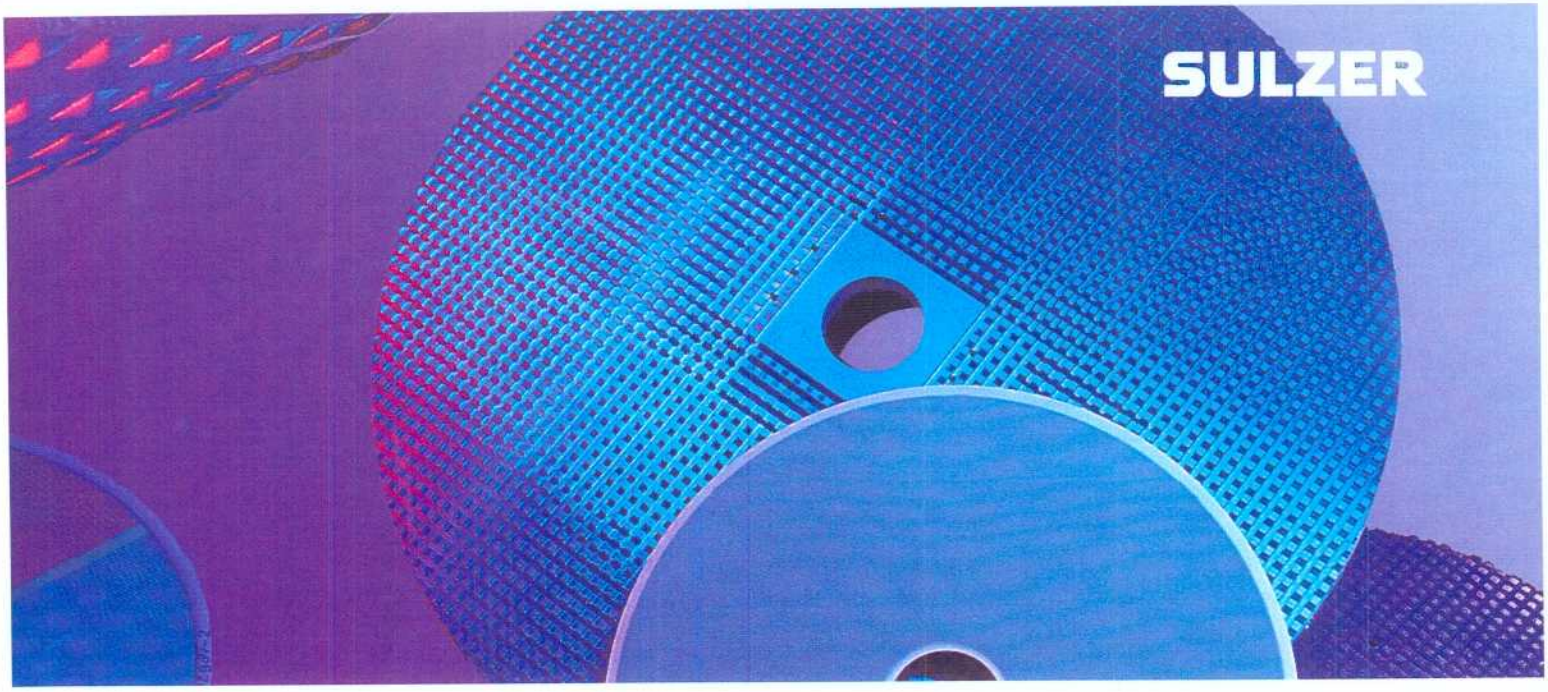

Report by the Board of Directors on the Offer by InCentive Capital AG

The board of directors recommends the rejection of InCentive Capital AG's resolutions at the AGM and of its offer for Sulzer Industries

No Incentive For Sulzer

- **We believe that InCentive's offer undervalues your Company:**
  - It undervalues the core businesses
  - It undervalues Sulzer's valuable real estate portfolio
  - It undervalues Sulzer Hexis, our fuel cell technology venture

- **InCentive's offer represents a multiple of only 4.2x 2000 EBITDA[1] for the core businesses excluding Sulzer Hexis:**
  - Some independent analysts estimate the valuation of the core businesses including Hexis to be worth almost twice as much

- **We believe that InCentive's offer ignores Sulzer's exciting prospects:**
  - Operational restructuring is already underway
  - We anticipate rapidly improving returns in the core businesses
  - The growth prospects of our core businesses are very bright

- **InCentive is only offering CHF 410 per share:**
  - Its cash offer of CHF 430 will be reduced by CHF 20, equivalent to the final dividend you should receive in respect of last year

- **InCentive offers Sulzer:**
  - No strategy
  - No new industrial ideas

- **Our recommendation to shareholders:**
  - Don't let InCentive acquire Sulzer for less than the full value of your shares

Reject InCentive's opportunistic and low offer!

[1] For glossary and further descriptions please refer to p.21

This document was originally written in German. Translation has been prepared in both English and French. In case of inconsistencies between the English, French and German versions of this response document, the German version shall prevail.

Reminder to All Shareholders of Sulzer AG

- **Your vote at the AGM on April 19 is critical!**

- **InCentive wants to take control of the Sulzer AG board on April 19**
  - It proposes to remove the whole Sulzer board
  - It proposes a new board only comprised of its own representatives having only 5% of the voting rights

- **What is InCentive offering you for control?**
  - No consideration
  - No strategy
  - No new industrial ideas

- **InCentive decided that its tender offer should not proceed unless you support their proposals at the AGM**
  - The AGM proposals and the tender offer are separate issues and need to be considered separately
  - This decision is not in the interest of our Shareholders

Say No to InCentive's AGM Proposals!

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser immediately.

This document has been prepared solely for the shareholders of Sulzer. You should take precautions to ensure that this document is not distributed to persons for whom it was not intended. If you have sold or transferred all of your Sulzer shares, please send this document, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Morgan Stanley & Co Limited, which is regulated in the United Kingdom by The Securities and Futures Authority Limited and UBS AG, acting through its business group UBS Warburg, are acting exclusively for Sulzer AG in connection with the offer by InCentive Capital and no one else in connection with the offer, and will not be responsible to anyone other than Sulzer AG for providing the protections afforded to customers of Morgan Stanley & Co Limited or UBS Warburg, nor for providing advice in connection with the contents of this document.

FORWARD LOOKING STATEMENTS

This document has been prepared as information for the shareholders of Sulzer in advance of the Annual General Meeting of April 19, 2001. This document does not constitute a prospectus for the listing of shares and subscription rights of Sulzer Medica AG on SWX Swiss Exchange, nor any kind of prospectus. No prospectus will be produced.

This document serves as a summary overview of the proposed restructuring of Sulzer and the businesses of the separated companies – Sulzer Industries and Sulzer Medica – after the restructuring is completed. Sulzer shareholders are encouraged to review the Annual Report to Shareholders recently distributed by Sulzer as well as the filings made by Sulzer Medica with the United States Securities and Exchange Commission for a more complete description of the businesses of both companies and the full financial statements of these companies.

Statements made in this document that state the beliefs or expectations of Sulzer and its management and which are not historical facts or which apply prospectively are forward-looking statements. These forward-looking statements, which include, but are not limited to, projections of future performance of materials and products, financial conditions, results of operation and cash flows, are subject to change based on known risks and unknown risks (including, in the case of Sulzer Medica, those known risks detailed from time to time in its United States Securities and Exchange Commission filings) and various other factors which could cause the actual results or performance to differ materially from the statement made herein.

Dear Shareholders

You will be aware of the unsolicited and unwelcome offer for Sulzer that InCentive Capital launched on March 30 and revised on April 6. We believe that InCentive's offer, which will be open for acceptance from April 17, 2001, is (despite its revision) opportunistic and far too low. We remain convinced that Sulzer as a standalone company offers more value to you, our shareholders, than the price proposed by InCentive.

We therefore strongly recommend that you reject the InCentive offer.

We would also take this opportunity to remind you that, separately from the offer, InCentive has also proposed certain resolutions for consideration at the company's AGM on April 19, 2001. Through these resolutions, InCentive is seeking to replace the current board with its own representatives and thereby take control of your company even before the outcome of the offer is determined. Relinquishing control of Sulzer before InCentive's offer is closed is not in the interests of Sulzer's shareholders. It would reduce the chances of an improvement in the offer, or of a higher competing offer to that of InCentive's, because at that point the board would be composed solely of InCentive appointees.

Accordingly, we strongly recommend that shareholders also reject the InCentive proposals at the AGM.

It is clear that InCentive has seen the value potential in your company and the additional value that may come from the restructuring and strategic steps that are already underway, and it is now seeking to acquire Sulzer very cheaply. It is bidding before the stock market has a chance to place a fair value on Sulzer's Industrial activities; the Sulzer board, having been so advised by UBS Warburg and Morgan Stanley as well as many independent analysts believe that Sulzer's value is materially higher than the low price offered by InCentive.

In fact, the offer price is even lower than CHF 430 per share headline price that InCentive has announced. Under the terms of the offer, the price will be reduced to CHF 410 per share once the 2000 proposed dividend of CHF 20 is distributed. A similar reduction will be made to InCentive's alternative share offer (1 InCentive share per Sulzer share combined with a contingent value right). By contrast, the offer price will not be increased once the Sulzer Medica dividend for 2000 which is around CHF 12 per Sulzer share is received by Sulzer.

The Opportunity Represented by an Investment in Sulzer

In this document, we set out the reasons why we believe that InCentive's offer substantially undervalues your company and why we believe that the future of Sulzer Industries is extremely bright. In summary:

- Our core businesses, Sulzer Pumps, Sulzer Metco, Sulzer Turbomachinery and Sulzer Chemtech, are world class and have the potential to deliver significant shareholder value:
  - each is ranked in the top 3 globally in its respective industry
  - acquisitions made in 2000 are already earnings accretive

- Our restructuring plans are underway and have already delivered significant benefits and disposal proceeds for reinvestment in the core businesses. In particular:
  - our headcount reduction and other cost reduction targets are ahead of schedule
  - we have successfully divested Sulzer Hydro and Sulzer Turbo in the last 18 months

- We own Sulzer Hexis, which we believe has developed the world's leading fuel cell technology for the residential marketplace. We believe that this will be a significant factor in Sulzer's future value:
  - technologically, we believe that we are ahead of the pack
  - we are targeting a very attractive market segment
  - some of Hexis' publicly-traded competitors, which are less advanced technologically, are valued up to several hundred million CHF

- We also own a valuable real estate portfolio:
  - the portfolio has been valued with the aid of independent appraisers in the range CHF 400-500 Million
  - we intend to sell part of the real estate portfolio over the course of the next two years for gross proceeds of up to CHF 200 Million

- In line with our spin-off plans and given our focus on our core operations, our corporate structure is becoming leaner:
  - our board is being slimmed down from 10 to 5, including one new member
  - our headquarter functions are to be scaled down, from 130 to 50 people

The Value of Sulzer

InCentive's revised offer is significantly below the price at which research analysts expect Sulzer to trade after the spin-off of Sulzer Medica, and this is before taking account of any control premium. It is interesting to note that in recent research reports Deutsche Bank, one of InCentive's financial advisors in relation to its offer, has effectively placed a trading valuation price target on Sulzer (post spin-off) of CHF 500 per share – around 16% above InCentive's cash offer.

On page 9 you will see that InCentive's offer values the core businesses of Sulzer (Sulzer Pumps, Sulzer Metco, Sulzer Turbomachinery, Sulzer Chemtech) and Hexis at around CHF 750 million – only about half of the trading value suggested by a number of independent research analysts.

Based on these analysts' figures and our analysis, Sulzer is worth clearly more than InCentive's offer, even before considering any takeover premium. Given this, we cannot see any merit in accepting InCentive's offer or approving its resolutions at the AGM.

Be wary of InCentive's offer

You should note that it is not only the offer price that we consider to be unacceptable for our shareholders. There are other aspects to the offer that we also find unattractive:

InCentive has no clear strategy for Sulzer Industries. InCentive's offer contains no clearly defined strategy for Sulzer after the spin-off of Sulzer Medica. InCentive says in its own offer document that it will adopt a "best owner" solution for each of the Sulzer businesses without defining clearly what this means. It goes on to say that it would be premature to comment on the future of the individual business units. For an investor that claims to have an industrial strategy, its proposed way forward is far from clear.

At a presentation of InCentive's offer, a representative stated that the question regarding strategy for Sulzer should not be overemphasized, this may only be of interest to the employees. This statement highlights the fact that InCentive does not place a high value on a strategy for Sulzer or its employees.

Unlike InCentive, the Sulzer board has its own clear industrial strategy for Sulzer and is convinced that the management team led by Fred Kindle will generate more value for shareholders than InCentive's approach. Also the board is convinced that its strategy will help secure a better future for the Sulzer employees, who play a key role in the implementation of Sulzer's new growth strategy.

InCentive's AGM resolutions did not need to be connected to the offer. In its offer document, InCentive asserts that the offer cannot proceed unless its AGM resolutions are approved by Sulzer's shareholders. This did not need to be the case. There is no valid reason why InCentive could not have combined its offer with an extraordinary general meeting at the end of the offer period, as would be more usual, so as to allow shareholders to make their decisions on the resolutions based on the outcome of InCentive's offer. Insisting upon tying the AGM to the offer is merely a ploy to take control of your company for free and before the outcome of the offer is known.

Potential tax risks for Swiss individual shareholders. InCentive's preliminary ruling from the Swiss federal tax authorities states that individual shareholders who accept InCentive's cash offer should be taxed on the proceeds as if it were dividend income rather than it being a tax exempt capital gain. Whilst InCentive is disputing this with the authorities, it has acknowledged that acceptance of the cash offer may have a less favourable tax treatment than acceptance of its share offer.

InCentive shares are illiquid and risky. The shares have been illiquid in the past and an increase in liquidity as a result of the takeover of Sulzer is not assured. InCentive generally describes an investment in its own shares as involving 'a high degree of risk'. It is so concerned about this point that in its revised offer terms, it has felt it necessary to underpin the value of the InCentive shares being offered using contingent value rights – but only at a price below the cash offer price, despite the guarantee being based on the InCentive share price in December 2002.

It should be noted that this guarantee will not protect shareholders if the value of the InCentive shares fall below CHF 300 each – when InCentive already acknowledges in its offer document that there is a risk that the value of its shares could fall to zero. Finally, shareholders should be aware that any guarantee will be paid in cash by InCentive, thereby further eroding the value of shares in InCentive.

The timing of the InCentive tender offer is uncertain. In its offer prospectus, InCentive has set out a timetable which can only be maintained in case several of InCentive's conditions are fulfilled. InCentive itself points out in its offer document that the execution of the tender offer could be delayed by up to six months after the extended offer period if certain conditions are not met (Part A, offer prospectus). Sulzer shareholders should therefore evaluate the risk that they may not receive the offer consideration until the end of 2001.

InCentive's offer is low and opportunistic. The board has been aware that its corporate structure, combining the industrial businesses with its holding in Sulzer Medica, has led it to suffer a conglomerate discount to the underlying value of its businesses. In January of this year, we indicated an intention to spin off Sulzer Medica as a means of eliminating the conglomerate discount and thereby enhancing shareholder value, and we had intended to detail this plan in conjunction with the announcement of our results on March 9. We believe that InCentive, having become aware of our plans, took the opportunity to pre-empt our own announcement by announcing its own spin-off proposal. InCentive's claim to have acted as a catalyst is not accurate.

Keep Sulzer Independent

We believe that we have a strategy that will generate better opportunities for our shareholders than InCentive's offer will. Our CEO, Fred Kindle, will be the leading your company with the support of Leonardo Vannotti as Chairman and a highly motivated management team whose focus will be on delivering value to you, our shareholders. Leonardo Vanotti will chair a 5 member board including a new member, Mr Louis R. Hughes. The new board will have, in Messrs Vannotti, Kleinewefers and Hughes, significant industrial and strategic experience at leading companies such as ABB, Gavazzi, General Motors and Lockheed; and in Messrs Blum and Domeniconi, many years of financial experience in organisations such as SBV, Tetra Laval, Nestle, Gucci and Bobst.

We trust that shareholders will agree that Sulzer has a bright and independent future and that InCentive's offer and AGM resolutions should be rejected to ensure it is you and not InCentive that capture the upside potential embedded in our future.

Recommendation

We continue to believe that InCentive's offer undervalues your shares and fails to take account of the company's future prospects. Accordingly, we unanimously recommend that shareholders reject the InCentive proposals at the AGM and reject the InCentive offer as each of us intend to do so with respect to our beneficial holdings.

We have been advised by UBS Warburg and Morgan Stanley in relation to this transaction. In providing advice to Sulzer's board, UBS Warburg and Morgan Stanley have taken into account the management's commercial assessments.

Action to be taken

Ensuring that InCentive does not take control of Sulzer at the AGM is very important. You can influence this by ensuring that you vote against the InCentive proposals.

Thank you for your support.

The Board of Directors of Sulzer AG

Obligatory Statements in accordance with Sects. 30-31 O-TB[1]
Special information and conflicts of interest

Intentions of Sulzer's important shareholders

Apart from InCentive and any persons acting in concert with them, the Board is not aware of any of Sulzer's shareholders holding more than 5% of the voting rights. At the same time the provisions in the Articles of Association with regard to restrictions in transferability and the restriction of voting rights must be taken note of in this context. In accordance with sect. 6, para. 4 of Sulzer AG's Articles of Association, the company may refuse "entry in the share register with voting rights, if due to such an entry a natural person or legal entity would directly or indirectly own more than 5% of votes of the registered share capital". Sect. 7 states: "with regard to own shares and shares held by proxy no person may combine in his/her person a total of more than 5% of votes resulting from the total share capital". This section also applies to a group of shareholders acting in consent. It follows from this, that none of the shareholders or groups of shareholders may hold more than 5% of voting shares and exercise such voting rights. As far as the intentions of InCentive (as an important shareholder) are concerned, reference may further be made to the offering prospectus of 30th March 2001.

Sulzer AG's intended defensive actions

Sulzer AG's Board does not intend to take defensive actions with respect to Sec. 34 O-TB.

The Board's position (incl. conflicts of interest)

- Agreements or other relationships with the offeror

None of the members of the Board and of senior management have come to any contractual agreements with InCentive, nor have they entered any other relationships with them.

- Election

Neither the Board nor the members of senior management were elected at the request of the offeror. Nor are they to be re-elected at their request. On the contrary: As can be seen from the request for the inclusion of certain proposals in the agenda (closely linked to InCentive's takeover bid), made by Incentive Investment (Jersey) Ltd., a subsidiary of InCentive, on 19th February 2001, the offeror proposes all members of the Board to date to be voted out of office and new election to the Board of five of their own representatives. This (prior) voting out of office and new appointments to the Board can also be found in the offering prospectus (cf. fig. 12 (b) (ii) and (iii)), as a condition.

- Conflicts of interest

There is no conflict of interest as defined in art. 31 O-TB with regard to Sulzer's Board and senior management. As explained above, there are no agreements or other relationships. Nor had they previously been elected by theofferor, nor is re-election intended after a successful bid. The contracts of the members of the board of directors and the executive management will remain unchanged independent of the outcome of the offer. If members of the board of directors are replaced, they lose their customary compensation arrangements. Only the president of the board, L. Vannotti, is part time employed at customary conditions and would lose his compensation arrangements only after six months in case of dismissal.

1 Ordinance of the Takeover Board on public takeover offers

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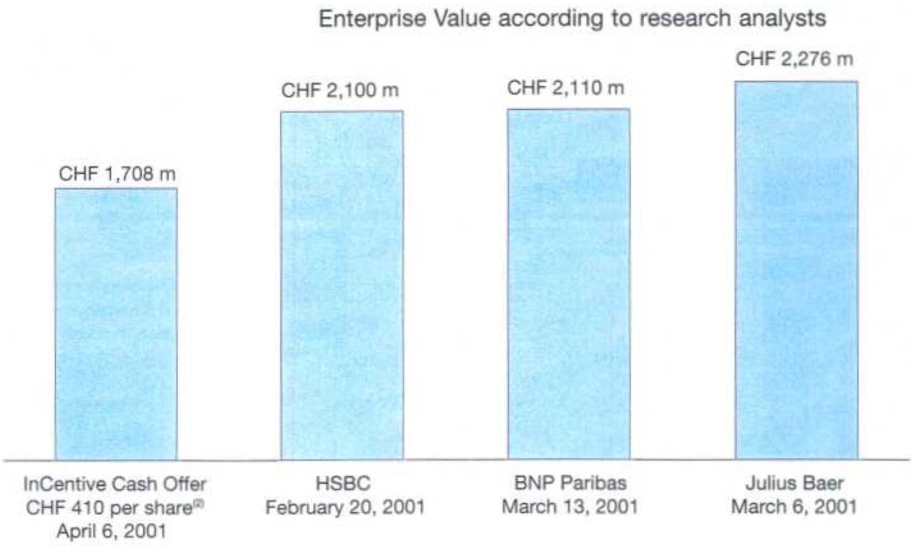
InCentive's Offer is Clearly Too Low!

- **We have considered the value of your shares using various valuation methodologies. Based on this analysis we believe InCentive's offer to be very low. On the following pages we explain our view based on selected valuation approaches.**
- **Independent research analysts have estimated a higher enterprise value for Sulzer Industries than that implied by InCentive's offer.**

Implied Value per share[1] according to own calculations:			
CHF 410	**CHF 523**	**CHF 526**	**CHF 573**



"InCentive's bid values Industrial at CHF 1.4-1.5 Bn.
We, however, suspect it is worth up to CHF 2.1 Bn"
(HSBC February 20, 2001)

"Offer for Industries is too low"
(BNP Paribas March 13, 2001)

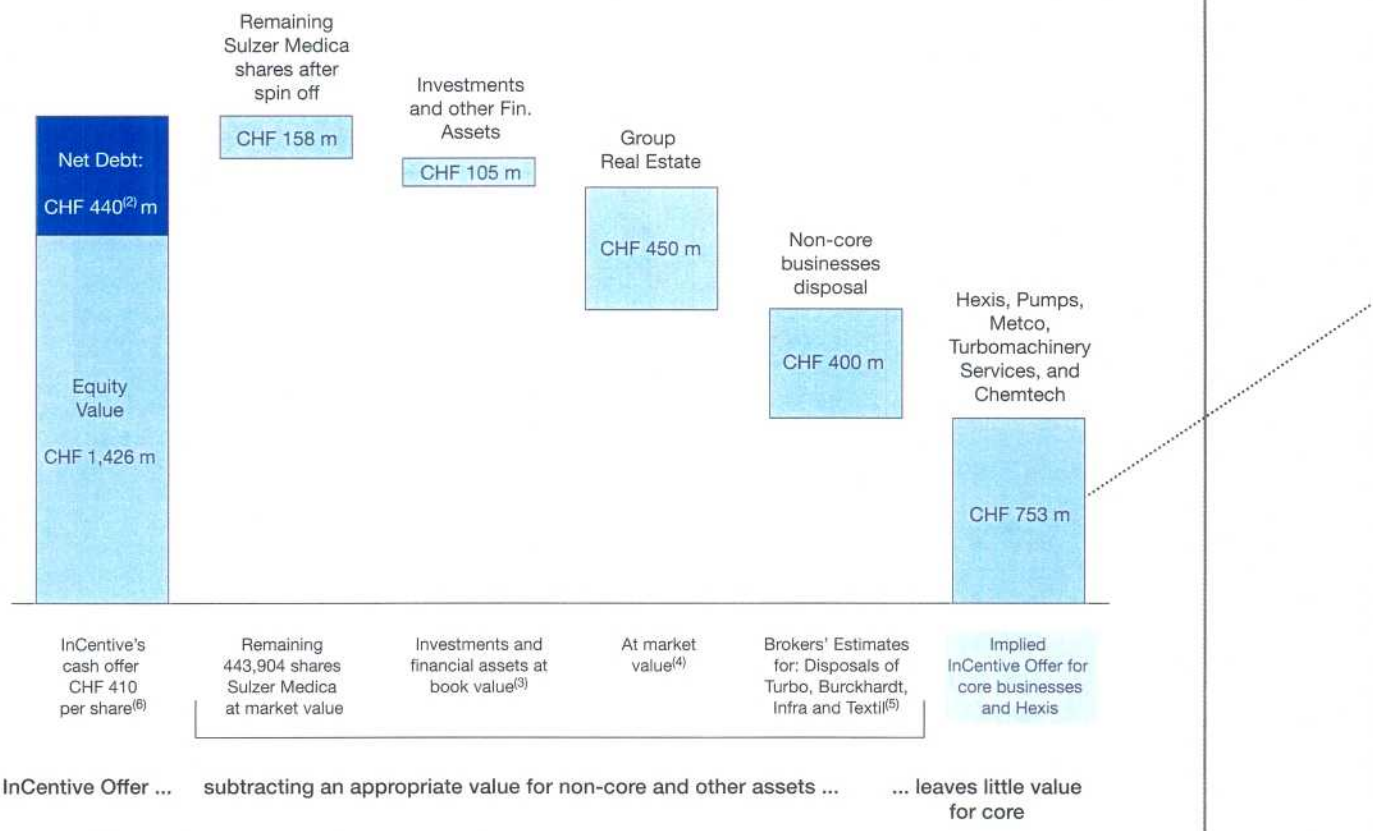
Many analysts believe that InCentive is clearly undervaluing Sulzer.

[1] Values in analyst reports refer to enterprise value. The values per share are our calculations based on the following assumptions: Net debt of CHF 282 m (pro forma net debt 2000 adjusted for the remaining Sulzer Medica shares after the spin-off, Sulzer AG dividend 2000, Sulzer Medica AG dividend 2000 and expected net cash outflows associated with one-off provisions);
Number of shares outstanding of 3,478,030 excluding 160,000 treasury shares.

[2] According to offer as of April 6, 2001. CHF 430 per share minus 2000 dividend of CHF 20 (the CHF 1,708 m include net debt of CHF 282 m).

The InCentive Offer Does Not Add Up!

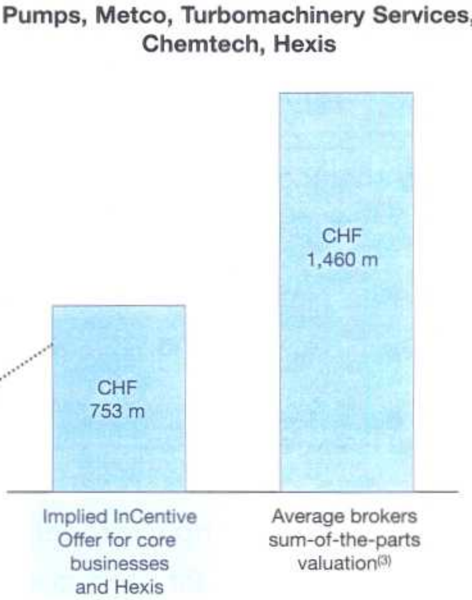
- **We believe that an analysis of InCentive's offer compared against the component parts of Sulzer (post-spin off) demonstrates how little value InCentive is attributing to our 4 core businesses and Hexis – only CHF 753 m for the lot**
- **Two independent brokers have estimated that Sulzer Pumps alone is worth CHF 600-686 m[1]**



[1] Source: BNP Paribas, March 13, 2001, Julius Bär, March 6, 2001
[2] Pro forma net debt 2000 excluding undistributed Sulzer Medica shares at book value adjusted for Sulzer AG dividend 2000, Sulzer Medica dividend 2000 and costs associated with provisions
[3] Investments and other financial assets include the remaining investment in Voith AG, but exclude the investment in Technopark AG
[4] Mid-point of valuation range asserted by external and independent valuers
[5] Source: Julius Bär, March 6, 2001, BNP Paribas, March 13, 2001
[6] According to offer as of April 6, 2001. CHF 430 per share minus 2000 dividend of CHF 20

InCentive's Offer Undervalues The Core Businesses

InCentive wants to buy the core businesses and Hexis for just CHF 753 m



Sulzer Industries Core Businesses	EBITDA (CHF m) 2000 Pro Forma[1]
Sulzer Pumps	85
Sulzer Metco	55
Sulzer Turbomachinery Services	25
Sulzer Chemtech	6
Total Core	171
Share of Others[2]	7
Total	**178**

Independent brokers think the four core businesses and Hexis should be worth a little under double what InCentive's offer implies

Based upon the 2000 Pro Forma EBITDA, InCentive's cash offer represents a lowly multiple on the four core businesses of only

4.2x

This is before attributing any value at all to Hexis!

How can InCentive's offer make any sense?

[1] Pro forma adjustments to take into account the full financial year 2000 of Ahlstrom Pumps (accounted for 7 months only in Sulzer 2000 accounts), and Interturbine
[2] Others for group and Industries excluding operating profit of group real estate and Sulzer Hexis
[3] Sum-of-the-parts valuations by Julius Bär, March 6, 2001 and BNP Paribas, March 13, 2001, and implied multiples based on own calculations

Sulzer Industries: 3 Pillars of Value

We believe that after the spin-off of Sulzer Medica your company has an exciting independent future.

▶ Core Portfolio of 4 Leading Businesses

- Rapidly improving returns
- Each with top 3 market positions
- Operational restructuring delivering results
- Portfolio being actively managed to maximise shareholder value

▶ Sulzer Hexis Success Story

- Leading residential fuel cell business with growth expectations
- Proven technology – 65,000 hours of successful testing
- Estimated shareholder value creation potential is exceptional

▶ Real Estate

- The portfolio of centrally-managed real estate is estimated, with the help of reported independent real estate appraisers, at a market value in the range of CHF 400-500 m (or CHF 115-144 per share)[1]
- The portfolio will be actively managed and we estimate gross proceeds of up to CHF 200 m from divesting certain assets over the next 2 years

Do not sell your Company short, before the benefits are realised

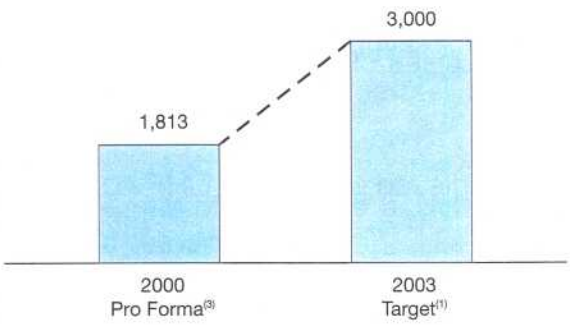
[1] This portfolio represents that part of Sulzer AG's world-wide real estate portfolio which is not allocated to the divisions but is centrally managed as a profit centre

Leading Businesses with Excellent Market Positions

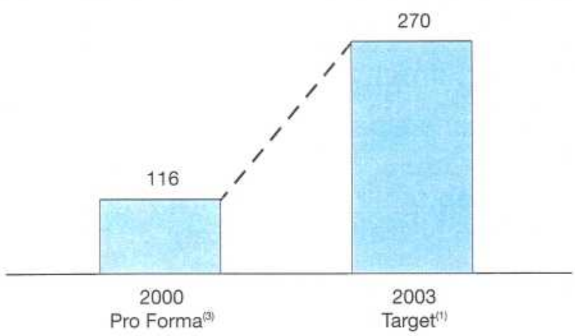
▶ Core Businesses are Driving Growth

- Strong organic and acquisitive growth is expected to continue
- We expect margin improvements to continue
  - Our 2003 Operating Income margin target is 9%

Pro Forma Sales of Core Businesses
CHF m



Pro Forma Operating Income(2) of Core Businesses CHF m



▶ Leading positions in attractive markets

- The outlook for all our businesses is strong. It is driven by either anticipated margin improvement or the recovery of selected markets

Our Outlook 2001 vs. 2000(4)	Sulzer Pumps	Sulzer Metco	Sulzer Turbomachinery Services	Sulzer Chemtech
Market	→	→	↗	↗
Sales	↑	↑	↑	↗
Operating Profits(2)	↑	↗	↑	↑

→ stable ↗ moderate growth ↑ fast growing

Core businesses are already delivering and are poised for further growth

[1] 2003 figures represent targets set by management
[2] Before goodwill amortisation and exceptional items
[3] Pro Forma for acquisitions of Ahlstrom Pumps and Interturbine for financial year 2000
[4] Including impact from acquisitions, source: management

Restructuring Ahead of Plan

- **"Project Performance" is a key part of our operational improvement programme. It has focused on the following measures:**
  - Headcount reduction:
    - 2002 target of 1,900 (1,400 achieved to date)
  - Other cost reduction targets:
    - Migration of production to low cost countries
    - Plant consolidation
    - Restructuring and in some cases closure of sales offices
    - Consolidation of competence centres
  - These other cost reduction measures have achieved savings of CHF 40 m in 2000 (vs. a target of CHF 30 m)

Significant progress has been made and the programme is ahead of plan

Value Creation Through Active Portfolio Management

We aim to actively manage our portfolio of businesses to maximise shareholder value:

- **Four core businesses have been identified:**
  - Sulzer Pumps, Sulzer Metco, Sulzer Turbomachinery Services, Sulzer Chemtech
  - Each has leading market positions
  - We believe that they will deliver superior growth and returns
  - Value creation potential is clear
  - Our goal is to enhance their market positions and value potential

- **Disposals of non-core activities are a key part of our active portfolio management**
  - Sulzer Hydro and Sulzer Turbo have been divested in the last 18 months on attractive terms
  - We intend to divest three additional businesses this year

- **Our investment goal is to deliver additional value**
  - In the last 12 months we have acquired Ahlstrom Pumps, which has strengthened our Pumps business, and Interturbine, which has contributed to both our Turbomachinery Services and Metco businesses
  - Both have been earnings accretive

Significant value creation potential from active management of core portfolio

The Sulzer Hexis Success Story

- **Sulzer Hexis – A world leader in Residential Fuel Cells:**
  - We believe that fuel cells have the potential to revolutionize the heat and electricity supply of our homes
  - The technology will increase the efficiency of energy production (electricity and heat) to over 85%
  - It is designed to be economic, efficient and environmentally friendly

- **We are targeting the attractive marketplace – energy for the home:**
  - Although initial investments in a home fuel cell are higher than for a boiler system, the annual running costs are lower due to the additional electricity produced
  - Compared to fuel cells for automotive applications, our residential fuel cells are less constrained by weight, heat and size requirements and thus allow for product improvements to focus on the crucial aspects of power production efficiency and cost

- **We have a leading technological position:**
  - Our key technology is already proven – our Hexis units have logged more than 65,000 hours of operation since 1998
  - We believe that we are the closest to commercialisation
  - Our product will fit into the average home and it only needs a natural gas supply

- **Our path to commercialisation is clear:**
  - We have signed manufacturing partnerships with leading European and Japanese companies
  - Letters of intent for 300 fuel cells have been signed with leading gas utilities in Germany – 200 of these have been converted into firm contracts

Hexis: on the path to become the world's leading residential fuel cell company and heading to commercialisation

Sulzer Hexis: Very Significant Value Potential

▶ **Our commercial targets for Hexis are clear and achievable**

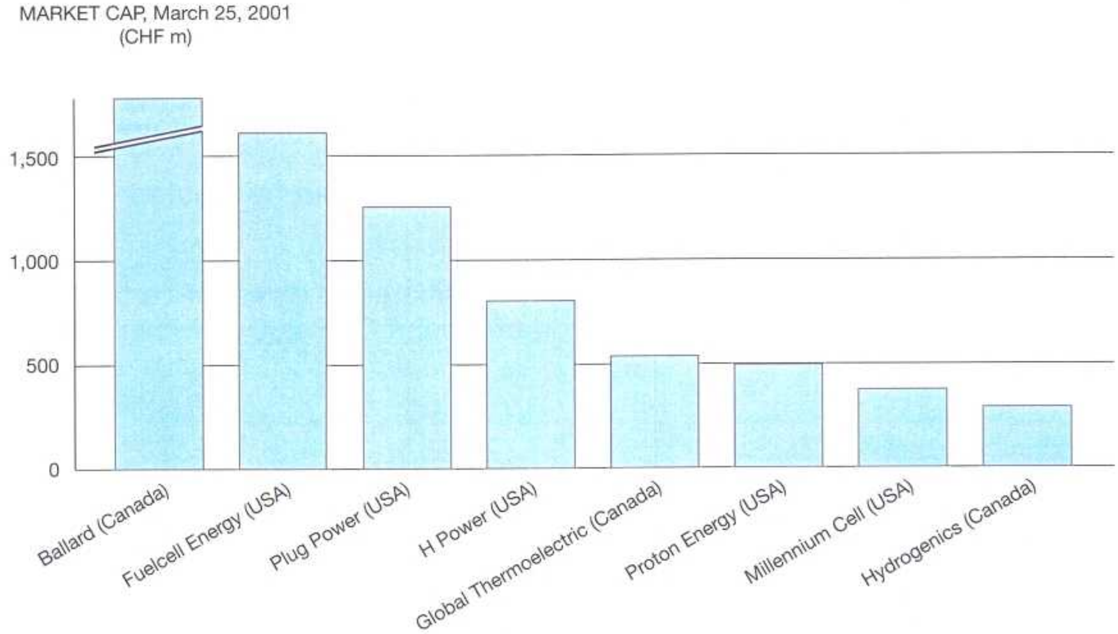
Targets	2005	2010
▪ Key Markets	▪ Europe	▪ Europe & US
▪ Market Shares	▪ 1%	▪ 4%
▪ Unit Price	▪ CHF 7,500	▪ CHF 3,650
▪ Sales	▪ CHF 75 m	▪ CHF 950 m

▶ **Hexis stands out as a leading Fuel Cell technology company, in our view:**

- Our fuel cell technology is more advanced than that of our competitors
- We are targeting a more attractive marketplace – the home
- We are ahead of the pack on the route to commercialisation

▶ **Global Fuel Cell Companies are highly valued by the market**

- We show below the market capitalisation of other quoted fuel cell companies



Sulzer Hexis has what it needs to deliver truly exceptional growth and value

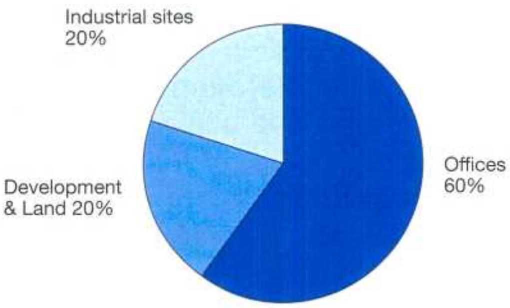
Substantial Value in Group Real Estate

Significant Portfolio of Group Real Estate

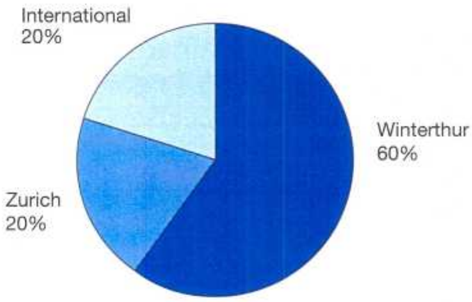
- As a consequence of its history, Sulzer owns a portfolio of real estate[1] which it manages as a profit centre and which represents substantial value
- The real estate is generally rented to third parties and certain business units
- The majority of the assets comprises offices in prime and good locations within Switzerland and abroad, as well as industrial sites, often targeted for redevelopment projects

Overview of Group Real Estate Portfolio

Estimated Market Value by Use



Estimated Market Value by Location



Substantial Value of Group Real Estate Portfolio

- The current market value is estimated in the range of CHF 400-500 m (equal to CHF 115-144 per share) after allowing for estimated redevelopment costs
- The valuation is supported by recent appraisals carried out by reputed independent real estate appraisers
- An accelerated disposal programme has been initiated to divest of certain assets with estimated gross consideration of around CHF 200 m within the next two years

Substantial hidden value to be released

[1] Profits from this portfolio are not accounted for by the divisions and are mostly not incorporated into group operating profit. For the Sulzer valuation analysis this real estate portfolio has therefore been valued separately

How Will InCentive Create Value for Sulzer?

- **Does InCentive have a proven track record of managing industrial companies?**
  - InCentive claims a "proven track record" with "corporate change and industrial vision since 1985"[1]
  - But four out of the six transactions highlighted by InCentive in their acquisition record arose through their investment in Ateliers des Charmilles between 1986 and 1994, together with an MBO exit in 1997
  - The other two transactions consist of (i) buying a minority position in an insurance group in 1997/8 which was sold during 2000 and (ii) the merger with India Investment AG

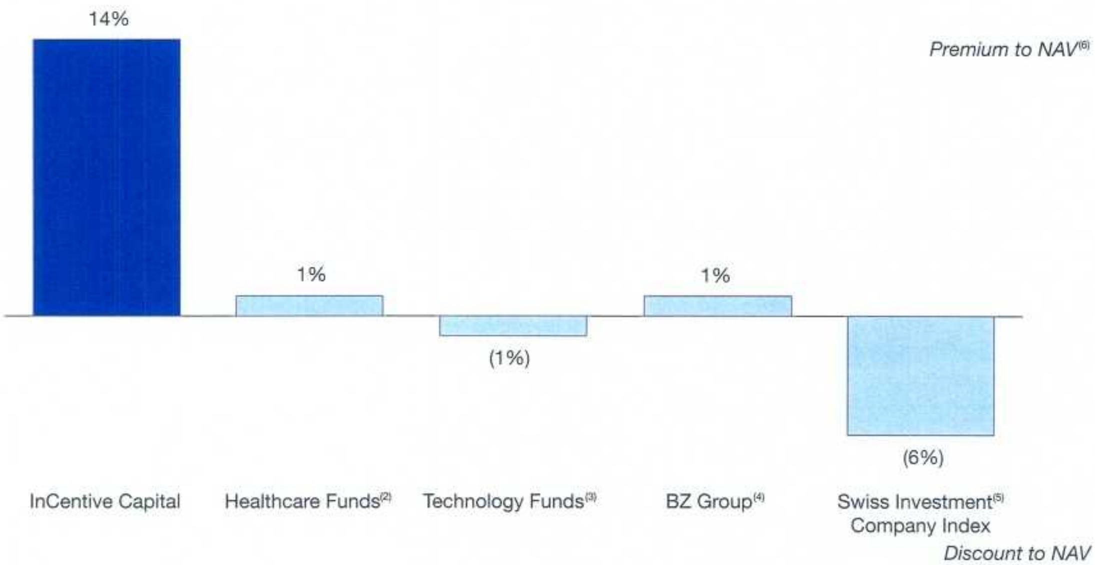
- **What is InCentive's strategy for Sulzer Industries?**
  - It doesn't have one yet. It says that it will work one out once it has acquired control
  - We do have a strategy. It is clear and has already begun to deliver results
  - Our team is focused on delivering value to all our shareholders for the long term

InCentive offers No Value Creation, No New Ideas, No Relevant Experience

[1] Source: InCentive analyst and media presentation, February 19, 2001

Why You Don't Want InCentive Stock

- **InCentive shares are:**
  - **Risky:**
    - As stated in its prospectus[1], InCentive avoids traditional asset allocation procedures as a means of mitigating investment risk
    - This process may result in a relatively high level of concentration risk
  - **Trading at a premium, but illiquid:**
    - InCentive is trading above its Net Asset Value ("NAV")
    - Other Swiss investment vehicles trade at discounts to NAV
    - This may be due to its low liquidity



- **InCentive's investments in early stage companies**
  - InCentive says it also invests in unquoted early stage companies which may provide no liquidity but involve high degree of business and financial risk
- **InCentive's performance in key areas is not fully disclosed:**
  - Incentive needs to highlight its performance more clearly

InCentive's Stock is Illiquid and Risky

[1] Appendix C, Page 27 of the InCentive offer
[2] Includes BB Biotech, BB Medtech
[3] Includes A&A Early Bird, BTT Telekom, MicroValue, NETInvest, New Venturec
[4] Includes: Pharma Vision, Spezialitaeten Vision, Stillhalter Vision, BK Vision
[5] Swiss Investment Companies Index Includes 32 companies
[6] Source: Bloomberg as of March 30, 2001

Tax Treatment of Spin-off and Takeover Bid

Under the terms of the tax rulings received from the Swiss federal tax administration and Zurich's cantonal tax administration, Swiss shareholders holding Sulzer shares as private property will not be liable to any Swiss federal, cantonal or withholding taxes in relation to the capital reduction element of the spin-off (i.e. CHF 59.97 per share). However, the dividend in kind element of the spin-off (CHF 0.03 grossed-up by a withholding tax of CHF 0.01615, totaling CHF 0.04615 per share) will be treated as dividend income and will be subject to Swiss income tax.

For Swiss shareholders holding Sulzer shares as business assets the nominal capital reduction and the transfer of 2 shares of Sulzer Medica have no tax impact, provided that the book value of their Sulzer shares prior to the spin-off is allocated in a reasonable manner between the Sulzer shares and the new shares in Sulzer Medica. Subject to Swiss income/profit tax is the refundable Swiss withholding tax of CHF 0.01615.

The dividend in kind of CHF 0.03 plus a grossed-up withholding tax of CHF 0.01615 per share will for all shareholders be subject to Swiss withholding tax of 35% (CHF 0.01615), fully refundable for Swiss shareholders. Shareholders domiciled abroad are entitled to full or partial refund of the withholding tax, if their country of domicile has concluded an according tax treaty with Switzerland.

According to the public tender offer of InCentive the exchange of Sulzer shares into InCentive shares shall not be subject to federal income tax for individual shareholders domiciled in Switzerland holding their shares as part of their private property. However, such information is **not** covered by the tax ruling dated 6 March 2001. Therefore, according to the practice of the federal tax administration the increase in the nominal value resulting from the exchange (about CHF 0.015 per Sulzer Share exchanged) will probably be subject not only to cantonal income taxes but also to direct federal taxes.

The income tax treatment of InCentive's cash alternative for individual shareholders domiciled in Switzerland holding their shares as part of their private property is not certain. The difference between the purchase price (CHF 430) and the Sulzer share's nominal value (CHF 0.03) is subject to the federal income tax. InCentive will try to carry through the opposite point of view in further discussions.

According to the public tender offer, the purchase price as well as the exchange ratio will be reduced in proportion to the dividend declared by the General Meeting of the shareholders. Basically, the sale as well as the exchange of Sulzer shares held by Swiss shareholders as part of their private property leads to a private capital gain not subject to taxation (provided that the federal tax administration does not prevail with its opinion concerning the sale of the shares).

Deducting the proposed dividend of CHF 20 per Sulzer share from the purchase as well as the exchange price, only CHF 410 qualify possibly as tax free capital gain, while the dividend of CHF 20 is taxed in any case as income. However, if the federal tax administration's intention to subject the difference between purchase price and nominal value of the Sulzer share to federal income tax is carried through, then for the cash offer it does not matter any more whether a dividend is declared and deducted, since the sum of the mentioned difference and the dividend will be considered as taxable income.

Under both tax rulings (the ruling of InCentive as well as the ruling which Sulzer obtained from the federal tax administration) the spin-off of Sulzer Medica qualifies basically as a tax neutral reorganisation under Swiss tax law. However, for capital issue tax purposes such tax neutrality depends on the condition that within a blocking period of 5 years neither Sulzer Medica shares nor Sulzer shares representing one third of the voting rights are sold to a single shareholder or a group of shareholders acting together. This condition is broken if the following tender offer of InCentive does not qualify in its turn as tax neutral reorganisation. This would be the case if more than 50% of the Sulzer shareholders selling their shares would accept the cash offer instead of the share offer. A violation of the blocking period has the consequence of a subsequent disqualification of the tax neutrality. The spin-off of Sulzer Medica would then be subject to the capital issue tax of some CHF 28 million. At the same time the blocking period which has started with the 1997 Sulzer Medica spin-off would also be violated and an additional capital issue tax of some CHF 18 million would be levied.

Glossary and Definitions

Enterprise Value	Equity Value plus Net Debt
EBITDA (Gross cashflow)	Earnings before interest, tax, depreciation and amortisation and exceptional items
Free Float	Percentage of widely held shares outstanding
NAV	The Net Asset Value is the intrinsic value of the company. It is determined by ascertaining the value of the total assets of the company and deducting the total liabilities of the company
Net Debt	Total debt plus minority interests less cash and cash equivalents (including marketable securities)
Pro Forma Net Debt 2000	Net Debt Sulzer Industries pro forma as of December 31, 2000 of CHF 287 Million as shown on page 27 of the shareholder circular on the spin-off dated March 29, 2000. This figure includes the 123,940 undistributed Sulzer Medica shares after the spin off; those shares are accounted for at their book value of CHF 18 Million
Group Real Estate	Non-operational and operational real estate, not owned by Sulzer divisions, centrally managed as a profit center. Profit from real estate not accounted for by divisions. This real estate is therefore valued separately
Remaining Sulzer Medica Shares	443,940 Sulzer Medica shares representing: – The undistributed Medica shares: out of the 7,400,000 Sulzer Medica shares held by Sulzer, 123,940 will not be distributed at the spin off. 123,940 represents the difference between two times the number of Sulzer shares and the number of Sulzer Medica shares held by Sulzer. Their value at market as of March 30, 2001 is around CHF 44 Million (CHF 357/share) – The 320,000 Sulzer Medica shares received in respect to the 160,000 Sulzer treasury shares held by Sulzer AG before the spin off. Their value at market as of March 30 is CHF 115 Million (CH 357/share) Their total value at market as of March 30 is CHF 158 Million (CHF 357/share)
Spin-off	The Sulzer Medica spin-off from Sulzer as proposed by the board
Sulzer AG Dividend for 2000	Dividend for 2000 paid by Sulzer AG to its shareholders of CHF 20 per outstanding Sulzer AG share excluding treasury stocks. Total cash outflow represents CHF 69 Million
Sulzer Medica AG Dividend for 2000	Dividend for 2000 of CHF 6 per Sulzer Medica share. Total cash inflow to Sulzer AG represents CHF 44 Million
Sulzer Shares Outstanding	3,478,030 Sulzer AG shares outstanding (excluding 160,000 treasury shares to be kept until conversion of convertible bond outstanding)
Sum-of-the-parts	Valuation method based on assessing the value of each of the different assets and adding together the value of each asset and liability in the company

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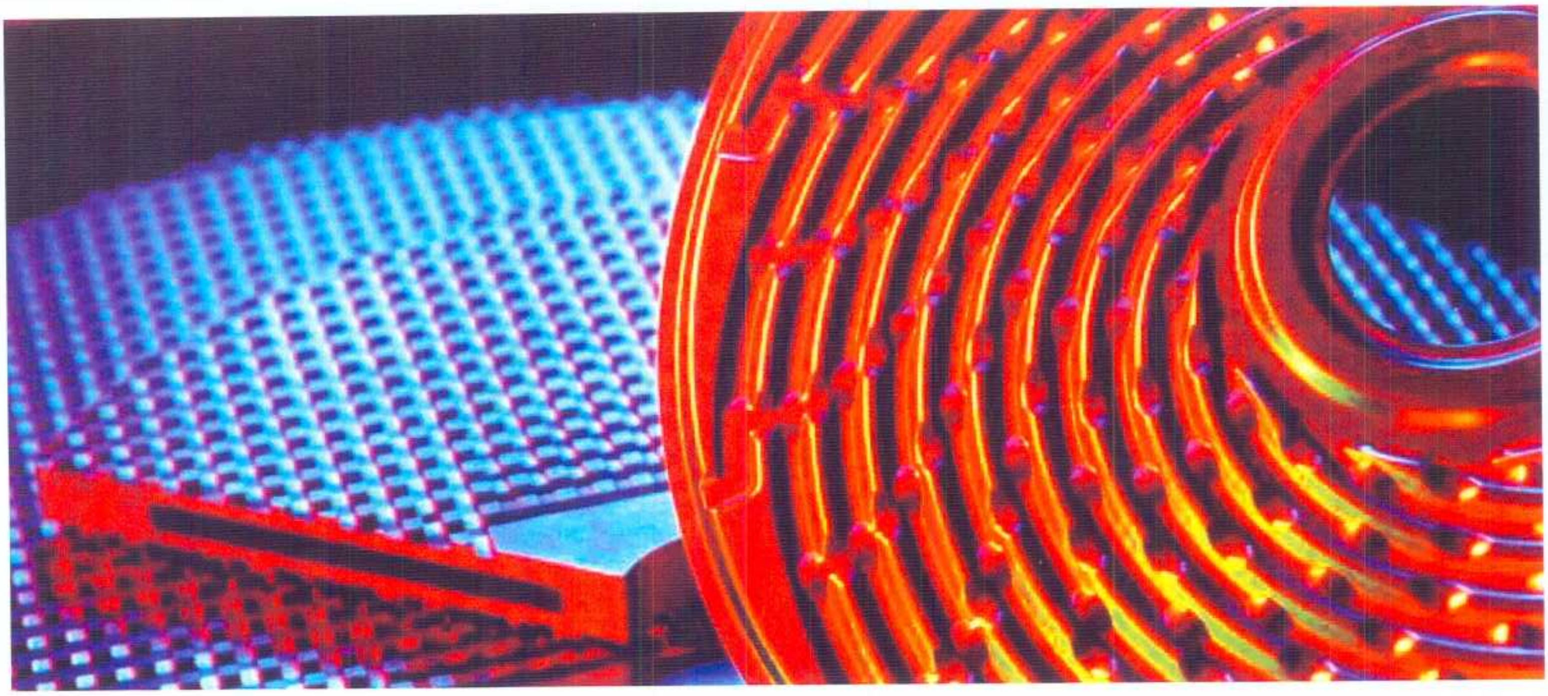

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