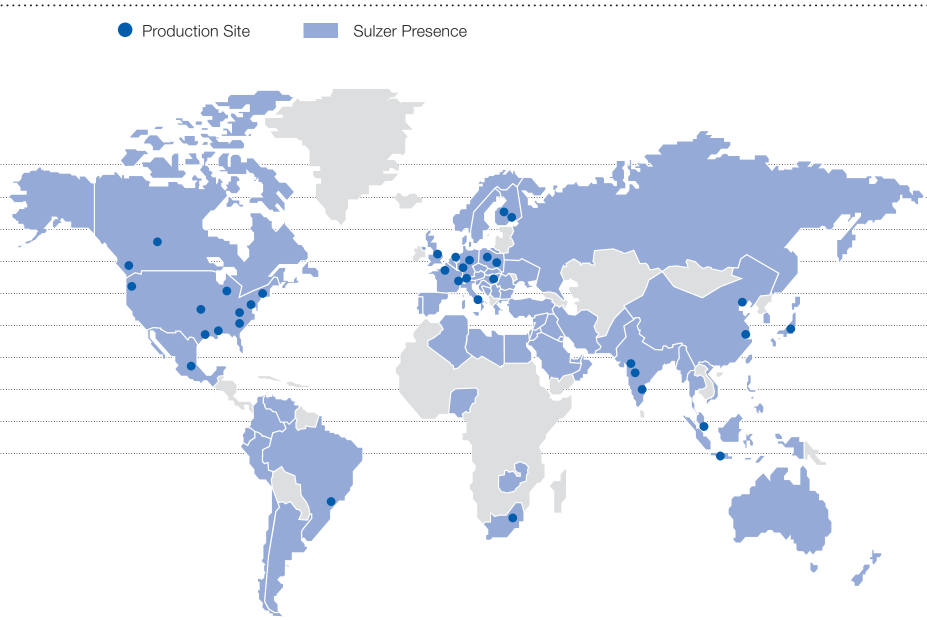
Sales of Divisions by Region

	Europe		North America		Latin America		Asia, Australia[1]		Africa	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sulzer Pumps	**34.0%**	27.2%	**26.4%**	30.3%	**9.3%**	10.8%	**22.2%**	23.1%	**8.1%**	8.6%
Sulzer Metco	**57.0%**	54.2%	**22.1%**	26.1%	**2.0%**	2.1%	**18.8%**	17.5%	**0.1%**	0.1%
Sulzer Chemtech	**33.7%**	28.8%	**28.6%**	22.6%	**2.6%**	6.9%	**34.8%**	40.7%	**0.3%**	1.0%
Sulzer Turbo Services	**19.6%**	21.4%	**46.3%**	48.9%	**6.1%**	6.1%	**26.0%**	22.0%	**2.0%**	1.6%

[1] including Middle East

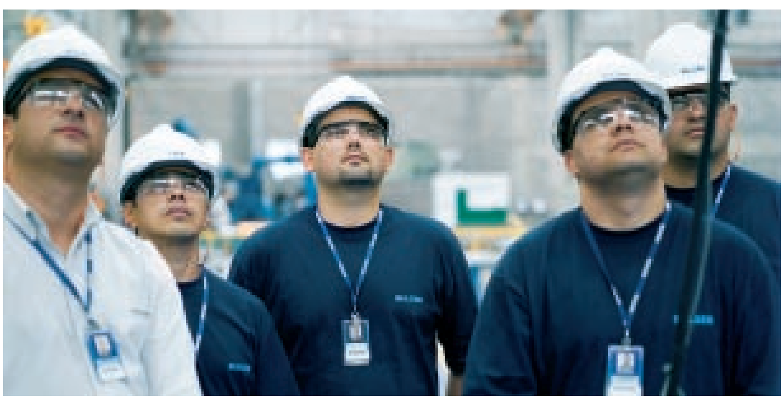
Sulzer's Manufacturing Presence

Brazil	Japan
Canada	Liechtenstein
China	Mexico
Finland	The Netherlands
France	Poland
Germany	Singapore
Hungary	South Africa
India	Switzerland
Indonesia	UK
Italy	USA



Vision, Mission, and Midrange Targets

Sulzer's vision is to be a recognized leader in innovative, sustainable, engineered, and customer-focused solutions for performance-critical applications in the oil and gas, hydrocarbon processing, power generation, pulp and paper, aviation, automotive, and other selected industries.



Team of Sulzer Brasil S.A. in Jundiaí, Brazil, 2007

Sulzer aims to be a multi-industry company with a strong brand, which provides solutions that combine products, services, engineering, and customer-application expertise. The corporation is close to the customer by being primarily direct-sales driven. Engineering, innovation, and technology are cornerstones. Sulzer strives to be an attractive employer and to create an environment where employees can excel. The company focuses on creating value for its shareholders.

Sulzer regularly reviews its midrange targets for each division; it thereby applies three key measures of financial performance: return on sales (ROS), return on capital employed (ROCE), and organic growth in sales. Return on sales, defined as operating income (EBIT) over sales, serves as a benchmark against competitors and helps measure operational efficiency. With comprehensive operational excellence measures, Sulzer is aiming for a ROS of around 11%. Sulzer's prime objective is sustainable financial value creation. This goal is achieved when the ROCE, defined as operating income over the average capital employed, exceeds the pre-tax weighted cost of capital. Since Sulzer's weighted cost of capital (WACC) is around 8%, the value creation threshold corresponds to a ROCE of approximately 11.5% (taking into account tax expenses). In 2007, all divisions exceeded that threshold, meaning they all created economic value. The midrange target value is a return on capital employed greater than 20%. Growth in sales, the third key measure, does not include acquisitions. The aim is to expand at least in line with market growth, which, in the long term, lies in the single-digit range for capital goods. The midrange target is a sales increase exceeding 7% per year.

The Sulzer Brand and Its Values

Sulzer believes in the strength of its brand and the quality and customer dedication it stands for.

Employee of Sulzer Chemtech USA, Inc. in Humble, Texas, USA, 2007

The Sulzer brand stands for reliability, quality, innovation, customer dedication, and sustainability. This image has been built over decades by consistent action and behavior. Sulzer delivers what it promises.

The Sulzer brand is a central element in communicating with customers, shareholders, suppliers, and employees. They know what the Sulzer brand stands for and have confidence in Sulzer's solutions, products, and services. The corporation attaches particular importance to acting as a responsible and reliable partner.

Sulzer systematically cultivates and protects its brand. To continuously enhance the brand and establish it globally, Sulzer is pursuing a single-brand strategy. Companies new to the corporation are integrated gradually and their original appearances are replaced with the Sulzer corporate design. The binding corporate design standards can be accessed online by all business units via the Web-based Sulzer Brandnet. The guidelines cover product labeling and building signage, as well as work clothes, business cards, the corporation's Web site, and much more. The uniform brand presence offers a competitive advantage for the four divisions of the corporation. The employees at Sulzer reinforce and convey the strong and positive image of Sulzer through their day-to-day work.

Health and Safety for 11 599 Employees

Sulzer employees around the globe consider occupational safety and health an integral part of their day-to-day operations. The corporation’s safety culture includes product safety and testing, process safety with appropriate documentation as well as ongoing training and audits. Health- and safety-related key performance indicators are continually monitored, leading to improvement measures.

Occupational health and safety is a key issue for all our employees. While improving operational efficiency and productivity, our employees maintain their focus on compliance, health, and safety. The safety of our products and services, the safety of our production and service environments, and the safe behavior of our personnel when at a customer location are at the forefront of the considerations of our Sulzer employees.

We seek to continually improve internal processes and structures, analyzing problems as they arise and taking corrective action. By use of a comprehensive database, we monitor indicators across the corporation in order to evaluate our progress. We have set ourselves high standards in everything we do, and these apply to all sites and all divisions. Everyone at Sulzer shares in this responsibility.

Ton Büchner, CEO

Accidents Reduced by 57%

Safety is the responsibility of everyone. Sulzer Brasil S.A. introduced an improvement program to increase health awareness and safe behavior. With combined efforts of employees and the project team, consisting of a safety engineer, a physician, a nurse, and technicians, the accident frequency rate (AFR) was reduced by almost two-thirds to 4.8 lost days per million working hours.

"As safety engineers, my colleagues and I are responsible for implementing and monitoring safety initiatives at the Sulzer Pumps site in Jundiaí, Brazil. Through our efforts, employees work in a safer environment."

Oliveira Valdinei; Safety Engineer, Sulzer Brasil S.A., Jundiaí, Brazil

Sulzer Pumps: Strong Growth and Increased Results

The division generated sales of CHF 1 733.8 million in very active markets, particularly in the oil and gas, hydrocarbon processing, and power generation segments. The operating income amounted to CHF 199.2 million. Customer support services continued to grow and increased its global footprint with four additional centers.

Management Sulzer Pumps

Kim Jackson, Division President (picture)
(since April 1, 2007, formerly Asia-Pacific)
Ton Büchner, Division President
(until March 31, 2007)

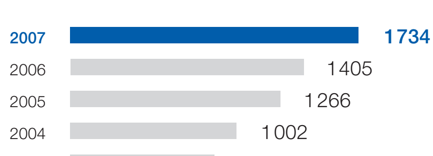
Mauricio Bannwart, South America, South Africa
(since June 1, 2007)
Marius Baumgartner, Human Resources
Clemens Beyl, Asia-Pacific (since April 1, 2007)
Keith Dowle, Europe, Middle East
Arturo Esquinca, Business Development
Cesar Montenegro, North America
Antonio Moscon, Marketing and Sales
(until May 31, 2007)
Jukka Timperi, Sulzer Process Pumps
Markus Tritschler, Finance and Controlling
Martin Valentin, Marketing and Sales
(since June 1, 2007, formerly South America and Southern Africa)

Key Figures

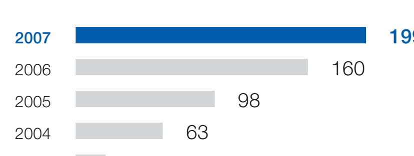
millions of CHF		2007	2006	+/– %	adj. +/–%[1]
Order intake		**2 076.9**	1 752.6	18.5	18.0
Sales		**1 733.8**	1 405.4	23.4	22.4
Operating income before depreciation/amortization	EBITDA	**224.9**	181.9	23.6	
Operating income	EBIT	**199.2**	159.6	24.8	
Return on sales (EBIT/sales)	ROS	**11.5%**	11.4%		
Capital employed (average)		**448.0**	388.7	15.3	
Return on capital employed (EBIT/capital employed)	ROCE	**44.5%**	41.0%		
Research and development expenses		**17.1**	12.4	37.9	
Capital expenditure		**39.3**	39.9	–1.5	
Employees (number of full-time equivalents) as of December 31		**5 686**	5 192	9.5	

[1] Adjusted for acquisitions, divestitures, and currency translation

Sales 2003–2007 in millions of CHF



EBIT 2003–2007 in millions of CHF



Sulzer Pumps continued to generate strong results in 2007. Order intake reached CHF 2 076.9 million (+18.5%), and sales increased significantly by 23.4% to CHF 1 733.8 million. The operating income, at CHF 199.2 million, was 24.8% higher than last year. Although none of the extraordinary positive effects of 2006 recurred (such as the sale of the Paco pumps business and real estate sales), total return on sales (ROS) increased to 11.5%. On comparable basis, operational ROS improved by more than one percentage point.

Markets

All markets and regions contributed to the good results of Sulzer Pumps. Activities in the oil and gas as well as the power generation markets were of particular note, driven by an increased oil price and high energy demand in all regions. The hydrocarbon processing industry (HPI) segment benefited from ongoing expansions and upgrades of refineries and petrochemical plants worldwide. Activities in the pulp and paper market remained on a high level. The biofuel market continued to be active in Europe, but experienced a slowdown in North America because of higher raw material prices and logistical challenges. Growth was strong in all regions, with the highest growth rate in the Americas.

Operations

Managing growth was one of the greatest challenges along with implementing further operational improvements. The division continued to invest in the streamlining of business processes and the continued rollout of better management support tools. The scope of the improvements covered all aspects of the business. The enterprise resource planning system has been implemented successfully in North America. It will also be applied in other regions. Actual resource levels increased through improved recruitment processes. Technical resource centers, for instance, in India, were used to handle high engineering loads. Externally, the supply chain challenges remained. Actions to maximize the use of the division's foundries and alternative supply sources helped to mitigate the supply-chain effect.

Strategy

Sulzer Pumps is in the process of building a global foundation of products, systems, and processes. The division will continue to adjust its operating structure to respond to the changing needs of the customers by extending the current global factory and service network. The focus will remain on delivering improved solutions to the clients through the development of reliable and efficient products, manufactured in cost-effective locations. In order to expand development of subsea activities, additional efforts in research and development will be carried out, including the construction of a larger testing facility in Europe and cooperation with external partners. Operational excellence programs will continue and the division will ensure that the measures are carried out in a safe and environmentally conscious manner.

Outlook

All segments and regions are expected to continue to remain active, with continuing momentum expected from the oil and gas as well as the power generation industries. The high oil price is likely to further stimulate projects, whereas HPI activities may experience a slowdown due to decreasing margins of refinery operators. It is anticipated that the high demand for energy will generate orders for Sulzer Pumps, e.g., for high-pressure pumps. This demand is partly supported by the increasing acceptance of nuclear power in many countries. The pulp and paper market is likely to soften in 2008. The division will strive for further organic growth and will continually assess potential acquisitions. Sales and operating income are expected to exceed the levels of 2007.

1.4 Million Working Hours Without Injury

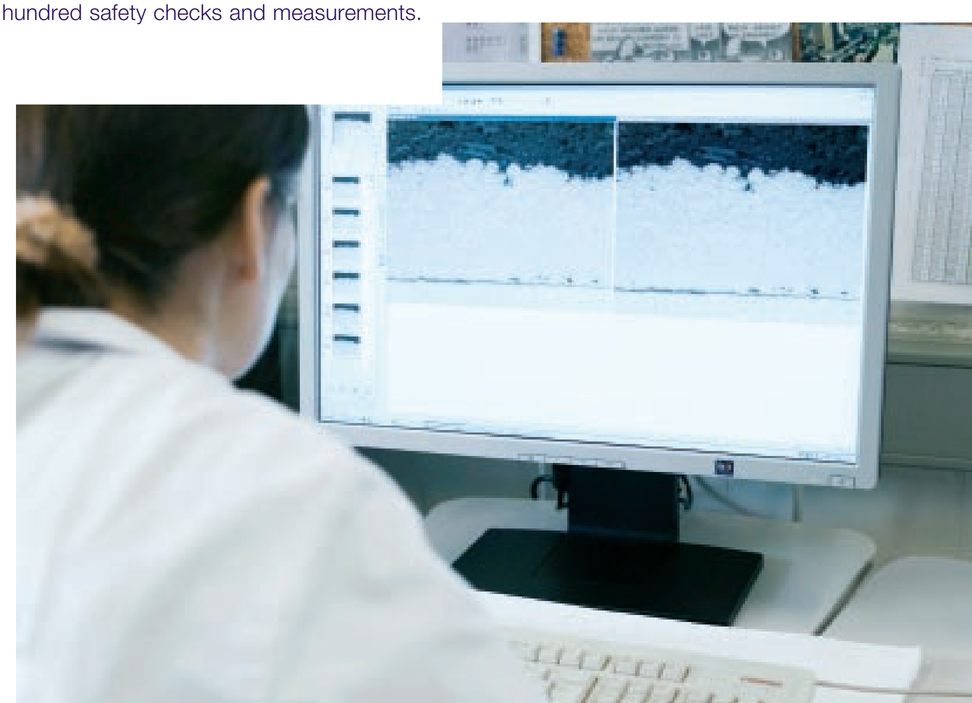
As of the end of 2007, Sulzer Pumps (US) Inc. in Portland, Oregon, USA, recorded 1 417 320 working hours and a total of 635 days without any injuries that resulted in lost work days. All employees at the Portland site are included in the safety process and attend monthly safety team meetings. Fifteen percent of all employees are involved in one of the following safety teams: safety committee, safety toolbox team, emergency response team, and safety walk-through inspection committee.

"It is my job at Sulzer Metco Switzerland in Wohlen to make sure that the coating equipment we deliver is safe. We instruct our clients how to safely handle the systems, and we provide extensive documentation."

René Schultermandl; Field Service Engineer, Sulzer Metco AG (Switzerland), Wohlen, Switzerland

Between 200 and 500 Safety Checks

In order to guarantee product safety for clients, Sulzer Metco follows high standards in the production and testing process. Before systems are delivered to clients, they are assembled and thoroughly tested through several hundred safety checks and measurements.



Sulzer Metco: Double-Digit Profitability

The division's results were driven by good markets, particularly in the aviation, power generation, and other industrial segments. Sales reached CHF 753.1 million. The operating income increased to CHF 75.8 million. With a return on sales of 10.1%, Sulzer Metco achieved a double-digit profitability level.

Management Sulzer Metco

Henri Steinmetz, Division President (picture)

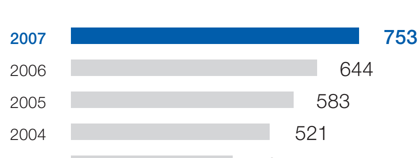
Valentin Bühler, Thin Film (since October 1, 2007)
Bruno Gerig, Human Resources
Thomas Gutzwiller, Surface Solutions
Markus Heusser, Thermal Spray
Christian Marbot, Finance and Controlling
Daniel Moraschetti, Business Development
Michael Laddrak, Turbine Components (until June 1, 2007)
Richard Schmid, Technology
Max de Vries, Planning and Acquisitions

Key Figures

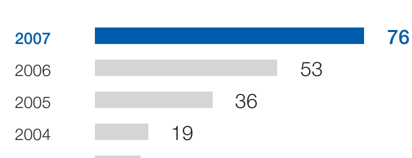
millions of CHF		2007	2006	+/– %	adj. +/–%[1]
Order intake		762.8	658.7	15.8	14.0
Sales		753.1	644.1	16.9	15.1
Operating income before depreciation/amortization	EBITDA	102.5	81.8	25.3	
Operating income	EBIT	75.8	53.4	41.9	
Return on sales (EBIT/sales)	ROS	10.1%	8.3%		
Capital employed (average)		443.2	437.1	1.4	
Return on capital employed (EBIT/capital employed)	ROCE	17.1%	12.2%		
Research and development expenses		15.8	13.7	15.3	
Capital expenditure		26.5	19.9	33.2	
Employees (number of full-time equivalents) as of December 31		2054	1928	6.5	

[1] Adjusted for acquisitions, divestitures, and currency translation

Sales 2003–2007 in millions of CHF



EBIT 2003–2007 in millions of CHF



The positive trend that started in 2005 has continued for Sulzer Metco. In good markets, the division achieved high growth of order intake (+15.8%) and sales (+16.9%). The good performance resulted in an operating income of CHF 75.8 million, a growth of 41.9% compared with the previous year. Despite higher volumes, the division succeeded in further improving delivery performance, while keeping the net working capital at a stable level. Return on capital employed reached 17.1%. With a return on sales of 10.1%, the division is on track to reach its midterm targets.

Markets

The key markets for the division remained in a favorable condition. All of Sulzer Metco's business units benefited from this situation and grew substantially throughout the year. Due to improved internal processes, the division succeeded in coping with the increased demand and was able to supply the customers on time. The aviation market again reported a record year of new aircraft engine orders. The division expanded its application portfolio from coatings for aircraft engines to thermal-spray coating of landing gears. The industrial gas turbine market increased its activity, both in new equipment and in the repair business. The focus on developing new solutions as well as the effect of the positive market environment resulted in a higher sales figure in automotive and other industrial applications. Among other solutions, the division introduced new coating solutions for mining equipment with improved performance. The Asia-Pacific region showed a remarkable growth in sales, followed by Europe and North America.

Operations

The division made further progress in its pursuit of operational excellence. Key performance indicators, for instance, delivery times, are closely tracked. The "deliver-to-promise" program had a positive impact. With an average of 95% on-time delivery, the established target of 90% was exceeded. This success is due to more efficient internal processes, which allow the division to cope with higher volumes. Delivery times have been kept in line with customer expectations, and the net working capital has been stabilized. Raw material prices were highly volatile during the year, and the division was able to manage the resulting pricing issues. In order to meet the increased demand, the Chinese operation expanded, and a new facility for carbon linings for synchronizer rings opened in India. The cooperation with Sulzer Pumps in the field of coating pumps for the oil and gas market has been intensified.

Strategy

Sulzer Metco's strategic focus is on strengthening its position as a service and solution provider. The division is extending its cooperation with key customers in order to offer solutions that improve the performance of the customers' equipment. Additionally, Sulzer Metco's internal structure was realigned for accelerated growth in the service business. The division will intensify its efforts to develop new applications and increase the presence outside of the already strong aviation and industrial gas turbine market positions. Innovation will be an important growth driver, particularly in the areas of thin smart layers and powder production. Sulzer Metco has developed a vacuum atomizer in cooperation with Sulzer Innotec. It allows Sulzer Metco to produce samples of new powders and enables faster development of new products without disturbing existing production processes. To add geographical locations and products to Sulzer Metco's portfolio, greenfield investments and selective acquisitions will be continually assessed.

Outlook

The power generation, aviation, and automotive markets are expected to remain positive for the coming year. However, the growth levels are forecasted to decline. Customer investments in aviation are likely to remain on a high level. It is anticipated that the industrial gas turbines segment will gain additional momentum—high energy demand being the main reason. Raw material prices are likely to remain volatile. Lean initiatives and investments in new facilities should allow Sulzer Metco to keep up with market demand. Operating income is expected to increase in 2008.

10 000 Material Safety Data Sheets

Sulzer Metco maintains Material Safety Data Sheets (MSDS) and product labels for each of its thermal spray materials to help customers ensure safe handling and use of the products worldwide. Because of the broad product portfolio, there are more than 10 000 documents. The division updates the content continually. The clients receive the MSDS with each product delivery. They can also access the information via Internet.

“Training is key for our work at Sulzer Chemtech USA. We are continually instructed in areas like working in confined space, fall protection, and process safety. For assignments at client sites, we receive site-specific preparation.”

Mitchell Piggee; Tray Mechanic, Sulzer Chemtech USA, Inc., Humble, Texas, USA

Over 17 000 Training Hours

At Sulzer Chemtech USA Tower Field Service, over seven hundred field service employees were instructed during more than seventeen thousand training hours in 2007. Specifically designed towers simulate a realistic working environment, preparing the trainees for projects at the clients' sites. Customers recognize the strong safety record, which is supported by continuing education.

Sulzer Chemtech: Profitable Organic and Acquisitive Growth

All markets and regions had a positive impact on the division's remarkable profitability. Sales amounted to CHF 761.3 million with an operating income of CHF 116.3 million. The integration of the acquired businesses Mixpac, Werfo, Mold, and Knitmesh's separator business developed according to plan.

Management Sulzer Chemtech

Urs Fankhauser, Division President (picture)

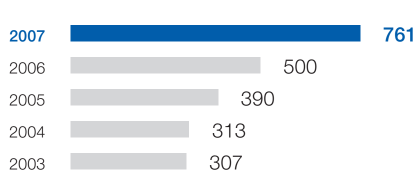
Thomas Bänninger, Finance and Controlling
Oliver Bailer, Business Development
Jon Bailey, Tower Field Service (since July 1, 2007)
Volker Brinke, Sulzer Mixpac Systems
Christopher Isom, Sulzer Chemtech USA, Inc.
Slobodan Jancic, Mixing and Reaction Technology
Mark Manifould, Tower Field Service (until June 30, 2007)
Martin Meier, Human Resources
Subodh Nadkarni, Asia-Pacific
Philipp Süess, Europe, America

Key Figures

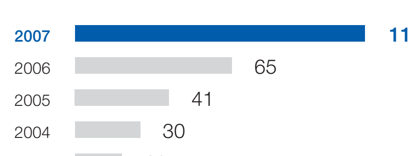
millions of CHF		2007	2006	+/– %	adj. +/–%[1]
Order intake		**890.8**	602.1	47.9	26.7
Sales		**761.3**	500.1	52.2	27.4
Operating income before depreciation/amortization	EBITDA	**150.8**	76.1	98.2	
Operating income	EBIT	**116.3**	65.4	77.8	
Return on sales (EBIT/sales)	ROS	**15.3%**	13.1%		
Capital employed (average)		**464.1**	164.3	182.5	
Return on capital employed (EBIT/capital employed)	ROCE	**25.1%**	39.8%		
Research and development expenses		**16.1**	9.6	67.7	
Capital expenditure		**25.1**	20.7	21.3	
Employees (number of full-time equivalents) as of December 31		**2 393**	1 979	20.9	

[1] Adjusted for acquisitions, divestitures, and currency translation

Sales 2003–2007 in millions of CHF



EBIT 2003–2007 in millions of CHF



Sulzer Chemtech continued to increase its performance in 2007. The division benefited from capacity expansions in the oil and gas and the hydrocarbon processing industries, receiving large orders from all regions. Order intake climbed to CHF 890.8 million (+47.9%) and sales amounted to CHF 761.3 million (+52.2%), with an operating income of CHF 116.3 million. As a result, the return on sales reached a new record level of 15.3%. The newly acquired companies Mixpac, Werfo, Mold, and Knitmesh's separator business contributed approximately CHF 130 million to the sales growth. Because of these acquisitions, the return on capital employed, at 25.1%, was lower than in the previous year, but continues to be on a highly value-creating level.

Markets

Markets remained brisk in all segments and regions throughout the year, and had a positive impact on Sulzer Chemtech's results. The separation column business benefited from major expansions in the gas industry and from many large projects, especially in the Middle East and Asia. For one exceptional order, Sulzer Chemtech has been selected to design and supply column internals and other key components for the Pearl gas-to-liquid (GTL) plant in Qatar. Once completed, it will be the world's largest integrated GTL complex. In the Americas, the high oil price continued to stimulate upgrades of refineries, creating business opportunities for the division.

The tower field service unit reported a new record performance in 2007, benefiting from high demand in all regions. The activities for static mixers recovered and the unit reported improved performance compared with the previous year. The newly established business unit Sulzer Mixpac Systems contributed substantially to the division's performance in 2007. The industrial and dental segments developed according to expectations.

Operations

All business units performed profitably and benefited from scale effects. However, managing growth remained a challenge. The expansion of the production site in Mexico and the newly built state-of-the-art facility in Shanghai, China, added capacity to accommodate the strong growth. Higher inventory levels have been required to ensure on-time delivery, further increasing the working capital of the division.

The consolidation and integration of the newly acquired companies Mixpac, Werfo, and Mold into the new business unit Sulzer Mixpac Systems is proceeding according to plan. The divisional integration team is working on ensuring the alignment of the business processes to Sulzer standards and on achieving operational excellence. A sales and development office in Germany was closed at the end of 2007, and its activities were folded into the Sulzer Mixpac Systems portfolio.

Strategy

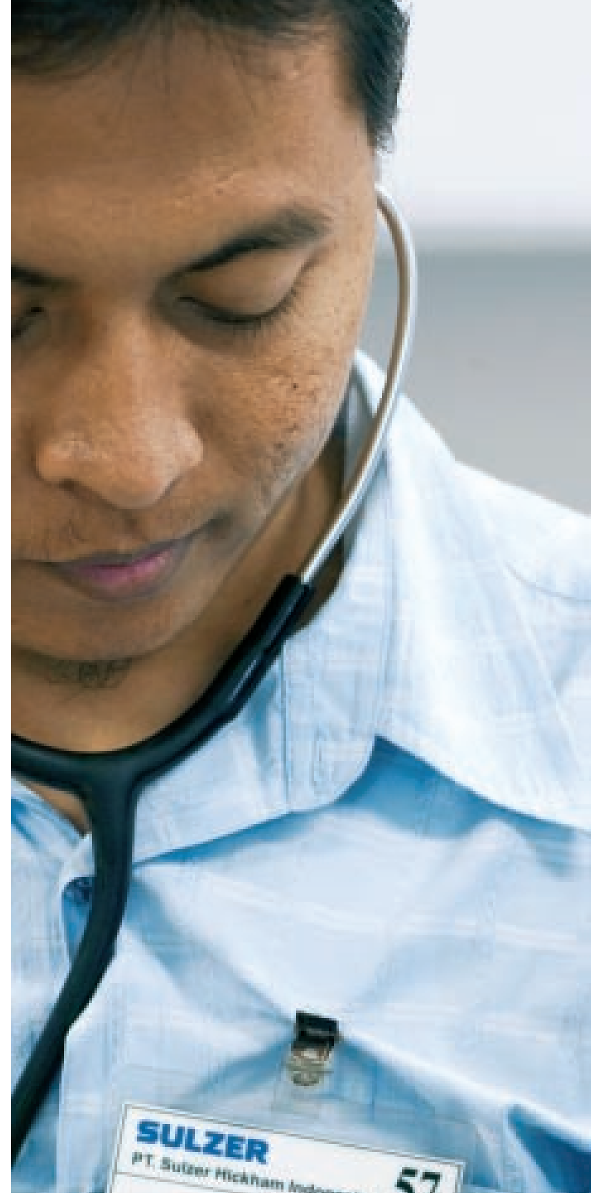
Sulzer Chemtech will further expand its global operations network through organic growth, mainly in Asia, Russia, and Canada. A new service unit in Edmonton, Canada, will open during the first half of 2008 in order to respond to growing demand in the tar-sand business. The focus is on growth through innovation in all business areas, particularly in the markets of Sulzer Mixpac Systems. The development of applications for polymer production remains a major focus to further enhance the current product portfolio of static mixing and reaction technology. In the area of separation columns, competence in process technologies will be further expanded. This will enable the division to provide comprehensive solutions to its customers. Sulzer Chemtech will continue to assess potential acquisitions in adjacent areas to additionally strengthen its market position.

Outlook

The outlook for 2008 remains positive in all segments and regions. Customer investments are likely to remain strong due to the prevailing brisk demand for energy and fuel, which create business opportunities for the division. Order intake is expected to remain on a high level, possibly with a single-digit growth rate. Due to the ongoing buoyant market activities and to the high order backlog, sales and operating income are predicted to continue to grow in 2008.

22 Initiatives for Lean Management and Safety

Sulzer Chemtech India Ltd is constantly upgrading its safety standards, using lean management techniques for continuous improvements. The initiatives focus on employee involvement by implementing suggestions from operators and supervisors in order to improve the overall safety situation. Safety awareness training sessions, monthly safety audits and twenty-two safety initiatives in 2007 have had an impact on the reduced accident frequency rate (AFR) of 5.4 per million working hours in 2007, compared to 27.8 in the previous year.



106 Medical Checkups in Indonesia

At Sulzer Hickham Indonesia, all employees are offered free annual medical checkups in cooperation with a local medical clinic.
The program takes place in the fall of each year and includes physical checks and laboratory tests as well as vaccinations, if necessary.
The company also provides medical insurance for all employees.

“Sulzer Turbo Services Indonesia takes good care of the well-being of its employees. The regular medical checkups ensure that I stay healthy.”

Elsye Yaw; Sales and Marketing Assistant, PT Sulzer Hickham Indonesia, Purwakarta, Indonesia

Sulzer Turbo Services: Order Intake Exceeded CHF 300 Million

The division generated an order intake of CHF 313.2 million and sales of CHF 279.0 million in favorable market conditions. The operating income amounted to CHF 25.1 million. Four new sales offices and a new service facility in Canada expanded the worldwide network.

Management Sulzer Turbo Services

Peter Alexander, Division President (picture)

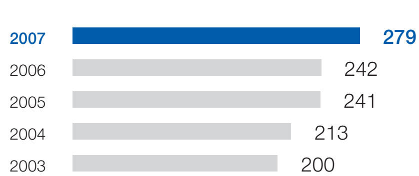
Roland Baumberger, Human Resources
Kenneth MacKenzie, Sulzer Elbar B.V. (until December 1, 2007)
Richard Müller, Finance and Controlling
Darayus Pardivala, Sulzer Hickham Inc.
Nathan Self, PT Sulzer Hickham Indonesia (since April 1, 2007)
Hans Strickler, PT Sulzer Hickham Indonesia (until March 31, 2007)

Key Figures

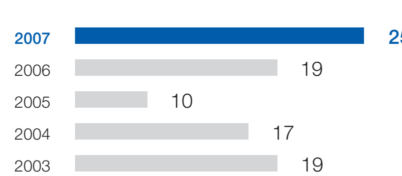
millions of CHF		2007	2006	+/– %	adj. +/–%[1]
Order intake		**313.2**	252.4	24.1	24.4
Sales		**279.0**	242.5	15.1	15.5
Operating income before depreciation/amortization	EBITDA	**32.4**	26.9	20.4	
Operating income	EBIT	**25.1**	19.3	30.1	
Return on sales (EBIT/sales)	ROS	**9.0%**	8.0%		
Capital employed (average)		**173.7**	165.8	4.8	
Return on capital employed (EBIT/capital employed)	ROCE	**14.5%**	11.7%		
Research and development expenses		**–**	–	–	
Capital expenditure		**21.1**	7.6	177.6	
Employees (number of full-time equivalents) as of December 31		**1 179**	1 012	16.5	

[1] Adjusted for acquisitions, divestitures, and currency translation

Sales 2003–2007 in millions of CHF



EBIT 2003–2007 in millions of CHF



Sulzer Turbo Services benefited from good conditions in all markets and regions. The division continued to vigorously pursue operational excellence measures. Order intake grew by 24.1% and sales by 15.1%, resulting in an operating income of CHF 25.1 million (+30.1%). High order volumes were reported, particularly in the USA and the Middle East, followed by Europe. The company in Indonesia progressed in its turnaround and markedly contributed to the order growth of the division. The depreciation of the US dollar relative to the euro affected the competitiveness of the Dutch facilities. The investments of the division to offer services for the F-technology components and rotors began to show results.

Markets

All relevant market segments and regions for Sulzer Turbo Services were in good condition and contributed to the division's good results. Particularly positive were North America and the Middle East, with Latin America showing high growth potential. The market conditions in Europe were stable. The power generation segment was notably stronger than in the previous year. By introducing its F-technology repair service for components and rotors to the European market, the division expanded the local service offering.

Operations

Operational excellence programs were ongoing in all companies. The initiatives focusing on lean production processes were largely completed and generated favorable results. The division will continue its efforts and concentrate on streamlining sales, purchasing, and other processes to further improve efficiency. In the second half of the year, the results of the Dutch company located in Lomm were negatively influenced by the base profitability of long-term agreements, the effects of which continue into 2008. Restructuring efforts in Lomm have shown first results but they will need to be pursued further. In the USA, a new assembly bay was built, designed on lean principles. Construction was completed and operations began in 2007. Thanks to ongoing operational excellence programs, the company in Indonesia has progressed in its turnaround and contributed to the results of the division with the receipt of orders for several large projects. In order to hire new engineers and technical personnel, the division strengthened its recruiting efforts at universities and achieved first promising results.

Strategy

Sulzer Turbo Services continued to focus on improvement measures in operations, sales, controlling, and health and safety. The global service network of the division will be increased to be closer to its customers. New sales offices were opened in Brazil, United Arab Emirates, India, and Malaysia, during the reporting period. To address the developing tar-sand-related business in Canada, a new service facility was opened in Edmonton, adjacent to other Sulzer division sites. Close cooperation with other Sulzer divisions enabled a rapid start-up of the location. Because of high activity levels and capacity constraints, the division will enlarge the facility in Europoort, Netherlands, and hire more personnel in all disciplines. The service portfolio will be broadened further. Sulzer Turbo Services will increasingly focus on markets that require customized solutions and offer attractive service opportunities. Further geographic expansion and possible acquisition targets are being assessed on an ongoing basis to build up market presence in key locations worldwide.

Outlook

The market segments and regions are expected to remain favorable for the division. Customer service requirements are likely to remain on a high level, particularly in the power generation and the oil and gas markets, driven by the prevailingly strong demand for energy worldwide. The Middle East poses political concerns. The weak US dollar may also have an impact on the results of the division. Technology transfers, partly through job rotation, to the Sulzer Turbo Services sites in Poland and Indonesia will increase in 2008. As a result, the companies will be able to offer an enlarged service portfolio. The rollout of the divisional enterprise resource planning (ERP) system will be completed by mid-2008. Additional business development efforts will enable the division to identify new development opportunities by providing in-depth market analyses and benchmarking activities. The operating income of the division is expected to increase in 2008.

16 900 Liters of Solvents and Oils Recycled

In its effort to reduce impact on the environment, Sulzer Hickham Inc., in La Porte, Texas, USA, recycled 100 percent of solvents and oils, that is almost 17 000 liters of fluids, by turning them into bunker fuels used in ships. In addition to that, blasting media is sold for concrete production. Batteries, wood, cardboard, and paper are also recycled. The company is certified by the ISO 14001 standard for environmental management.

Other

Sulzer Innotec contributed to Sulzer's performance by providing contract research and technical services. Sulzer Real Estate continued to develop the non-essential real estate holdings in Winterthur.

Sulzer Innotec, Hans-Walter Schläpfer
Sulzer Innotec posted a good performance. Order intake rose to around CHF 26 million (previous year CHF 24 million). The relocation to a single building in Oberwinterthur was accomplished in 2007. It allows Sulzer Innotec to work more efficiently and provides employees with a positive environment for working creatively.

Sulzer Innotec's core competencies in contract research are in materials and surface engineering and fluid technology. The respective units increased their efforts for the Sulzer divisions. Both Sulzer Pumps and Sulzer Chemtech took advantage of these competencies to improve products. Cooperation with Sulzer Metco has been stepped up considerably in the area of fluid technology. A high impact project for the division resulted in the creation of a pilot system for powder atomization (atomizer), a system to produce expandable polymers and a new type of process to produce thin coating layers. The system is technically unique and significantly improves the safe handling of materials. In 2007, Sulzer Innotec and Sulzer Metco agreed that the atomizer will be handed over to Sulzer Metco.

The technical services business, which includes testing, measuring, prototyping, and one-off production, as well as training, developed very positively.

In 2005, Sulzer launched nine multiyear high impact projects through the innovation and technology council. So far, five projects have been successfully completed on schedule, including the atomizer.

Sulzer Innotec can expect to post a high volume of sales and good capacity utilization levels in 2008.

More Than 1 000 Asbestos Analyses

In 2007, Sulzer Innotec analyzed more than one thousand material samples from customers across Switzerland, for asbestos. The service is performed quickly and helps to protect the health of people in the workplace.

Sulzer Real Estate, Martin Schmidli
The high demand for residential investment properties continued unabated in 2007. In terms of new builds, the real estate industry can look back on a record year, with Sulzer Real Estate enjoying solid returns and recording a large number of planned sales for the coming year. Demand for rented office and commercial space developed positively—underpinned by the good economic situation—while new investment activity was restrained. Sulzer Real Estate generated around CHF 23 million in property sales in Switzerland (previous year CHF 24 million) and, including the result from rentals, posted a good operating income of around CHF 16 million (previous year CHF 17 million). The number of certified contracts was increased in the reporting period. Investments in infrastructure as well as preinvestments for future sales again affected cash flow, but still resulted in a favorable inflow of funds.

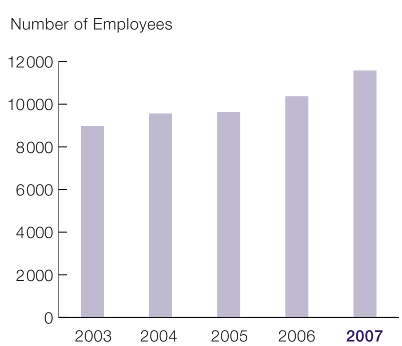
Most of the infrastructure projects of the *Sulzer-Areal* in Winterthur have been largely completed. A considerable part of the SLM site (Swiss locomotive and machine plant) was sold to an investor who intends to build a new shopping center. The focus is now on the detailed development plan of the Sulzerpark in Oberwinterthur. An important project was realized by a third party, who constructed the first zero-energy building complex in Switzerland to be certified to the Minergie-P-Eco® standard.

In the midterm, the real estate market is expected to weaken following the brisk activities of the last few years. Thanks to the good progress in 2007 and the healthy real estate portfolio, the outlook for 2008 is favorable.

Employees

The number of employees increased year-on-year by 1 206 to 11 599. Given the tight labor market, recruitment and long-term employee retention remained ongoing challenges.

Development of Headcount



Employees (full-time equivalents) as of December 31

Employees of PT Sulzer Hickham Indonesia in Purwakarta, Indonesia, 2007

Sulzer's goals are to position itself as an attractive employer globally and to offer long-term employee satisfaction as well as market-oriented compensation and training opportunities in a global environment.

Employee Retention and Development

In 2007, Sulzer was subject to the global constraints of finding qualified personnel, such as project managers, and engineering staff. This was a challenge across the industry, which also impacted Sulzer's customers, peers, and suppliers. Sulzer's successful efforts to retain employees over the long term are reflected in the company's low staff turnover rate, which averaged 6% in 2007, albeit with noticeable variations depending on the location. Regular surveys conducted in all divisions, such as the one conducted at Sulzer Pumps in 2007, attested to a high level of employee satisfaction.

Human resources development programs were implemented in all divisions and at corporate level. They encompass professional and personal development within the context of concrete projects. During the year under review, around sixty employees participated in the corporation's programs for development and impact. Working on active business projects, the participants improved their ability to contribute to the corporation. Overall, some 550 employees from around the world attended compliance seminars and courses on contract and risk management, while more than three thousand staff members also completed various e-learning compliance programs. Other specific training programs in technology, processes, and leadership were offered in the divisions.

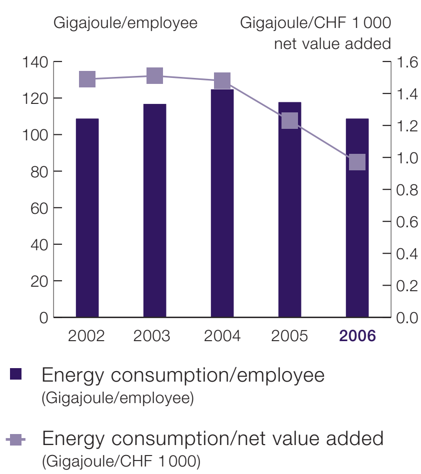
Recruitment

To enhance its appeal as an employer in selected labor markets, Sulzer held workshops and ran surveys to identify its key differentiators and to establish what makes Sulzer an attractive employer. The findings will be translated into concrete measures in human resources marketing in 2008.

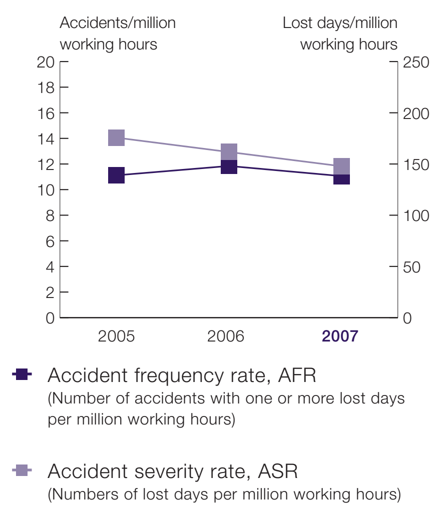
Economic, Social, and Ecological Sustainability

Sustainability is deeply rooted in Sulzer's business philosophy and defines a key element of the corporate strategy. The concept of sustainability covers economical, social, and ecological aspects of the business.

Energy Consumption



Safety



The corporate quality, environment, safety, and health department (CQESH) is responsible for monitoring and improving sustainability issues related to the corporation. The stakeholder matrix on page 35 summarizes Sulzer's efforts in the area of sustainability. It shows stakeholders, objectives, and success factors. The fourth section lists the main tools of sustainable action. The first three sections of the matrix are of a long-term nature, whereas the tools in the fourth section are regularly assessed and adapted. Since 2004, Sulzer has published a biannual summary with detailed information on its sustainable activities. The next Sustainability Summary will be published in June 2008. The reports and yearly updates are available on www.sulzer.com/sustainability.

Economic Sustainability and Quality

According to the stakeholder matrix, Sulzer's main objectives in economic sustainability are value creation for investors and customers as well as good partnerships with suppliers.

Quality is a key factor of customer satisfaction. Internal processes were improved by setting measurable improvement targets and by implementing concrete programs. The divisions monitor key performance indicators (KPI) in quality, such as on-time delivery. Operational excellence measures are ongoing in all divisions. For instance, Sulzer Pumps has defined common global processes and initiated the implementation of an enterprise resource planning system in North America. Other regions will follow. Sulzer Turbo Services has built a new assembly bay in Houston, Texas, USA, that is completely based on lean manufacturing principles. All employees and quality officers receive appropriate and regular training. Additionally, the corporation organizes internal and external audits

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
Main Tools					
▪ Operational excellence first, before organic and external growth ▪ Midrange planning ▪ Management information system ▪ Risk management ▪ Internal and external operational and financial audits ▪ Annual report ▪ Midyear report ▪ Investor information	▪ Customer satisfaction surveys ▪ Customer reactions/ complaints ▪ Competitor analysis ▪ Project management ▪ Quality management systems ▪ Internal and external quality audits ▪ SEED[1] ▪ Key performance indicators ▪ Blacklist of potentially hazardous materials ▪ Product life-cycle analysis	▪ Evaluation of suppliers ▪ Quality agreements ▪ Longterm agreements ▪ Supplier audits	▪ Employee satisfaction surveys ▪ Reward system ▪ Annual appraisals ▪ Succession planning ▪ Training programs ▪ Health and safety management systems ▪ Internal and external health and safety audits ▪ Internal SA 8000 audits ▪ SEED[1] ▪ Key performance indicators ▪ Health and Safety Awareness Program	▪ Jobs ▪ Apprenticeships ▪ Trainee jobs ▪ Involvement in communities ▪ Internal and external environmental audits ▪ SEED[1] ▪ Key performance indicators	▪ Environmental management systems ▪ Internal and external environmental audits ▪ SEED[1] ▪ Key performance indicators ▪ Blacklist of potentially hazardous materials ▪ Product life-cycle analysis
Code of Business Conduct and other policies, regulations, and directives					

[1] Database of social, economical, and ecological data

in order to foster a culture of quality, which is being systematically put into practice at all levels. By the end of 2007, 54 production sites have received the ISO 9001 certification and 98% of all Sulzer employees worked under a quality management system according to ISO 9001. Other certifications are being attained on an ongoing basis, for instance, according to automotive, aviation, and medical standards.

Social Sustainability—Health and Safety

Sulzer wants to be a leader in health and safety and has therefore set the long-term goal of reducing the number of occupational accidents and illnesses to zero. In the midterm, the corporation aims to reduce the current accident frequency rate (AFR) by half by 2010. Thus, health and safety are an integral part of business activities.
In 2008 and 2009, Sulzer aims to raise safety awareness. A program has therefore been initiated to ensure adequate safety behavior on all levels. This program focuses on the responsibility of the individual and the corporation, and emphasizes a commitment to the continuous improvement of health and safety. Sulzer pays particular attention to health and safety at production and service sites. The extensive SEED database (social, economic, and ecological data) and key performance indicators (KPI) allow the corporation to continually assess those issues.
As the chart on page 34 shows, both accident frequency rate (AFR) and accident severity rate (ASR) were already lower in 2007 than in the previous year. However, Sulzer aims to reduce the corporate AFR to below nine accidents per million working hours in 2008.
Individuals take the necessary actions regarding health and safety; therefore, the health and safety program 2008–2009 focuses on personal awareness and responsibility.

It includes training for employees and guidelines for subcontractors and visitors, as well as tools for self-assessment. Additional health and safety standards and internal audits will further establish health and safety awareness as an integral part of daily business.

Examples of Sulzer's safety culture can already be found throughout its day-to-day business, be it safety briefings before meetings or safety guides for visitors at entrances to sites. Generally, the individual facilities still show differences in their safety cultures, but benchmarking activities ensure that best practices are implemented across the corporation. Ongoing efforts have already resulted in smaller differences in accident rates. As of December 31, 2007, a variety of sites reported zero accidents resulting in lost days over long periods of time: Sulzer Process Pumps (US) Inc. in Easley, South Carolina, USA, for 1 781 days; PT Sulzer Hickham Indonesia, in Purwakarta, Indonesia, for 1 583 days; Sulzer Chemtech USA Inc. tower field service in Humble, Texas, USA, for 883 days; and Sulzer Metco Shanghai Eng and Mach. Works Ltd in Shanghai, China, for 833 days.

In order to minimize emissions of hazardous materials during production, Sulzer has developed a guideline for hazardous materials emission reduction and control. Based on the current best practice, worldwide standards will be introduced in order to reduce emissions.

As a commitment to the health and safety of all employees, Sulzer has set the goal of certifying all production sites according to the OHSAS 18001 standard (Occupational Health and Safety Assessment Series) by 2010. As of the end of 2007, 10 sites have already received the certificate and 29% of all Sulzer employees in production sites work under an OHSAS-18001-certified health and safety management system.

Ecological Sustainability

Growth in orders normally means increased resource consumption and emissions. To reliably assess environmental impact, Sulzer continuously records indicators for energy, water, waste, and emissions within the framework of the annual sustainability reporting process. Detailed information is available online at www.sulzer.com/sustainability.

Sulzer has continued its trend of recent years regarding energy and waste, being able to reduce energy use in relation to net value added on a consistent basis (see graph on page 34). Waste production has been stable since 2005. Targets have been set on a per-site basis to continuously lower energy expenditure and CO_2 emissions over the next several years.

However, the largest part of the energy consumption by far accumulates not in production but on the client side. Sulzer therefore focuses research and development efforts on reducing lifetime energy use of its products. Sulzer Pumps calculated the life-cycle costs of pump applications in a modern pulp mill during an average twenty years of operation. The study showed that the new-generation Ahlstar^{UP} product line can help save a total of EUR 4.4 million in energy costs as well as 124 000 tons of CO_2 emissions over its lifetime when compared with older models.

To monitor the use of substances, especially of substances that will potentially be prohibited in the future, Sulzer maintains a list of chemicals. The list allows sites to identify problematic substances and to take measures for their substitution.

As a long-term commitment to ecological sustainability, Sulzer has set the goal of certifying all production sites according to the ISO 14001 standard by 2010. At the end of 2007, 18 sites have already received the certificate and 50% of all Sulzer employees work under an environmental management system according to ISO 14001.

630 Indicators

The SEED database (social, economical, and ecological data) on sustainability allows Sulzer to review its improvements on a continual basis through 630 key performance indicators (KPIs). The data provides the basis for the biannual Sustainability Summary, its yearly online sustainability updates, quarterly health and safety reporting, as well as individual monitoring of site performance. The SEED database covers the 61 key locations and 86% of all Sulzer employees.

Investments and Acquisitions

In the year under review, Sulzer invested CHF 135 million in fixed assets and CHF 12 million in acquisitions. The majority of the spending went toward capacity expansions and efficiency measures, enabling Sulzer to participate successfully in the buoyant markets.

Investment and Acquisition Strategy

Sulzer is prepared to spend a considerable amount of its financial resources on refurbishing, expanding, and ensuring the safety of its own plants and equipment. The primary focus of its investment is on improving cost structures and enhancing the corporation's presence in important market regions. The above-average growth in volume created the need to build additional facilities. Sulzer aims to use these facilities not only to generate higher sales, but also to stay flexible to react to market developments. Investments in existing locations focus on improving productivity through lean management.

Sulzer aims to achieve its strategic goals more rapidly by selectively acquiring technologies and investing in specific market segments. This applies to all four divisions, although the priority for Sulzer Turbo Services to grow through acquisitions is not as high as it is for other divisions at this stage. In addition to strategic considerations, cost-benefit aspects also play an important role in Sulzer's acquisition strategy. Acquisitions should generate financial added value.

Investment in Fixed Assets—Key Activities of the Divisions in 2007

In the year 2007, investment in tangible assets, at CHF 134.8 million worldwide, was 27.2% higher than last year's figure (CHF 106.0 million). This increase reflects the long-term growth of the corporation. Examples of capacity expansion include the new Sulzer Chemtech factory in Shanghai, China; the reengineering and expansion of the Sulzer Pumps site in Pune, India; an additional production line for carbon linings at Sulzer Metco in Chennai, India; and the new Sulzer Turbo Services facility in Edmonton, Canada. Capital expenditures can be broken down as follows: 39.5% of total investment went into projects to expand production capacities, 11.0% were allocated to rationalization measures, and 21.2% were spent on replacing existing plants and equipment. 10.0% went into IT and 4.1% were invested in the areas of quality, environment, safety, and health. 14.2% were allocated to other projects.

Investments by Region

	2007		2006	
	millions of CHF	%	millions of CHF	%
Europe	**83.1**	**61.6**	58.0	54.7
North America	**33.7**	**25.0**	21.5	20.3
Latin America	**4.6**	**3.4**	11.0	10.4
Asia, Australia[1)]	**12.5**	**9.3**	14.6	13.8
Africa	**0.9**	**0.7**	0.9	0.8
Total	**134.8**	**100.0**	106.0	100.0

[1)] Including Middle East

Acquisitions in 2007

In December 2006, Sulzer Chemtech agreed to take over the separation technology business of Knitmesh in the UK. This agreement was finalized in January 2007. The acquisition, with annual sales of around CHF 10 million, strengthens the division's presence in the active gas market.

In December 2007, the German antitrust authority declared that it will no longer pursue the demerger proceedings against Sulzer's acquisition of Mixpac, Werfo, and Mold, concluded on December 29, 2006.

Despite the low acquisition volume, acquisition activity was on a high level throughout the year. The attempt to acquire Bodycote, a listed company in the UK, was withdrawn in April, since the board and the management of Bodycote did not support the offer. Sulzer's goal of pursuing growth through organic and acquisitive measures remains unchanged.

Corporate Governance

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 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. The board of directors is currently made up entirely of non-executive members. With the exception of Ulf Berg, who has presided over the board of directors since the 2007 annual general meeting and was CEO of Sulzer for the three years prior to that, all members of the board of directors are independent. Vladimir Kuznetsov and Urs Andreas Meyer, the two members representing the currently largest shareholder, were elected to the board of directors at an extraordinary general meeting on December 11, 2007. Ton Büchner was appointed CEO of Sulzer Ltd on April 1, 2007. Unless otherwise indicated, the following information refers to the situation as of December 31, 2007. Furthermore, continually updated information on corporate governance is published on Sulzer's Web site at www.sulzer.com/corpgov. The information in the following section is set out in the order required by the SWX Swiss Exchange guidelines on corporate governance information (RLCG), with

Shareholding Structures

As far as the company is aware as per December 31, 2007, the following shareholders held more than 3% of Sulzer Ltd's share capital:

Shareholder	Shares Number of	Shares Percentage of	Other Purchase Positions Percentage in Share Equivalents	Sale Positions Percentage in Share Equivalents
Everest Beteiligungs GmbH[1)]	890457	24.5%	5.5%	33.0%
Fidelity Management Research[2)]	364102	10.0%		
Sulzer AG[3)]	273775	7.5%	0.8%	
Focus Capital LLC[4)]	183447	5.0%		
Deutsche Bank AG[5)]	173868	4.8%	33.5%	9.9%

1) Everest Beteiligungs GmbH purchased 637 038 shares (17.5%) and 524 052 call options (14.4%) as at April 20 (notification of April 27, 2007); it increased its holding to 890 457 shares (24.5%), 60 533 call options (1.7%), and 140 419 cash settled equity swaps (3.9%) by exercising and converting call options over the year (six notifications in total; last notification on January 7, 2008). Sulzer concluded an agreement with Everest Beteiligungs GmbH (Everest) and Renova Industries Ltd. (Renova) on October 10, 2007. Under the terms of this agreement, Sulzer agreed to register the shares held by Everest in the share register and to recommend for election to the board of directors of the corporation the two candidates proposed by Everest. Everest and Renova agreed to neither acquire an interest in Sulzer Ltd greater than 33% (in shares or options) nor to launch a public bid for all the shares of the corporation except if such bid was recommended by the board of directors of the corporation. Furthermore Everest and Renova agreed neither to vote for nor otherwise support a merger between OC Oerlikon Corporation Ltd and Sulzer Ltd unless such transaction was recommended by the board of directors of Sulzer Ltd nor to change the articles of association or to change the composition of the board of Sulzer Ltd. In case of violation by Everest or Renova, and under the condition that the violation is not cured within five business days, their shares will be reclassified as shares without voting rights for a period ending August 31, 2009. This agreement is valid until May 31, 2009. Based on this agreement, the Swiss Takeoverboard concluded in a recommendation of December 6, 2007, that Sulzer, Everest, and Renova constitute a group for mandatory-bid purposes. The parties disagree with this interpretation. The case is currently pending before the Swiss Federal Banking Commission.

2) Fidelity Management Research informed that it holds 187 071 shares (5.1%) (notification of August 31, 2007), and that it increased its holding to 364 102 shares (10.0%) (notification of October 17, 2007).

3) The shares held by Sulzer Ltd increased during the year under review due to the completion of the completion of the share buyback program in September 2007. Sulzer will propose to the shareholders at the 2008 annual general meeting that 211 793 shares (5.8%) shall be cancelled.

4) Focus Capital Investors LLC held 183 447 shares (5.0%) (notification of June 25, 2007). According to the notification of February 13, 2008, its holding was below 3%.

5) Deutsche Bank AG issued a total of 23 notifications in 2007 and three in 2008 until February 21, 2008. According to the last notification on February 21, 2008, it held 132 743 shares (3.6%), 1 214 742 other purchase positions (33.4%), and 365 139 sale positions (10.0%).

On December 31, 2006, Chase Nominee Ltd held 456 668 shares (12.6%) and sold the majority of them in 2007.
Julius Bär notified Sulzer of its holding of 166 446 shares (4.6%) and 60 350 other purchase positions (1.7%) (notification of July 9, 2007). According to the notification of September 27, 2007, the company reduced its holding to below 5%.
UBS AG issued a total of seven notifications in 2007. According to the notification of December 27, 2007, its holding was below the notification threshold of 3%.
Zürcher Kantonalbank held 308 740 shares (8.5%) on April 20, 2007, and reduced its holding to below 5% on the same day according to the notification of April 26, 2007.

More detailed information—in particular concerning the various notifications—is available on the Web site of the SWX Swiss Exchange (http://www.swx.com/admission/being_public/disclosure/major_shareholders_de.html?fromDate=19980101&issuer=Sulzer+AG).

subsections summarized to the extent possible. Sulzer's annual accounts comply with International Financial Reporting Standards (IFRS), and in certain sections, readers are referred to the financial statements and notes in the 2007 annual report. The compensation report to the annual general meeting can be found in section 5 of this corporate governance report.

1. Corporate Structure and Shareholders

The corporate structure is shown in the organization chart (page 42) and in the segment reports in the financial section on pages 26 and 27. Sulzer Ltd and Sulzer India Ltd are the only Sulzer companies listed on a stock exchange. Sulzer Ltd has its registered office in Winterthur, Switzerland. Its shares are listed on the SWX Swiss Exchange in Zurich where they are also traded (Securities No. 237645/ ISIN CH 0002376454). As of December 31, 2007, the market capitalization amounted to CHF 6 057 319 950. Information on Sulzer India Ltd and on the unlisted companies included in the consolidation can be found in the financial section under note 38 on pages 52 to 55.
More information on the shareholders can be found in the financial section on page 43, note 23, and in the table on page 38. There are no cross-shareholdings where the capital or voting stakes on both sides exceed 3%.

2. Capital Structure

The fully paid-up share capital of Sulzer Ltd totals CHF 109 140.90, comprising 3 638 030 registered shares with a par value of CHF 0.03 each. Each registered share entitles the holder to one vote at the general meeting of shareholders. The maximum authorized capital is CHF 21 828.15 (20%) and this may only be used for a possible acquisition of Bodycote International PLC. This capital is only authorized until April 4, 2009. There is no conditional capital, neither are there any participation or dividend certificates. The latest version of the articles of association can be viewed online at www.sulzer.com/corpgov. Information on capital changes can be found in the financial statement of Sulzer Ltd (parent company) on page 63. The share buyback program announced on October 31, 2006, with a value of CHF 300 million, was completed in September 2007. Accordingly, the board intends to propose a reduction of the share capital to the shareholders at the 2008 annual general meeting. In addition, a proposal will be submitted to the annual general meeting to increase the par value of each share by CHF 0.07 and then split the shares on a ten-for-one basis.

Restrictions on transferability and nominee registrations

Sulzer shares are freely transferable without limitation 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 be entered in the share register with the right to vote, provided that the nominee is subject to supervision by a recognized banking and financial market regulator, that the nominee has entered into an agreement with the board of directors concerning his status, and that the share capital held by the nominee does not exceed 5% of the registered share capital as entered in the commercial register. Shares held by a nominee in excess of this limit may be entered in the share register if the names, addresses, and the number of shares of the persons for whose account the nominee holds 1% or more of the share capital are disclosed (see also paragraph 6a of the articles of association at www.sulzer.com/corpgov).
As of December 31, 2007, ten nominees holding a total of 432 933 shares had entered into an agreement concerning their status. All shares are entered in the share register with voting rights. There are no privileges under the articles of association and no transfer restrictions; no exceptions have been granted. Sulzer intends to propose that the nominee ruling be revised at the 2008 annual general meeting. A corresponding amendment to the articles of association will be proposed concerning this matter.

Convertible bonds and options

No convertible bonds or warrants are currently outstanding. Details of options issued to members of the board and management are set out in the financial statement of Sulzer Ltd (parent company) under note 113 (pages 67 to 69).

3. Board of Directors

The articles of association stipulate that the board of directors of Sulzer Ltd shall comprise between five and nine members. The mandates of the hitherto members Louis Hughes and Luciano Respini were extended by three years and Ulf Berg was newly elected to the board of directors for two years at the annual general meeting on April 4, 2007. Leonardo Vannotti stepped down from the board of directors on this date. Vladimir Kuznetsov and Urs Andreas Meyer were elected to the board of directors at the extraordinary general meeting on December 11, 2007. The board of directors now comprises eight members in total, three Swiss, one American, one German, one Italian, one Norwegian, and one Russian. Professional expertise and international experience played a key role in the selection of the members. With the exception of Ulf Berg, who was CEO of Sulzer Ltd between 2004 and 2007, all board members have non-executive and independent status, i.e., none has ever belonged to the management of a Sulzer company or the executive committee, nor do any significant business relations exist between members of the board of directors and Sulzer Ltd or any subsidiaries of Sulzer Ltd. There are, however, business relations with ABB and MTU Aero Engines (Louis Hughes is a member of the board of directors and the supervisory board respectively) as well as the Voith group (Hans Hubert Lienhard is a member of the group management board) in the lower double-digit million range in each case. The two new members of the board of directors elected until the 2009

Board of Directors

Ulf Berg

Switzerland, 1950; Diploma and Ph.D. in Mechanical Engineering, Technical University of Denmark, Copenhagen, Denmark

Binding interests
Board Member Bobst SA, Ems Chemie Holding AG (Chairman), and NRG New Russian Generation Ltd; Member of the Swissmem Executive Committee and Avenir Suisse

Career
since 2007, Sulzer Ltd, Winterthur, Switzerland; Chairman of the Board
2004–2007, Sulzer Ltd, Winterthur, Switzerland; CEO
2003–2004, SIG AG, Neuhausen, Switzerland; CEO of SIG Beverages Int. AG
2001–2003, EG Energy Group AG, Zug, Switzerland; Owner
1999–2001, Carlo Gavazzi Holding Ltd, Zug, Switzerland; CEO and Chief Operating Officer
1996–1998, ABB Power Generation Group, Zurich, Switzerland; Business Area Manager and Executive Board Member
1993–1996, ABB and previous BBC; various management positions

Thor Håkstad

Norway, 1946; Mechanical Engineering, Norwegian University of Technology, Trondheim, Norway

Binding interests
Board Member Standards Norway (Chairman), Statnett, Flexiteek International, and VEGA Resources (Chairman) (as of February 2008)

Career
since 2002, Sulzer Ltd, Winterthur, Switzerland; Vice Chairman of the Board
2000–2004, Norsk Hydro Corporate Center, Oslo, Norway; Executive Vice President
2000–2003, Norsk Hydro Petrochemicals and Hydro Pronova, Oslo, Norway; Executive Vice President and Chairman
1991–2002, Norsk Hydro, Oslo, Norway; Executive Vice President, Member of the Corporate Management Board
1989–1991, Norsk Hydro, Oslo, Norway; President Hydro Energy (gas and power)

Louis R. Hughes

USA, 1949; Master of Business Administration (MBA), Harvard University, Boston, MA, USA; B. S. M. E. General Motors Institute (now Kettering University), Flint, MI, USA

Binding interests
Board Member ABB, AB Electrolux, Akzo Nobel, GBS Laboratories LLC (Chairman), Maxager Technology (Chairman), and MTU Aero Engines; Member of the British Telecom US Advisory Board

Career
since 2005, GBS Laboratories LLC, Herndon, VA, USA; Chairman and CEO
2004–2005, Afghanistan Reconstruction Group, US Department of State, Kabul, Afghanistan; Chief of Staff
since 2001, Sulzer Ltd, Winterthur, Switzerland; Member of the Board of Directors
2000, Lockheed, Bethesda, MD, USA; President and Chief Operating Officer
1999, General Motors Corporation, Detroit, MI, USA; Executive Vice President, New Business Strategies
1992–1999, Saab Auto AB, Trollhatten, Sweden; Chairman
1992–1998, General Motors Corporation, Detroit, MI, USA; Executive Vice President
1994–1998, General Motors International Operations, Zurich, Switzerland; President
1992–1994, General Motors International Operations, Zurich, Switzerland; Executive Vice President
1992–1994, General Motors Europe, Zurich, Switzerland; President
1989–1992, Adam Opel AG, Rüsselsheim, Germany; Chairman

Vladimir V. Kuznetsov

Russia, 1961; Master of International Affairs, Columbia University, New York, NY, USA; Ph.D., Institute of World Economy and International Relations, Moscow, Russia

Binding interests
Board Member Everest Beteiligungs GmbH (Chairman), OC Oerlikon (Deputy Chairman), Renova US Management (Chairman), Renova Media Enterprises (Chairman), Renova Capital, and Integrated Energy Systems Ltd

Career
since 2007, Sulzer Ltd, Winterthur, Switzerland; Member of the Board of Directors
since 2004, Renova Management AG, Zurich, Switzerland; Chief Investment Officer and Member of the Executive Board
since 2001, Renova Inc., Moscow, Russia; Vice President
since 1998, Financial Advisory Services, Moscow, Russia; Director General
1994–1998, Salomon Brothers, Moscow, Russia; Head of the Moscow subsidiary
1992–1994, Goldman Sachs, Moscow, Russia; Deputy Director and Director
1984–1992, Institute for Economics and International Relations, Moscow, Sovjet 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, Karlsruhe, Germany

Binding interests
Member of the Group Management Board of Voith; Supervisory Board Member SGL Carbon

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

Urs Andreas Meyer
Switzerland, 1964; Harvard Advanced Management Program, Boston, MA, USA;
Dr. sc. techn. at the Swiss Federal Institute of Technologies (ETH), Zurich, Switzerland

Career
since 2008, Renova Management AG, Zurich, Switzerland; Head of Industrial Investments
since 2007, Sulzer Ltd, Winterthur, Switzerland, Member of the Board of Directors
2001–2007, Satisloh (division of Schweiter Technologies), Baar, Switzerland; Division CEO
1997–2001, Otto Suhner AG, Brugg, Switzerland; Managing Director
1995–1997, Rieter India, New Delhi, India; Managing Director
1990–1995, Rieter Textile, Winterthur, Switzerland; Marketing Planner, Project Manager, and Development Engineer

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

Career
since 2004, Sulzer Ltd, Winterthur, Switzerland; Member of the Board of Directors
since 2002, The Dow Chemical Company, Midland, MI, USA; Member of the Office of the Chief Executive
1998–2006, Dow Europe, Horgen, Switzerland; President
1995–1997, Dow Latin America, Saõ Paulo, Brazil; President
1991–1994, Dow Europe, Horgen, Switzerland; Vice President Performance Products
1987–1990, Dow Europe, Horgen, Switzerland; Vice President Finance

Daniel J. Sauter
Switzerland, 1957; Swiss-Certified Banking Expert with federal diploma

Binding interests
Board Member Alpine Select AG (Chairman), Charles Vögele Holding AG, Julius Bär Holding AG, Sika AG, and Model Holding AG

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

annual general meeting, have a close relationship with Sulzer's largest shareholder. Vladimir Kuznetsov is chief investment officer and Urs Andreas Meyer head of industrial investments of Renova. There are also no interlocking directorships. 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 being to newly elect around one-third of the board of directors each year. According to the regulations governing the board of directors and the company's organization, 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. The board of directors will recommend that the shareholders reelect Thor Håkstad (a member of the board of directors since 2002) to the board of directors at the annual general meeting 2008.

Internal organization

The board of directors is self-constituting, designating from among its members the chairman, vice chairman, and the members of the board committees. The vice chairman acts as chairman if the chairman is not present. The board of directors appointed Ulf Berg as chairman and confirmed Thor Håkstad in the office of vice chairman of the board of directors. There are currently two board committees: the audit committee and the nomination and remuneration committee. The audit committee (membership, see page 45) assesses not only the midyear and annual accounts, but, in particular, the activities—including efficiency and independence—of the internal and external auditors, the cooperation between these two bodies, as well as risk management and compliance with the applicable standards. The nomination and remuneration committee (membership, see page 45) assesses the criteria for election and reelection of board members and the nomination of candidates for the two highest management levels. It also deals with the respective succession planning, regularly assesses the remuneration systems, and recommends compensation for the members of the board of directors and executive management (including bonus targets) on behalf of the board of directors and in accordance with its specifications. It also compares salary levels with third-party companies and scrutinizes the work of external and internal consultants. The board of directors and the committees meet as often as required by circumstances (the board of directors meets at least six times annually, and each committee at least three times annually). In 2007, two two-day and four one-day meetings as well as eighteen shorter board meetings were held. Each committee met three times. Further information can be found in the table on page 45. Board meetings are generally also attended by the CEO, the CFO, and the general counsel. Other members of the executive committee are invited

Organizational Structure

CEO
Ton Büchner

Corporate Finance/CFO
Peter Meier

General Counsel and Secretary
Alfred Gerber

Sulzer Pumps
Kim Jackson

Sulzer Metco
Henri Steinmetz

Sulzer Chemtech
Urs Fankhauser

Sulzer Turbo Services
Peter Alexander

Executive Committee

Ton Büchner

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

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

Peter Meier

Switzerland, 1965; Advanced Management Program (AMP), Wharton School of Pennsylvania, Philadelphia, PA, USA; Master of Business Administration, Zurich, Switzerland, and New York, NY, USA; Certified Specialist for Accounting and Controlling, Switzerland; Bachelor of Business Administration, Zurich, Switzerland

Career
since 2007, Sulzer Ltd, Winterthur, Switzerland; CFO
2004–2006, Sulzer Metco, Winterthur, Switzerland; Head of Finance and Controlling
2001–2004, Sulzer Chemtech Ltd, Winterthur, Switzerland; Head of Finance and Controlling
1999–2001, Sulzer Chemtech USA Inc., Tulsa, OK, USA; Controller North and South America, Vice President Finance
1996–1999, Sulzer Chemtech Ltd, Winterthur, Switzerland; Head of Finance
1992–1996, Sulzer Chemtech Ltd, Winterthur, Switzerland; Controller environmental technology
1988–1990, Institut für Technische Ausbildung, Zurich, Switzerland; Teacher Accounting

Alfred Gerber

Switzerland, 1959; Law degree, bar exam, University of Zurich, Switzerland; LL.M. (Master of Law), London, 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 Ltd, Winterthur, Switzerland; General Counsel and Secretary
1995–2001, Sulzer Management Ltd, Winterthur, Switzerland; Attorney
1991–1995, Kohli & Partners (law firm), Zurich, Switzerland; Attorney
1989–1990, District Court, Meilen, Switzerland; Clerk of the Court, Legal Secretary

Kim Jackson

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

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

Henri Steinmetz

Luxembourg, 1956; Master of Business Administration, INSEAD, Fontainebleau, France; Dipl. Ing. (MSc. Metallurgy), University of Clausthal, Germany

Career
since 2004, Sulzer Metco, Winterthur, Switzerland; Division President
2000–2004, Great Lakes Chemical Corporation, Frauenfeld, Switzerland; Member of the Chief Executive Council, Executive Vice President and General Manager Polymer Stabilizers, Chairman of GSI and ASCL joint ventures in the Middle East and Korea
1999–2000, Great Lakes Chemical Corporation, Frauenfeld, Switzerland; Vice President and General Manager Global Commercial Operations Polymer Additives
1998–1999, Great Lakes Chemical Corporation, Frauenfeld, Switzerland; Vice President and General Manager Polymer Additives Europe, Middle East, Africa
1997–1998, M.A. Hanna Company, Brussels, Belgium; Director Business Development and Strategy Europe
1996–1997, General Electric GE Information Services, Amsterdam, Netherlands; Manager GE Accounts and Market Development Europe
1994–1996, General Electric GE Corporate Business Development, London, England; Sales Leader Europe
1994, General Electric GE Silicones Waterford, New York, USA; Manager Global Capacity Expansion and Integration
1991–1993, General Electric Bergen op Zoom, Netherlands; Business Manager ABS Resins
1988–1991, General Electric Bergen op Zoom, Netherlands; Business Manager Crystalline Resins Europe

Urs Fankhauser

Switzerland, 1960; Advanced Management Program (AMP), Harvard University, Boston, MA, USA; Master of Business Administration, Henley Management College, Oxfordshire, UK; Dipl. Ing. HTL, Burgdorf, Switzerland

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

Career
since 2002, Sulzer Chemtech Ltd, Winterthur, Switzerland; Division President
2000–2002, Sulzer Chemtech Ltd, Houston, TX, USA; President North and South America
1993–2000, Sulzer Chemtech Ltd, Singapore; President Eastasia Pacific
1990–1993, Sulzer Chemtech Ltd, Singapore; Engineering Manager
1989–1990, Sulzer Pumps Ltd, Leeds, England; Production Engineer

Peter Alexander

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

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

to attend board meetings as required to discuss the midterm planning, the strategy, the budget, and the annual accounts, as well as division-specific items (such as acquisitions). If necessary, the board of directors will also consult with other internal and external experts; in particular, the head of planning and acquisition provides regular status reports on ongoing merger and acquisition projects. Meetings of the audit committee are each 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 head of corporate human resources. Other internal and external experts are called in as required.
These committees do not make any decisions, but they review and discuss the matters assigned to them and submit appropriate proposals to the full board of directors for a decision. At the next full board meeting following the committee meetings, the chairmen of the two committees report to the full board on all matters discussed, including key findings, opinions, and recommendations.

Division of powers between the board of directors and executive management

The board of directors has largely delegated executive management powers to the CEO. It is still responsible, however, for matters that cannot be delegated according to art. 716a of the Swiss Code of Obligations (CO), such as corporate strategy, approval of midterm planning and the annual budget, key personnel decisions (including approval of the remuneration system), as well as for acquisition and divestiture decisions involving an enterprise value exceeding CHF 10 million or CHF 20 million respectively, investments in fixed assets exceeding CHF 7 million, major corporate restructurings, approval of agreed dispute settlements with an influence on operating income of more than CHF 20 million, approval of research and development projects exceeding CHF 10 million, and for other matters relevant to corporate interests, and for decisions that must, by law, be made by the board of directors (including those defined in the Swiss Mergers Act).

Information and control instruments

Each member of the board of directors receives the company's monthly financial statements (January to May and July to November), plus the interim 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 the 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 both 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 (at least once a year). The chairman of the board of directors regularly consults the CEO and other representatives of the executive committee, and intermittently attends the meeting of the Sulzer Management Group (around seventy people) held each year.
Internal auditing carried out twenty audits in the year under review. Audit results are discussed in detail with the companies and divisions concerned, and key measures agreed. Copies of each audit report are distributed to the chairman of the board, the members of the audit committee, the CEO, the CFO, and the general counsel. The major measures agreed are presented to the CEO, the CFO, the general counsel, the division presidents, and the division controllers and discussed as part of the monthly reporting process. Each year, the head of internal auditing compiles a report summarizing activities. This report is distributed to members of the board and the members of the executive committee, as well as being presented to the executive committee and the audit committee, and debated by these two bodies before being reported to the board of directors. Internal auditing reports to the CFO for administrative purposes but, in functional terms, reports directly to the chairman of the audit committee.
The general counsel regularly reports to the board of directors on material changes in legislation that may affect Sulzer, as well as on any important litigation. 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 eight legal audits in 2007. These audits focused on contractual as well as compliance risks. The audit results are discussed with the managers responsible, measures agreed upon and the respective reports sent to the same distribution list as the internal audit reports.
The corporate quality, environment, safety, and health department carried out seven quality audits and eighteen in the areas of environment, safety, and health in 2007. The results of each of these audits are discussed with the responsible persons, and agreement reached on any improvements required. The latest status of the company's quality, environmental, safety, and health risks is reported to the audit committee once a year. Sulzer published an updated sustainability summary in October 2006 (see www.sulzer.com/sustainability).
In addition, the corporate information technology department conducted three IT audits in the year under review. The main focus of the audits was on IT security.
In 2003, Sulzer implemented a code of business conduct. Every Sulzer 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, the members of the Sulzer Management Group (approximately seventy people) as well as the heads of all operating companies and all divisional and local compliance officers must reconfirm such compliance commitment on an annual basis. The corporation, the individual divisions, and the operating companies have their own compliance officers. Employees and

Board of Directors

Name	Nationality	Position	Age	Entry	Elected until	Attending Meeting in 2007 of the Board	AC	NRC
Ulf Berg	Swiss	Chairman, NRC	58	April 2007	2010	23[1)]	3	3
Thor Håkstad	Norwegian	Vice Chairman, NRC[4)]	62	April 2002	2008	24	3	3
Louis R. Hughes	US-American	Member, AC	59	April 2001	2010	21	3[3)]	
Vladimir V. Kuznetsov	Russian	Member, AC	47	December 2007	2009	1		
Hans Hubert Lienhard	German	Member, NRC	57	April 2002	2010	21		3[3)]
Urs Andreas Meyer	Swiss	Member	44	December 2007	2009	1		
Luciano Respini	Italian	Member, AC	62	April 2004	2010	23	3	
Daniel J. Sauter	Swiss	Member, AC	51	April 2002	2009	24	3	
Leonardo E. Vannotti	Swiss	Chairman	69	May 1993	2007	9[2)]		
Total meetings						24	3	3

1) Chairman as of April 4, 2007   2) Chairman until April 3, 2007   3) Chairman   4) AC until December 11, 2007
AC = Audit Committee   NRC = Nomination and Remuneration Committee

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 receives a report on the compliance-related activities carried out in the current year and those planned for the following year. During 2007, compliance training again focused on compliance with export controls, competition law, and fighting corruption. In the year under review, several thousand employees completed interactive training programs (e-learning).

The corporate risk council, comprising the CFO (chairman), the general counsel, the head of internal auditing, the group compliance officer, the head of risk management and representatives of other group staff functions, held four meetings in 2007. 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 corporation and on the results of the risk management process (process to systematically identify and evaluate significant risks and initiate countermeasures). The members of the executive committee each receive a copy of the minutes of the corporate risk council meetings; in addition, if considered necessary, a report is given at each executive committee meeting that follows the meetings of the corporate risk council. A major focus of training in 2007 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. All divisions have significantly improved their internal contractual risk management over the last few years, by implementing changes, including employing additional contract managers.

4. Executive Committee

Executive management powers are delegated by the board of directors to the CEO. The divisional 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 them by the CEO. The other members of the executive committee support the CEO in his corporate management tasks. There are no management contracts with third parties.

5. Compensation Report Provided to the General Meeting of Shareholders

Remuneration of the chairman of the board of directors and other board members comprises a cash component and an options component. The chairman of the board receives also a pension fund contribution. Additionally, the chairmen and the members of the two standing committees receive cash compensation. The remuneration of board members depends on the responsibility assigned, complexity of the tasks involved, time spent, and prevailing market rates. Despite the large number of meetings (see table on page 45), no attendance fees were paid during the year under review. The amount of remuneration is set by the full board of directors in response to a proposal by the nomination and remuneration committee, who reviews the suitability of compensation on an annual basis. The remuneration of the board members and CEO and the full board of directors and the executive committee in its entirety is set out individually in a table in the financial statement of Sulzer Ltd (parent company) under note 113 on pages 67 to 69.

The CEO and members of the executive committee (as well as other senior management members) receive, in addition to their basic salaries (in cash), a performance- and results-based bonus (also in cash), as well as a number of Sulzer Ltd stock options according to their functional grade. Basic salaries reflect the market median level for the respective positions, individual qualifications, and prevailing local labor market conditions. The latter are regularly assessed, and salary ranges adjusted accordingly as required, also with the involvement of external consultants (2007: Mercer, PricewaterhouseCoopers, Watson/Wyatt). The individual basic salaries are also reviewed annually and adjusted if necessary. The target bonus corresponds to a percentage of the basic annual salary. The actual bonus paid depends on the attainment of the targets that have been agreed upon. 70% of these targets are of a financial nature (such as return on capital employed, net income, operating income, and order intake) and 30% individually, which can be of qualitative or of quantitative nature. Three to four financial goals and two to three personal goals with a percentage weighting are defined for each executive committee member. The maximum bonus can reach a maximum of two and a half times the target bonus. Exceptions can be made by board of directors, but they are rare. No bonus at all is paid if the minimum target level is not reached. As result of the solid business results for 2007 and, in particular, the attainment of the financial targets, most executive committee members will receive the maximum bonus for the year under review, but it will only be paid out during 2008. As a long-term performance incentive, Sulzer has a stock option plan. This plan was revised in 2006. Each year, senior managers receive stock options with a maturity of five years (previously ten). The number of stock options depends on the respective management grade according to the Watson/Wyatt Global Grading System. These options are vested upon issue, one-third (previously one-quarter) of them subsequently becoming eligible for exercise each year. The subscription ratio is 1:1 but only cash can be paid out for options granted since 2006.

The entire remuneration system is regularly reviewed 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 remuneration of the CEO and other members of the executive committee. Changes to the remuneration system are subject to decision by the full board of directors in response to a proposal by the nomination and remuneration committee. Based on a benchmarking process with the involvement of PricewaterhouseCoopers and Mercer, the Sulzer board decided to replace the option plan with a restricted share unit plan starting in 2009.

No severance payments were made during the reporting year. However, the former CFO received in accordance with internal guidelines a one-time payment into the pension fund, related to his early retirement.

The employment contracts of the executive committee members make no provision for unusually long notice periods or contract terms. However, since February 2006, they contain the right to remuneration if—within eighteen months after a change of control—an employment contract is terminated or the individual's function changes considerably. This remuneration is never more than 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 interest of the company. If there is a change of control (including replacement of the majority of the members of the board of directors) or a public takeover offer that is not supported by the board of directors at the time of publication, all allocated options of the option plan are automatically vested. The vesting period for those options granted to the members of the board of directors ends no later than the date at which the individual no longer fulfils the respective function.

All other information on remuneration can be found in the financial section under note 34 (page 50) and note 35 (page 51) as well as in the financial statement of Sulzer Ltd (parent company) under note 113 (pages 67 to 69).

6. Shareholder Participation Rights

Limitation and representation of voting rights

Only nominees are subject to restrictions (see section 2). 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 of shareholders 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 (see also paragraph 18 of the articles).

Convocation of the annual general meeting and submission of agenda items

None of the applicable regulations deviate from the law. 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 made 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 general meeting of shareholders.

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 clause provided the contract is terminated within eighteen months after a change of control (see section 5, compensation report). If there is a change in the management (including replacement of the majority of the members of the board of directors) or a public takeover offer that is not supported by the board of directors at the time of publication, all allocated options of the option plan are automatically vested.

8. Auditors

PricewaterhouseCoopers AG is the statutory auditor of Sulzer Ltd and, since 1992, the group auditor of the consolidated financial statements pursuant to art. 731a of the Swiss Code of Obligations. Statutory and group auditors are elected by the annual general meeting for a one-year term of office. Christian Kessler has been acting as the head auditor for the Sulzer mandate since the 2006 annual general meeting.

The audit committee supports the board of directors in the supervision of the company's accounting and financial reporting. It assesses the internal control procedures, the organization, and efficiency of the internal and external auditors, collaboration, and the results of the audits. The members of the audit committee receive regular summaries of audit findings and improvement proposals. The chief external auditor is invited to attend meetings of the audit committee. To assess the independence of internal and external auditing, the audit committee meets separately with the respective heads of internal and external auditing. All other information on auditors is set out in note 36 on page 51 of the financial section.

9. Information Policy

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

Key dates in 2008:

January 15	Order intake 2007
February 28	Annual results 2007
April 3	Annual general meeting 2008
April 17	Order intake for the first quarter of 2008
July 15	Order intake for the first half of 2008
August 22	Midyear report 2008
October 16	Order intake for the first three quarters of 2008

The above dates and any changes are available online at www.sulzer.com/events. Media releases (via e-mail) can be subscribed to at www.sulzer.com/newsletter. Other information available on the Sulzer Web site www.sulzer.com includes details of the annual general meeting (available in the run-up to the meeting), the company profile, current share prices, presentations, and contact addresses.

Material changes

Reference is made in the text to any material changes occurring between the balance sheet date (December 31, 2007) and the copy deadline for the annual report (February 21, 2008).

Abbreviations

Abbreviation	Meaning
AFR	Accident frequency rate
ASR	Accident severity rate
EBIT	Earnings before income and taxes
EBITDA	Operating income before depreciation/amortization
EPS	Basic earnings per share
GTL	Gas-to-liquid
HPI	Hydrocarbon processing industry
ISO	International Organization for Standardization
KPI	Key performance indicator
MSDS	Material safety data sheet
OHSAS	Occupational Health and Safety Assessment Series
OTC	Over-the-counter
ROCE	Return on capital employed
ROS	Return on sales
SEED	Social, economic, and ecological data
WACC	Weighted average cost of capital

Imprint

This document may contain forward-looking statements, including, but not limited to, projections of financial developments and future performance of materials and products, containing risks and uncertainties. These statements are subject to change based on known and unknown risks and various other factors which could cause the actual results or performance to differ materially from the statements made herein.

The annual report 2007 is also available in German and online at www.sulzer.com/AR07. Furthermore, the report is available as a summary in German or in English.
The original version is in English.

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