SULZER MEDICA LTD
Form 20-F
May 17, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 17, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-14564

SULZER MEDICA LTD
(Exact name of Registrant as specified in its charter)

N/A
(Translation of registrant's name into English)

SWITZERLAND	SWITZERLAND
(Jurisdiction of Incorporation or	ANDREASSTRASSE 15, 8050 ZURICH

Organization) (Address of Principal Executive Offices)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
American Depositary Shares, each representing 0.1 Registered Share	New York Stock Exchange
Registered Shares, par value CHF30 per share	New York Stock Exchange*

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE
(Title of Class)

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT:
NONE
(Title of Class)

INDICATE THE NUMBER OF OUTSTANDING SHARES OF EACH OF THE ISSUER'S CLASSES OF CAPITAL OR COMMON STOCK AS OF THE CLOSE OF THE PERIOD COVERED BY THE ANNUAL REPORT.

As of December 31, 2001, 9,933,556 outstanding Registered Shares, par value CHF30 per share.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 [X] Item 18

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* Not for trading, but only in connection with the registration of American Depositary Shares.

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INTRODUCTION AND USE OF CERTAIN TERMS

Sulzer Medica's consolidated financial statements included herein are presented in Swiss francs, prepared in accordance with International Accounting Standards ("IAS") and reconciled to generally accepted accounting principles in the United States ("U.S. GAAP"). See Note 31 to the Consolidated Financial Statements for this reconciliation to U.S. GAAP. In this annual report, all references to (i) "CHF" or "Swiss francs" are to the currency of Switzerland and (ii) "U.S. dollars," "$", "USD", or "US$" are to the currency of the United States. All monetary amounts in this Annual Report are presented in Swiss francs, except as otherwise stated herein. See Item 3.A "Selected Financial Data" for information regarding the rates of exchange between the Swiss franc and the U.S. dollar during the most recent five years.

All references herein to the "Company" are to Sulzer Medica Ltd and, as the context requires, its consolidated subsidiaries and the group of Sulzer Ltd subsidiaries that conducted the business of the "Sulzer Medica" division of Sulzer Ltd prior to the recapitalization of Sulzer Medica.

This Annual Report on Form 20-F contains a number of forward-looking statements. These statements are based on the best judgment of the Sulzer Medica management team based on information currently available. There are numerous factors relating to government regulation, product development and marketing, patents, litigation and more, which may affect Sulzer's ability to achieve its goals. Sulzer undertakes no obligation to publicly update or revise any of these statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A SELECTED FINANCIAL DATA

All financial data should be read in conjunction with "Item 5. Operating Review and Prospects" and our consolidated financial statements and accompanying notes which are included elsewhere in this Form 20-F. The audited financial statements used to create the selected consolidated financial data set forth below were prepared in accordance with IAS, which differs in certain respects from US GAAP. For a discussion of the significant differences between IAS and US GAAP, see "Item 17. Financial Statements -- note 31."

BALANCE SHEET DATA
(USING IAS)

	AS OF DECEMBER 31				
	2001 CHF	2000 CHF	1999 CHF	1998 CHF	1997 CHF
	(AMOUNTS IN MILLIONS)				
Cash and cash equivalents	156	633	546	139	987
Total assets	2,871	2,525	2,391	2,242	2,310
Short-term borrowings	75	86	105	480	365
Long-term borrowings	20	19	31	288	430
Shareholders' equity	784	1,993	1,839	1,220	1,173
Return on equity	(85.9)%	10.0%	8.4%	12.0%	13.6%
Net assets	791	1,998	1,843	1,223	1,175
Capital stock	300	300	300	300	300

The shareholders' equity determined in accordance with U.S. GAAP in 2001, 2000, and 1999, respectively, was CHF 872 million, CHF 2,060 million and CHF 1,929 million.

The total assets determined in accordance with U.S. GAAP in 2001, 2000 and 1999 respectively, was CHF 2959 million, CHF 2592 million and CHF 2481 million.

INCOME STATEMENT DATA
(USING IAS)

	YEAR ENDED DECEMBER 31				
	2001 CHF	2000 CHF	1999 CHF	1998 CHF	1997 CHF
	(AMOUNTS IN MILLIONS, EXCEPT SHARE DATA)				
Net sales					
Orthopedics	1,150	1,097	972	877	705
Cardiovascular Prostheses	268	250	210	223	220
Total net sales	1,418	1,347	1,182	1,100	925
Gross profit	878	927	823	759	620
Selling, general and administrative expense	(648)	(555)	(490)	(437)	(353)

Research and development expense.....	(130)	(108)	(98)	(89)	(78)
Operating income before exceptional items and goodwill amortization.....	100	270	234	243	186

INCOME STATEMENT DATA
(USING IAS)

	YEAR ENDED DECEMBER 31				
	2001 CHF	2000 CHF	1999 CHF	1998 CHF	1997 CHF
	(AMOUNTS IN MILLIONS, EXCEPT SHARE DATA)				
Net income.....	(1,193)	190	483	143	149
Operating income before exceptional items and goodwill amortization per share.....	10.03	27.01	23.43	24.32	21.65
Basic income per share.....	(119.62)	19.01	48.37	14.32	17.34
Basic income per ADS.....	(11.96)	1.90	4.84	1.43	1.73
Diluted income per share(1).....	(119.62)	18.98	48.37	14.32	17.34
Diluted income per ADS.....	(11.96)	1.90	4.84	1.43	1.73
Other Data:					
Number of employees at year-end.....	3,894	3,397	3,174	3,243	2,826

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(1) Diluted income per share is calculated on the weighted average number of 9,973 thousand shares (2000 -- 10,012 thousand shares, 1999 -- 9,986 thousand shares, 1998 -- 9,988 thousand shares and 1997 -- 8,592 thousand shares) after the allotment of shares under option schemes.

The net income (net loss) determined in accordance with U.S. GAAP in 2001, 2000 and 1999 respectively, was CHF -- 1162 million, CHF 189 million and CHF 733 million as explained in Note 31 to the Consolidated Financial Statements. The diluted income per share determined in accordance with U.S. GAAP in 2001, 2000 and 1999 respectively, was CHF 116.51, CHF 18.88 and CHF 73.40.

All of the financial data presented in the Income statement is presented on a continuing basis.

CASH DIVIDENDS PER SHARE

Cash dividends are translated into U.S. dollars at the spot rate on the payment date. Because dividends are paid by the Company in Swiss francs, exchange rate fluctuations will affect the U.S. dollar amounts received by the holders of ADS'. The Company paid no dividends for the year ended 2001.

YEAR EARNED	MONTH AND YEAR PAID	TOTAL DIVIDEND PER SHARE CHF	TOTAL DIVIDEND PER SHARE USD	TOTAL DIVIDEND PER ADS USD
1997.....	April 1998	4.50	3.03	0.30

1998	April 1999	4.50	2.95	0.29
1999	April 2000	5.00	2.87	0.29
2000	April 2001	6.00	3.43	0.34

The table below sets forth, for the periods indicated, information concerning the exchange rate for Swiss francs expressed in Swiss francs per U.S. dollar. The rate in effect on May 13, 2002 was CHF 1.60 = USD 1.00.

(CLOSING PRICES)	AVERAGE	HIGH	LOW	AT PERIOD END
1996	1.24	1.35	1.16	1.34
1997	1.45	1.53	1.34	1.46
1998	1.45	1.54	1.31	1.38
1999	1.50	1.60	1.36	1.59
2000	1.69	1.82	1.55	1.61
2001	1.69	1.81	1.58	1.66
November 2001		1.67	1.63	
December 2001		1.69	1.63	
January 2002		1.72	1.64	
February 2002		1.71	1.68	
March 2002		1.71	1.65	
April 2002		1.68	1.62	
May 1, 2002 (through May 13, 2002)		1.59	1.61	

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D RISK FACTORS

You should consider carefully the following risk factors in addition to all of the other information set forth in this annual report. There may be other risks not described below that could impair our business operations because they are not currently known or seem immaterial at present. The Company's business, financial condition or results of operations may be materially adversely affected by any of these risks.

PRODUCT LIABILITY AND LITIGATION

The development, manufacture and sale of medical devices and products entail significant risk of product liability claims or recalls. Design defects and manufacturing defects with respect to products sold by the Company could result in exacerbation of a patient's condition, further injury or even death. The occurrence of such an event could result in product liability claims or a recall of one or more of the Company's products. There can be no assurance that the Company's current product liability insurance will cover all future

liabilities it might incur in connection with the development, manufacture or sale of its current and potential products. In addition, the Company may not continue to be able to obtain insurance on satisfactory terms or in adequate

amounts. A successful claim or claims brought against the Company in excess of available insurance coverage could have a material adverse effect on the Company. Moreover, product liability claims or product recalls in the future could, regardless of their outcome, have a material adverse effect on the Company's reputation and on its ability to obtain and retain customers for its products.

On December 5, 2000, Sulzer Orthopedics Inc. ("Sulzer Orthopedics"), a subsidiary of the Company located in Austin, Texas, issued a voluntary recall of certain lots of Inter-Op acetabular shells manufactured and sold by Sulzer Orthopedics. As of March 7, 2002, the Company and/or its subsidiaries have been served with 1,989 lawsuits in federal and state or provincial courts in the United States and Canada alleging injuries as a result of these Inter-Op acetabular shells. Sulzer Orthopedics also informed the U.S. Food and Drug Administration of its ongoing investigation of a porous coated tibia base plate that was manufactured from July to December 2000.

A number of adverse clinical outcomes have been reported so far and, as of March 7, 2002, 585 revision surgeries have been reported to Sulzer Orthopedics and the Company and/or its subsidiaries have been served with a total of 86 lawsuits in U.S. federal and state courts. On June 19, 2001, the Judicial Panel on Multi-District Litigation ("MDL") ordered that all Inter-Op lawsuits filed in federal courts be consolidated for pre-trial proceedings in the U.S. District Court (N.D. Ohio) in Cleveland, Ohio. On August 29, 2001, the Court provisionally certified a class and granted preliminary approved to the parties' settlement agreement; and on September 17, the Court issued an order enjoining all further proceedings in other federal and state courts. The parties have renegotiated the initial settlement agreement. The revised settlement agreement (the "MDL Settlement Agreement") provides for the Company to contribute USD 725 million in the form of USD 425 million in cash and USD 300 million in Convertible Callable instruments (CCI). In addition, Sulzer AG, a Swiss corporation, which until July 2001 owned approximately 74% of the Company, has agreed to pay USD 50 million in cash and contribute 480,349 shares in the Company. In addition, XL Winterthur International Insurance Switzerland, "Winterthur", the Company's insurer for the relevant policy years, has agreed to assign all the remaining amounts of the policy covering the period form April 1, 2000 to March 31, 2001, with the consent of Sulzer AG and Sulzer Medica AG, and, furthermore, "Winterthur" has agreed to pay an amount of USD 40 million into an escrow account for the eventual transfer into the settlement trust, with reference to the policy covering the period of April 1, 2001 to March 31, 2002. On March 13, 2002, the Company and the Plaintiffs have signed the MDL Settlement Agreement and the U.S. District Court in Cleveland, Ohio, granted preliminary approval. On May 8, 2002, the Court granted final approval to the MDL Settlement Agreement. The patients will have the right to reject this settlement by choosing to opt-out. The opt-out period is scheduled to end on May 15, 2002. If the number of opt-outs is too large, Sulzer Medica may exercise its right to terminate the MDL Settlement Agreement and withdraw from the settlement. In such an event, Sulzer Medica's subsidiary, Sulzer Orthopedics Inc., may consider filing for protection under Chapter 11 of the Bankruptcy Code. See "Item 8.A.7 Legal Proceedings" for further information.

UNCERTAINTY RELATING TO THIRD-PARTY REIMBURSEMENT

In Europe, the United States and Japan, the Company faces price control pressures as a result of efforts by governments and other payers interested in limiting overall health care costs. Typically, however, they include such features as fixed pricing of products, fixed annual budgets for hospitals and other similar institutions and a limited number of approved products for each medical condition. The ability of physicians, hospitals and other users of a company's products to obtain appropriate reimbursement from governmental and private third-party payers for procedures in which the company's products are used is critical to the success of the Company. Also adverse changes in

governmental and private payers' policies toward reimbursement for such procedures could have a material adverse effect on the Company's business, financial condition and results of operations. See "Item 4.B Business Overview."

CURRENCY FLUCTUATIONS

Due to significant international operations the Company's financial statements, which are presented in Swiss francs, are impacted by foreign exchange fluctuations. Changes in exchange rates between the Swiss franc and the main other operating currencies (US dollar, Euro, Great Britain pound, Japanese yen) can result in increases or decreases in the Company's costs and earnings. Fluctuations in exchange rates between the Swiss franc and other currencies may also affect the book value of our assets outside Switzerland and the amount of shareholders' equity. See "Item 11 Quantitative and Qualitative Disclosure About Market Risk."

COMPETITION

The orthopedic and cardiovascular device industries are highly competitive and are characterized by innovation, technological change and advancement. The Company currently competes with a number of companies. The Company may not be able to continue to develop successful new products and enhance existing products, to obtain required regulatory approvals for such products, to merchandise such products in a commercially viable manner or to gain market acceptance for such products. The Company's success will depend to a substantial degree on its ability to develop and introduce in a timely manner new products and enhancements that meet changing customer requirements and emerging industry standards. New product announcements by the Company could cause its customer to defer purchases of existing products or cause distributors to request price protection credits or stock rotations. The Company is subject to regulation in each country in which it sells its products. In addition, the national health or social security organizations in certain countries require the Company's products to be qualified before they can be marketed in those countries. Failure to receive relevant approvals or qualifications or the inability to obtain such approvals in a timely manner or on terms favorable to the Company could have a material adverse effect on the Company's business.

Sulzer Orthopedics' success in marketing and selling its products will depend in part on maintaining good relationships with its sales force and physician and hospital customers following its voluntary recall of Inter-Op acetabular shells and reports of adverse clinical outcomes with respect to porous-coated tibia base plates that were manufactured during the period July to December 2000. See "Item 8.A.7 Legal Proceedings" for further information.

DEPENDENCE ON PATENTS, PROPRIETARY RIGHTS, CROSS-LICENSES AND PROPRIETARY KNOW-HOW

The Company's future success in the medical device industry depends in large part on its proprietary technology, technical know-how and other intellectual property. The loss or the inability to acquire licenses or other rights relating to one or more of its products or to current or future technologies could prevent the Company from manufacturing and selling certain of its products. The Company owns numerous patents and has numerous patent applications pending. Pending patent applications may not result in issued patents, patents issued to or licensed by the Company may be challenged or circumvented by competitors and such patents may be found to be invalid or insufficiently broad to protect the Company's technology or to provide the Company with any competitive advantage.

PATENT LITIGATION

The Company and many of its competitors compete in medical product segments that are particularly crowded with patents, where it is often difficult and time-consuming to determine whether patent infringement has occurred. Participants in these segments are extremely aggressive in asserting patent protection and alleging patent infringement by others for both offensive and defensive purposes. The Company and its products may become subject to patent infringement claims or litigation brought by competitors or others or to interference proceedings declared by the United States Patent and Trademark Office ("USPTO") to determine the priority of inventions. The defense and prosecution of intellectual property suits, USPTO interference proceedings and related legal and administrative proceedings are both costly and time-consuming. An adverse determination in litigation or interference proceedings to which the Company is or may become a party could subject the Company to significant liabilities to third parties, require disputed rights to be licensed

from a third-party for royalties that may be substantial or require the Company to cease using such technology. One of the Company's subsidiaries, prior to its acquisition, received a notice in March 1999 that it was infringing a patent by manufacturing and marketing the IntraStent. See "Item 8.7 Legal Proceedings" for further information.

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF THE COMPANY

Sulzer Medica Ltd was formed in July 1997 as a public company incorporated under the laws of Switzerland. Sulzer Medica is domiciled in and governed by the laws of Switzerland.

Sulzer Medica's principal executive offices are located at Andreasstrasse 15, 8050 Zurich, Switzerland, telephone +41 1 306 9696.

Sulzer Medica has been a leading technological innovator in the medical products field for several decades. Its European orthopedics companies helped pioneer the European reconstructive orthopedic implants market. In the early 1960's, a group of engineers performing research work in the laboratories of Sulzer Ltd's foundries discovered a biocompatible alloy. This group met with leading Swiss orthopedic surgeons who were seeking a suitable material for hip implants and an industrial partner who would produce those implants according to the surgeons' designs. Consequently, Sulzer Ltd entered the medical products field in 1963. In the late 1980s, Sulzer Ltd acquired the two distribution companies that had been founded by these surgeons, Protek Ltd and Allo Pro Ltd.

Sulzer Medica established a U.S. presence in orthopedics and broadened its presence in the medical products field to include cardiovascular products through its 1988 acquisition of Intermedics Inc. and its operating companies, Carbomedics Inc., Calcitek Inc. and Intermedics Orthopedics Inc.

Sulzer Medica's cardiovascular operations were further diversified with the 1990 acquisition of Vascutek Ltd, a U.K. designer, manufacturer and marketer of vascular grafts, the 1996 acquisition of Osypka GmbH, a German company that provided Sulzer Medica with additional electrophysiology products, and the 2001 acquisition of IntraTherapeutics Inc., a manufacturer and marketer of peripheral stents. Then, on June 3, 1998, Sulzer Medica announced its intention to divest the Electrophysiology Division, which was completed on February 1, 1999.

Sulzer Medica's orthopedics operations were further diversified in January

1998 when Sulzer Medica consummated the acquisition of Spine-Tech Inc., a designer and marketer of spinal implants. Then in January 2001, Sulzer Medica acquired the assets of Paragon Implant Company, a manufacturer of dental implants. Both acquisitions were integrated into the Orthopedics Division.

After Sulzer Medica's initial public offering in July 1997, Sulzer Ltd. retained ownership of approximately 74% of Sulzer Medica's shares. On April 19, 2001, the shareholders of Sulzer Ltd. approved the spin-off of Sulzer Medica. The spin-off was completed on July 10, 2001 with each Sulzer Ltd. shareholder receiving two shares of Sulzer Medica for each Sulzer Ltd. share held as of July 9, 2001. Following the spin-off, Sulzer Ltd owned less than 5% of the total outstanding shares of Sulzer Medica.

4.B BUSINESS OVERVIEW

Sulzer Medica Ltd is one of the world's leading medical technology companies serving the orthopedic and cardiovascular markets on a global basis. With a rich history of technological leadership and major operations in Europe and the United States, Sulzer Medica holds prominent market positions in its principal areas of activity.

Sulzer Medica designs, manufactures and markets artificial joints, spinal implants, traumatology and arthroscopy products, dental implants, heart valves, peripheral stents and vascular grafts. Until 1999, Sulzer Medica also produced pacemakers, defibrillators and other electrophysiology products. In February 1999, the Electrophysiology Division was sold so Sulzer Medica could concentrate its resources on the Orthopedics and Cardiovascular Prostheses Divisions where Sulzer Medica holds solid market positions. The proceeds from the

sale of the Electrophysiology Division further strengthened the Orthopedics and Cardiovascular Prostheses Divisions, and allowed Sulzer Medica to increase its substantial portfolio of related biological technologies.

PRINCIPAL MARKETS

NET SALES BY DIVISION (CONTINUING OPERATIONS)	2001 MILL. CHF	2000 MILL. CHF	1999 MILL. CHF	01 VS. 00 %	00 V
Orthopedics	1,150	1,097	972	5	1
Cardiovascular Prostheses	268	250	210	7	1
Total net sales	1,418	1,347	1,182	5	1
NET SALES BY LOCATION OF CUSTOMER					
Switzerland	61	59	55	3	
EU	560	530	502	6	
Rest of Europe	19	17	16	12	
North America	629	602	496	5	2
Other countries	149	139	113	7	2
Total net sales	1,418	1,347	1,182	5	1

In 2001, approximately 81% of Sulzer Medica's net sales and 99%% of operating income before goodwill amortization and exceptional items were derived from orthopedic products, offered through four operating companies which comprise the Orthopedics Division: Sulzer Orthopedics Ltd, based in Switzerland, and Sulzer Orthopedics Inc., Sulzer Spine-Tech Inc., and Sulzer Dental Inc.,

each based in the U.S. Sulzer Orthopedics Ltd and Sulzer Orthopedics Inc. primarily focus on the reconstructive segment of the orthopedic market with broad product lines of major implant systems for hips and knees, and additional product offerings for shoulders, elbows, wrists and ligaments. Sulzer Spine-Tech Inc. designs and markets spinal implants. Sulzer Dental Inc. manufactures advanced dental and oral rehabilitation products. Sulzer Medica helped pioneer the European reconstructive orthopedic market and believes that a key factor behind its leading market positions is its track record of technological leadership and innovation.

Sulzer Medica's cardiovascular products accounted for approximately 19% of net sales and 1%% of operating income before goodwill amortization and exceptional items of continuing operations in 2001, and were offered through its Cardiovascular Prostheses Division. Cardiovascular prostheses products are manufactured by the following four operating companies which make up the Cardiovascular Division: Sulzer Carbomedics Inc. and Sulzer IntraTherapeutics Inc, both based in the U.S., Sulzer Mitroflow Corp., based in Canada and Sulzer Vascutek Ltd, based in Scotland. Sulzer Carbomedics Inc. and Sulzer Mitroflow Corp. primarily focus on the design, manufacture and marketing of heart valve repair and replacement products and heart valve components. Sulzer IntraTherapeutics is focused on the design, manufacture and marketing of peripheral stents, while Sulzer Vascutek Ltd is focused on the design, manufacture and marketing of vascular grafts and other vascular surgical products. As with its orthopedics operations, Sulzer Medica believes that it has established its leadership positions in cardiovascular products based on a reputation for industry-leading innovations and quality. Sulzer Medica originated the application of Pyrolite carbon technology. This technology was critical to the development of efficacious mechanical heart valves. Sulzer Medica pioneered the development of the first bi-leaflet mechanical valve with in-situ rotatability in the aortic and mitral position, the first pediatric bileaflet mechanical valve, the first mechanical valve to address the issue of a small aortic root and the first presealed valved conduit. In addition, Sulzer Medica developed and introduced the first gelatin-sealed polyester large diameter vascular graft, which has become the industry standard.

Until July 2001, Sulzer Medica's majority shareholder was Sulzer Ltd, a Swiss company with limited liability that is listed on the Swiss Exchange. Founded in 1834 and active in more than 140 countries, Sulzer Ltd is a diversified technology company. Sulzer Ltd entered the medical products field in 1963, and in 1989 established the Sulzer Medica Group (now Sulzer Medica) to operate its medical activities. In conjunction with the initial public offering of Sulzer Medica in July 1997, the Sulzer Medica Group was recapitalized as Sulzer Medica on July 7, 1997. Pursuant to certain agreements between Sulzer Ltd and Sulzer Medica, Sulzer

Ltd has continued to provide services to Sulzer Medica after the IPO. See Note 29 to the consolidated financial statements, "Transactions with Related Parties." Following the completion of the IPO, Sulzer Ltd continued to own approximately 74% of the outstanding shares of Sulzer Medica. On July 10, 2001, Sulzer Ltd divested substantially all of its equity interest in Sulzer Medica. See "Item 7.A Major Shareholders" for further information. The Company's business and profitability is dependent on its proprietary technology and intellectual property, its ability to continue to develop successful new products and enhance existing ones, and government reimbursement regulations. See Item "3.D Risk Factors" for further information.

ORTHOPEDICS DIVISION

The orthopedic industry is divided into a wide range of categories,

including reconstructive orthopedic implants for joint replacement, spinal implants, trauma products and sports medicine products, soft goods, bone cement and related products and instruments as well as dental implants. Sulzer Medica's orthopedic products are used primarily to treat patients with musculoskeletal conditions resulting from degenerative diseases, deformities, trauma and sports-related injuries. Sulzer Medica's orthopedic product offerings focus on reconstructive devices for hips and knees, the largest segment of the orthopedic products market. Also, Sulzer Medica offers a wide range of devices for upper extremities, fracture treatment, and navigation systems for computer assisted surgery. Sulzer Medica is focusing in the sports medicine field on cartilage and meniscus regeneration and ligament reconstruction.

With the acquisition of Spine-Tech in January 1998, Sulzer Medica entered the spinal implant market. Spine-Tech's spinal implants are designed to facilitate fusion of spinal vertebrae to eliminate nerve dysfunction that can cause chronic, disabling back pain. In addition, advanced dental implants and oral rehabilitation technologies are designed, manufactured and marketed through Sulzer Dental Inc.

Sulzer Medica's Orthopedics Division designs, manufactures and markets its orthopedic products as well as trauma products and related surgical instruments through four principal operating companies. Sulzer Orthopedics Ltd is headquartered in Baar, Switzerland, and offers a wide range of advanced orthopedic implants including hips, knees, elbows, shoulders and wrists and spinal, as well as related surgical instruments. Sulzer Orthopedics Inc. headquartered in Austin, Texas, markets major implant systems for hips, knees and shoulders. Sulzer Dental Inc., a manufacturer and marketer of dental implants and oral rehabilitation products, is headquartered in Carlsbad, California. Sulzer Spine-Tech Inc., headquartered in Minneapolis, Minnesota, operates Sulzer Medica's spinal implant and instruments business.

The activities of these four principal companies are managed by business unit's presidents who report to the president and CEO of Sulzer Medica. This coordination permits global strategic planning and joint research and development, as well as the sales of each company's products through the sales organization of the others, where appropriate. These specialized companies provide the local customers with scientific and technical information and support, as well as high quality support services in their respective countries.

ORTHOPEDICS MARKETING AND SALES

Introduction. Sulzer Medica uses various means of distribution for its orthopedic products, including direct sales through its own distribution companies, sales through an independent agent network and sales through independent distributors. Sulzer Orthopedics' success in marketing and sales of its products will depend in part on continuing to maintain good relationships with its sales force and physician and hospital customers following its voluntary recall of Inter-Op acetabular shells and reports of adverse clinical outcomes with respect to porous-coated tibia base plates that were manufactured during the period July to December 2000. See "Item 8.A.7 Legal Proceedings" for further information. Sulzer Medica selects its means of distribution to suit the dynamics of the particular market being served. Sulzer Medica currently markets its products in virtually every country in which a significant volume of orthopedic devices are utilized.

Sulzer Medica also engages in various marketing practices to increase market share. Recent initiatives have included educational efforts regarding the qualitative benefits and value associated with the use of Sulzer Medica's orthopedic products. By explaining to these customers the long-term benefits that arise from the use of Sulzer Medica's products, Sulzer Medica believes it can demonstrate value to customers. In addition,

Sulzer Medica offers seminars, with live surgery broadcasts, via satellite transmission, that provide surgeons with the opportunity to view surgeries and thereby gain an understanding of the latest techniques.

Europe. Sulzer Medica distributes its products in Europe primarily through a direct sales force that is specialized in specific product segments as the local market situation requires, and allows for proximity to the customer. In addition, exclusive distribution agreements exist for smaller markets.

United States. Sales of all joint care products in the United States are primarily made through 37 independent agents and three managed territories. The independent sales force is managed by field-based regional sales managers and supported within Sulzer Medica by an internal sales and marketing organization. Sales of spine care products are made through a direct and independent sales force specialized in the spine market and familiar with the needs and requirements of spine surgeons. Sales of dental care products are made through a direct sales force that is managed by Sulzer Dental and supplemented by international distributors.

As a result of the emergence of managed care, a specific sales support organization was established to provide targeted programs, services, and product information to economic customers. Sulzer Medica is attempting to gain market share by utilizing this initiative and continuously upgrading and expanding sales coverage. Sulzer Medica continuously adjusts its efforts to provide maximum value to its evolving customer base, including both traditional and economic customers.

ORTHOPEDIC PRODUCTS

Introduction. Sulzer Medica's orthopedic products currently focus on:

- Joint & Fracture Care (including supporting technologies and techniques such as sports medicine, computer assisted surgery and navigation tools, and cement and cement application devices),

- Spine Care,

- Dental Care

Within the European, American and Asian markets, Sulzer Medica has made and continues to make efforts to broaden its product offerings so that it can continue to offer a more comprehensive line of orthopedic products in all segments of joint care (including Sports Medicine), spine care, fracture care and dental care. Sulzer Medica believes that its European and U.S.-based operating companies strongly position it to deliver products that serve the needs of global markets and to provide surgeons worldwide with a significant choice of product designs and concepts. Sulzer Medica's product portfolio is focused to best meet the needs of a wide spectrum of patients, from young, physically active people to the growing population of elderly, less active patients.

The comprehensive product line is designed to appeal to the needs of the economic buyers in the current managed care environment where buying groups and other large customers have exhibited a preference for a limited number of suppliers of orthopedic products. The breadth of Sulzer Medica's product line is designed to increase Sulzer Medica's suitability as a preferred supplier to both its traditional medical customers and to managed care organizations.

The orthopedic products industry is highly competitive and has been

characterized by technological change and incremental advancement. Sulzer Orthopedics is advancing orthopedic medicine through its commitment to research and development. The industry research and development average is 4.5% of sales. Sulzer Orthopedics commits 9.2% of sales to research and development efforts focused on delivering innovative technologies that solve major orthopedics issues.

Competition within the orthopedic implant industry is based primarily on value, price, breadth of product offerings, product design and performance, ease of use, peer influence among surgeons, relationships based upon high levels of customer service and clinical results of the product over time. In recent years, managed care and the maturing nature of the industry have made price and value increasingly important competitive factors. Price is a particularly relevant factor in the sale of products where differentiation of the product cannot be clearly proven and the decision to buy is significantly influenced by persons other than the surgeon.

Additionally, as health care providers become more cost-conscious, the use of higher-priced products has become increasingly limited to younger, more active patients.

Sulzer Medica believes that its future success depends upon providing high quality service to all customers, offering a wide range of quality products at different pricing points, continuing to promote its key products, pursuing additional strategic agreements with buying groups, offering a wide array of ancillary products utilized by the orthopedic community and continuing to pursue, through research and development efforts, new products and services that can set Sulzer Medica apart from its competitors.

JOINT AND FRACTURE CARE

Sulzer Medica designs, manufactures and markets a line of joint reconstruction implants for the hip, knee, shoulder and elbow. When patients suffer from the painful and eventual debilitating symptoms associated with orthopedic joint problems, Sulzer Medica's reconstructive orthopedic implants typically significantly improve their quality of life. Historically, orthopedic products were intended for the treatment of injuries. As a result of developments that began in the late 1950s and the early 1960s, products and procedures were also developed for the treatment of joint disease, such as arthritis.

Total joint replacement surgery replaces worn, damaged or diseased joints with components made of stainless steel, titanium alloy or cobalt chromium alloy and ultra-high molecular weight polyethylene, a medical grade plastic. The first widely used products were various forms of hip replacements, with total joint replacement becoming the norm. Development of total knee systems followed the development of total hip replacements. Reconstructive products may be further broken down by category into cemented products, cementless products and revision products. Cemented products are secured to the bone with a grout made of polymethylmethacrylate ("cement" or "bone cement"), while cementless products are "biologically fixed," by means of tissue ingrowth into the implant's porous surfaces or tissue ongrowth onto a macro or micro texture surface, securing the implant without the use of cement. The Sunspace Knee System is a small minimally invasive device that offers a new treatment option for relief from early stage osteoarthritis of the knee.

Sulzer Medica is actively pursuing computer-aided surgery for hips, knee, cruciate ligament and spine applications. For example, Navitrack systems are jointly developed with Orthosoft, Inc. based in Montreal, Canada and exclusively

distributed worldwide by Sulzer Medica. In order to address the Sports Medicine activities, Sulzer Medica is entering the biological regeneration and reconstruction business. In 1996 Sulzer Medica acquired the rights from ReGen Biologics Inc. to distribute their Collagen Meniscus Implant (CMI) outside the USA. Sulzer Medica performed the clinical studies in Europe and launched the CE marked CMI in Europe in April 2000.

In HIP ARTHROPLASTY, the "ball and socket" of the hip joint are replaced with several components, depending on the product design. The stem, made of stainless steel, titanium alloy or cobalt chromium alloy, supports the head, which is comprised of a "ball and neck." The acetabular component, which usually consists of a polyethylene liner and metal cup or an all polyethylene cup, replaces the socket. Hip implants, as a result of physician preference, are typically divided into European and American designs. Sulzer Medica offers a full line of hip implants for primary and revision surgery to meet patient needs and surgeon preferences, including, among others, the following key products:

MODEL NAME	DESCRIPTION
Muller Straight Stem.....	With more than thirty years of successful clinical use, the Muller Hip Stem offers a self-locking, cemented straight stem. The Muller holds the distinction of being the most copied hip stem design in the Europe.
CLS Hip System.....	With more than ten years of excellent clinical results, the CLS Hip system's key features include its ease of use and simple instrumentation and cementless application. It is recommended for use by younger patients.

MODEL NAME	DESCRIPTION
Alloclassic Hip System.....	With more than 15 years of excellent clinical results, the Alloclassic Hip system offers a cementless straight stem design.
Durasul Tribological System.....	This unique acetabular system consists of highly crosslinked Durasul polyethylene without measurable wear and the Durasul CoCR head. Durasul Large Diameter Head technology received FDA clearance in March 2000.
Metasul Tribological System.....	This unique acetabular system has more than 10 years of clinical results and consists of Metasul metal-metal head and cup for reduced wear. Metasul received FDA approval in August 1999, making Sulzer Orthopedics the first to market metal-metal technology in the United States.
MS-30 Stem System.....	The MS-30 Stem system is a cemented stem with a three dimensional, conical design and key features that allow for optimal positioning during surgery.

Natural-Hip System.....	The Natural-Hip system is an anatomically shaped, straight stem that combines the surgical simplicity of a straight stem with many of the best features of an anatomic stem. It is available in a wide range of stem options, including cobalt chromium for cemented use and hydroxyapatite over porous coating for non-cemented fixation.
APR Hip System.....	The APR Hip system is a curved, anatomic stem that addresses key stability and performance issues such as proximal fill and anatomic fit and is available in a wide range of stem options, including hydroxyapatite over porous for non-cemented fixation and cobalt chromium for cemented use.
Weber Cemented Total Hip System.....	This is an advanced metal-on-metal system that provides less wear, significantly reduces interaction with surrounding tissues and reduces risk of long-term loosening. This system is only available in Europe.
Apollo Hip System.....	This system is a less expensive implant targeted towards lower-demand patients.
Converge Acetabular Cup System.....	The Converge acetabular system is a two-piece modular system that consists of a polyethylene insert and a porous titanium acetabular shell. This product is designed to reduce polyethylene wear debris commonly associated with implant loosening. The system includes four shell options and three insert options. The shells pair with Metasul, Durasul and standard polyethylene.
Allofit Acetabular Cup System.....	This acetabular system is a modular concept that has been used successfully in Europe for several years and was introduced to the US market in 2001. The titanium, macrostructured shell is available with and without screw fixation and pairs with Metasul, Durasul and standard polyethylene. Allofit received FDA clearance in March 2001.

MODEL NAME	DESCRIPTION
Precedent Revision Hip System.....	The Precedent is a straight revision stem designed to address the needs of patients who have failed primary implants. The Precedent is available in a wide variety of sizes to address varying needs.
FracSure Hip System.....	This system provides the surgeon with a proven cost-effective means for addressing the hip fracture patient. Made of cast cobalt-chromium, this straight stem may be press-fit or cemented.

Total KNEE ARTHROPLASTY consists of several components depending on the

product design: the femoral component or components; the tibia component or components; and the patellar component or components. Sulzer Medica offers a full range of implants. The Company's key products include:

MODEL NAME	DESCRIPTION
Natural-Knee System.....	With more than ten years of successful clinical use, this complete knee system was also approved in 1997 by the FDA for use in cementless applications. The Natural-Knee system covers arthritic disease states ranging from those requiring high tibia osteotomies to those requiring more constrained implant options. An added benefit of the Natural-Knee system is the simplicity and precision of the instruments used to aid in implantation. The entire family of Natural-Knee products has common, adaptable instrumentation and surgical techniques. The Natural Knee II with a Rotating Platform was introduced in Europe in June 2000.
Durasul Tribological System.....	Building upon the successful use in total hip implants, highly crosslinked Durasul polyethylene without measurable wear is now available for use in knee arthroplasty. Natural-Knee Durasul was cleared by the FDA in November 2000. Highly crosslinked Durasul polyethylene improves resistance to delamination, a major cause of early knee implant failure.
SAL System.....	The SAL system was launched in 1997, and is a self-aligning knee with mobile bearing.
UniSpacer Knee System.....	The UniSpacer is technically less demanding than traditional knee surgery and requires only minimal surgical intervention with no bone cuts. It helps relieve arthritic pain and improve joint stability by restoring ligament tension and normal knee alignment while preserving the patient's natural bone.
F/S Knee System.....	The F/S knee system is a fixed-bearing, cemented knee that has more than thirty years of clinical results and can be used to conform to a variety of surgical philosophies and cost parameters.

MODEL NAME	DESCRIPTION
Apollo Knee System.....	The Apollo knee system is a total knee system that addresses arthritic knee conditions requiring cruciate sparing, sacrificing or constrained implant options. It was designed to restore patella depth and optimize wear

	resistance. Building on 17 years of proven clinical success observed in total condylar designs, the Apollo Knee has been shown to produce the highest contact area through range of motion of any fixed bearing components. In addition, its instrumentation mirrors that of the Natural-Knee system with its ease and simplicity of use.
Alloflex Monocondylar Knee.....	This cementless knee prosthesis has evolved from a previous successful product and incorporates innovative design features and materials that provide increased stability as well as reduced stress on the patient's ligaments. This prosthesis is not available in U.S.
GSB Knee Prosthesis.....	This product, designed for cemented use, is the implant of choice in the presence of severe joint destruction. It is not available in the U.S.
Wallaby Knee System.....	Designed in conjunction with a group of French surgeons, this complete system includes two lines: with or without retention of the ligaments. The Wallaby instrumentation is also used with the F/S and SAL systems. It is not available in the U.S.
Magna ROM 21 Knee System.....	A knee product introduced in Japan in 1999 that solves the issue of range of motion required by the Asian market.
Innex Knee System.....	Introduced in Europe in late 1999, the product continues in 2000. The Innex addresses the challenge of kinematics and reduced wear. It also meets Europe's changing market needs, from fixed to mobile-bearing surfaces.

UPPER EXTREMITIES product lines encompass complete shoulder and elbow replacement systems. Components of the shoulder systems are humeral stem, humeral head and glenoid components. Total elbow components consist of ulnar and humeral components. The key Upper Extremity product lines include:

MODEL NAME	DESCRIPTION
The Anatomical Shoulder.....	A modular shoulder system designed for primary and secondary osteoarthrosis, rheumatoid arthritis and complex fractures of the humerus. Unique biomechanical concept allows for precise replication of the humeral anatomy for excellent long-term clinical results. A press-fit option received FDA clearance in February 2001, expanding the shoulder system to include both cementless and cemented options.

MODEL NAME	DESCRIPTION
The Select Shoulder.....	A modular shoulder system that has been providing solutions to orthopedic surgeons since 1988. The Select Shoulder was designed to effectively handle cases from the most simple to the most complex, including four-part fractures and revision cases.
The GSB-III Elbow.....	An elbow system with 16 years of clinical experience designed to relieve pain and restore functioning of the elbow. This nonconstrained design, with rotational clearance of the ulna component and easily moveable rotation encasing, results in a stable and lasting connection.

The objective of the orthopedic TRAUMA field, which involves the management of fractures, is the achievement of complete bone healing, or "union," and restoration of alignment and full range of motion in patients who have sustained fractures. The February 1997 acquisition of Synos Medical Ltd, a designer and manufacturer of trauma products, represents the initial phase in Sulzer Medica's orthopedic trauma market strategy. These products are currently not marketed in the U.S.

MODEL NAME	DESCRIPTION
SIRUS Intramedullary Nailing System.....	The innovative concept of the Sirus intramedullary nailing system was developed in close collaboration with leading surgeons and is suitable for the treatment of both simple and complex fractures of the femur and the tibia. The intramedullary nails cover all indications for unreamed and reamed intramedullary nailing. Due to the anatomically adopted shape, in association with the cannulation, an easy and safe insertion of the implants is enabled. Different interlocking options allow the stabilization of even complex fractures close to a joint. The user-friendly, modular instrument set is intended for use in opera-tions on both the femur and the tibia. The implants are made of titanium alloy (Protasul-100) for excellent biocompatibility, fatigue strength and MRI compatibility.
Intrasys Proximal Intramedullary Nail for Femur.....	The versatile implant system Intrasys is intended to be used for the treatment of simple as well as complex fractures of the proximal femur. It consists basically of three components: the intramedullary nail, the stabilizing screw and the cervical screw. The stabilization screw ensures rotational stability of the femoral neck during surgery and also during bony consolidation whereas the cervical screw transfers the hip forces

	to the nail. The implants are available in stainless steel (Protasul-S 30) or titanium alloy (Protasul-100).
Plating Systems.....	The large portfolio offers of a wide range of indications for the internal fracture fixation in the epi-, meta- and diaphyseal area of mini-, small- and large bones. All these implants are available in stainless steel (Protasul-S) and in titanium (Protasul-Ti, Protasul-100).

MODEL NAME	DESCRIPTION
Screw Plates for Hip and Condyle.....	Screw plates for hip and condyle are used for the fixation of simple or multifragmentary fractures of the proximal and the distal femur. These implant systems present an efficient and clinically proven concept in treating a wide range of indications of these fracture types. The systems are available in stainless steel (Protasul-S) or titanium alloy (Protasul-100).
Cannulated screws.....	Cannulated screws can be widely used for fracture fixations in various indications. The guidance over a wire provides the surgeon with an alternative and very precise method in performing lag screw osteosynthesis. With the different diameters (3.5, 4.5 and 7.0 mm) and the wide range of screw types and lengths it is possible to treat epi- and metaphyseal fractures in small and large bones. The systems are available in stainless steel (Protasul-S) or titanium alloy (Protasul-100) for excellent biocompatibility, fatigue strength and MRI compatibility.
Polypin.....	Polypin, the bioresorbable bone pin, is used for the fixation of fractures with limited load or shear stress. Different animal trials and multicenter studies showed that it has the same functional results like metal implants, but with one important advantage: a second surgery for implant removal is not necessary saving additional costs for the patient. Polypin is made of an amorphous Polylactide, which has an excellent biocompatibility and degrades completely within two years.

Sulzer Medica's SPORTS MEDICINE has as its objective the biological meniscus and cartilage regeneration and ligament reconstruction to restore joint function. The products offered within this portfolio include bioresorbable products to support tissue regeneration and reconstruction as well as instruments for tissue transplantation and stimulation of cartilage repair. New

approaches for tissue engineering are being evaluated in close cooperation with Sulzer Biologics. Following are the company's Sports Medicine products marketed in Europe.

MODEL NAME	DESCRIPTION
Sysorb	Bioresorbable screw for ligament reconstruction
Collagen Meniscus Implant (CMI)	Bioresorbable collagen matrix for meniscus regeneration
Soft Delivery System (SDS)	System for Osteochondral Transplantation
Microfracturing Instruments	Set of instruments to stimulate cartilage repair

Navitrack is a COMPUTER-ASSISTED SURGERY (CAS) system offered by Sulzer Medica that is used for hip, knee, spine and cruciate ligament operations. Navitrack is jointly developed with Orthosoft, Inc. in Montreal, Canada, and is exclusively distributed worldwide by Sulzer Medica. The Navitrack System is an innovative CAS system that provides patient-specific 3-D images in real time to assist the surgeon in preoperative planning and surgery. Navitrack creates a real-life, virtual model of a patient's anatomy, enabling the surgeon to optimize precision in moving instruments and placing implants during surgery. Electronic visualization makes it possible to reduce the number of time-consuming X-rays required during an operation. Navitrack is the first CAS system designed by orthopedic surgeons for orthopedic surgeons to provide independent multi-tracking of instruments.

SPINE CARE

The primary goals of spinal implantation systems are to correct for spinal deformity or imbalance, to re-establish stability of the spine and to eliminate pain. Hooks, plates, rods, screws and cages (metallic, ceramic and bone) acting as the equivalent of modular spinal anchoring, are constructed by the surgeon to create an internal bracing mechanism. Surgeons adapt these components to the specific pathology of the individual patient, creating an implant construct that is intended to reconstruct and restore normal spinal biomechanics or facilitate bone fusion. Sulzer Medica's January 1998 acquisition of Spine-Tech marked its significant entry into the spinal implant market.

MODEL NAME	DESCRIPTION
ALLOSPINE Posterior	Belongs to the ALLOSPINE family, ALLOSPINE posterior is a pedicle screw-rod system for the posterior approach, used from the lumbosacral to the upper thoracic level. On the market since 1994, introduced throughout Europe.
DYNESYS	A new concept for the treatment of lumbar degenerative disc disease. DYNESYS stabilizes the disc, ligaments and capsular articulation and allows a restoration of the posterior disc height without fusion. Facet joints and

	disc stay intact. Market introduction started in autumn 1998 in Europe.
BAK/L Cage.....	A fenestrated, porous, threaded titanium interbody fusion device, cylindrical, titanium alloy interbody fusion designed to provide an immediately stability of lumbar degenerated spinal motion segments to allow promote fusion and relief of painful chronic neck pain symptoms.
BAK/Proximity.....	A second generation interbody fusion cage, designed to BAK/Proximity designed for closer proximation of the cages within the degenerated disc space, allowing for reduced dissection, retraction and exposure re-quirements. Larger open internal chambers allow the surgeon to place more bone in the cage, which enhances fusion.
BP/Proximity.....	A third generation BAK cage designed to provide the best features and benefits of the BAK/L and the BAK/Proximity.
Bone Harvester.....	Provides a quick, less invasive bone graft harvesting method. This allows the surgeon to harvest the patient's own cancellous bone from the Illiac Crest.
Cervi-Lok.....	The instrument and implant design of this cervical plating system provides precise screw and plate placement, optimizing spinal stability.
Trinica.....	A titanium anterior cervical plating system indicated for use in treating degenerative disc disease, trauma, tumor, and fracture, as well as revision procedures.
BAK/C.....	A treaded titanium interbody fusion device used to treat degenerated discs of the cervical spine, without the need to harvest bone from the patient's hip.
Silhouette Spinal Fixation System.....	A spinal fixation system consisting of rods, screws, and hooks of various size and shape to provide fixation that attaches to the posterior elements of the spine.

MODEL NAME	DESCRIPTION
Puros Traditional Allografts.....	These Allografts are a family of bone products specifically designed and processed to meet the demanding needs of surgeons. The grafts are processed using the proprietary Tutoplast process.
Symmetry Allograft Bone.....	A unique lumbar interbody allograft fusion system that features consistent cortical strength and density.
Puros Accugraft.....	This allograft product combines cortical and cancellous bone material into a unique horseshoe shaped graft. Used in the lumbar spine, this graft is inserted from the

anterior approach.

DENTAL CARE

Sulzer Dental Inc. was established in 2001 as an amalgamation of Sulzer Calcitek (founded 1981) and Paragon Implant Company (founded 1982), former competitors in the dental implant industry. Sulzer Medica acquired the constituent companies in 1988 and 2001, respectively. Sulzer Dental Inc. represents an extension of the orthopedic customer base to include general dentists, prosthodontists, oral surgeons and periodontists. Using a direct sales force in the United States, five wholly-owned subsidiary organizations, and an active network of some 55 distributors, Sulzer Dental Inc. markets products in three principal areas: dental implants, periodontal therapies and bone grafting material. Dental implants allow a patient to replace one or more missing teeth with a product that is permanently inserted into the patient's jaw. Periodontal therapies address a variety of conditions that affect the attachment apparatus (e.g., bone, periodontal ligament) that supports a natural tooth or dental implant, while bone-grafting material may be used to address structural defects in a patient's jaw.

In 1996, the former Sulzer Calcitek expanded its operations by establishing direct distribution centers in Germany and France. By 2001, the former Paragon Implant Company featured a network of 30 distributors worldwide, and direct distribution centers in Israel and Canada. Combined, these structures provide Sulzer Dental Inc. with 55 distribution partners worldwide that are increasing penetration into the European, Asian and Middle Eastern markets and helping it to better serve its customers.

Sulzer Dental Inc. can boast state-of-the-art product lines that include numerous patented innovations, such as the highly crystalline MP-1 hydroxyapatite coating, implant Selective Surface technology, external Spline and internal hexagon abutment connections, multiple lead threads, friction-fit abutments and more. Historically, our products have also included many industry "firsts," such as the first hydroxyapatite-coated dental implant system (Integral, 1985) and the first internal connection for cemented or screw-retained abutments (Screw-Vent, 1986). Sulzer Dental Inc. produces high quality dental implant designs for one- or two-stage surgeries. Both the Spline Dental Implant System (1995) and Paragon Implant Systems (1995) incorporate a variety of surface features, including microtextured titanium and MP-1 hydroxyapatite. All implants from Sulzer Dental Inc. also incorporate one of three patented implant-abutment interfaces that eliminate or reduce abutment micromovement, increase strength, and provide a more precise fit with an enhanced tactile sense of engagement. Self-tapping screw implants in the combined systems include the Screw-Vent (1986), Spline Twist (1997), Twist Max(1999), Tapered Screw-Vent (2000), the one-stage AdVent (2000), one-stage SwissPlus (2001) and one-stage Tapered SwissPlus (2001) product lines. In addition, color-coded drills with triple cutting edges and electropolished surfaces provide a gentle surgical procedure to enhance osseointegration.

In the periodontal therapy market, BioMend (1996) was the first absorbable collagen membrane cleared for use in the United States. BioMend facilitates the regeneration of tooth support structures, helps to provide a proper healing environment and allows wounds to heal with a lower risk of re-infection. Its biocompatible and absorbable nature eliminates the need for second-stage surgery. BioMend's ease of use during surgery may prove to be a competitive advantage. BioMend Extend (1999), a longer-lasting resorbable membrane, allows healing for up to 18 weeks. Other periodontal therapy products include a variety of collagen wound dressing

products: CollaTape, CollaCote and Colla Plug. In 2001, Sulzer Dental Inc. introduced Puros, a mineralized allograft product that can be used in various regenerative procedures.

BIOLOGICS

Orthopedic and cardiovascular tissue engineering and carrier technologies define the base from which Sulzer Biologics, which manages the research and development activities in the biological field by Sulzer Medica, develops new therapies for orthopedic and cardiovascular tissue regeneration and repair therapies.

Sulzer Biologics had a challenging year in 2001 highlighted by a major decision to terminate the Ne-Osteo growth factor program and to shut down the Sulzer Biologics facility in Denver. In-depth analysis undertaken by management has clearly shown that the Division's proprietary Ne-Osteo growth factor does not meet the necessary requirements to justify investment in further development. Although excellent research into the stimulation of endogenous bone growth had been carried out over the years, management came to the conclusion that the product would not yield the commercial results required for the company's core businesses within the necessary timeframe.

As a result, Sulzer Biologics' US-based organization has been consolidated in a single, new facility in Austin, Texas, located near the Division's two key collaborators: Sulzer Orthopedics and Sulzer Carbomedics.

In 2001, Sulzer Biologics continued its progress on intervertebral disc regeneration technology, articular cartilage development, drug-coated stent research and investigation of other several biochemical agents for cardiac and peripheral angiogenesis. Research focusing on the development of new and improved carriers for delivery of growth factors for bone applications also progressed well. This research resulted in five new patent applications being filed during the year.

In the area of articular cartilage, Sulzer Biologics and Sulzer Orthopedics have announced collaborative efforts with Professor Couceiro in Santiago de Compostela, Spain, to establish set up a human articular-cartilage processing Operation Center. This collaboration, funded in part by the Spanish Government, will benefit Sulzer Medica by establishing the company's first introductory products in the field of articular cartilage regeneration.

CARDIOVASCULAR PROSTHESES DIVISION

The cardiovascular prostheses market comprises principally heart valve and vascular graft replacement and repair products. Heart valves facilitate the one-way flow of blood in the heart and prevent significant backflow of blood into the heart and between the heart's chambers. There are four valves in the human heart, with the aortic and mitral being the two most often replaced or repaired. Heart valve replacement or repair may be necessary because the natural heart valve has deteriorated as a result of congenital defects or disease. There are generally two types of prosthetic heart valves: mechanical valves and tissue valves (also known as biological valves). In addition, valve repair is a fast-growing segment of valve disease therapy. In some cases, surgeons prefer to treat valve disease through delicate surgical repair procedures instead of valve replacement, typically using products known as annuloplasty rings.

Historically, there have been trends where, at times, tissue valves were more popular and, at times, mechanical valves were preferred. Mechanical valves are extremely durable and have tested well beyond 100 years. On the other hand, tissue valves are less durable and generally last from 8 to 14 years, depending upon the age and activity level of the patient. As a result, there is the

potential for high-risk replacement of a biological valve when the patient is advanced in age. Conversely, tissue valves do not require routine (daily) anticoagulant therapy, as do mechanical valves.

Vascular grafts are used to replace or bypass occluded, damaged, dilated or severely diseased arteries. Arteries, with the exception of the pulmonary artery, are vessels that carry oxygen rich blood away from the heart to the other tissues throughout the body. In many instances it is possible to harvest veins or arteries from one portion of a patient's body and implant them in the area needing vessel repair. Harvested vessels are used most often in coronary artery bypass while synthetic grafts are required for most peripheral artery repairs. In addition to these patients, it is often necessary to implant artificial vessels in end-stage renal disease patients

undergoing hemodialysis. Synthetic vascular grafts can be used in large diameter (greater than 8mm) and medium diameter (6-8mm) applications. The small diameter application (4-5mm), at present, is primarily serviced by natural vessel transplant.

Large diameter grafts generally are tubular materials based on polyester fiber and sealed with a resorbable protein. Medium diameter grafts generally are ePTFE (a teflon like material) constructions, but there is some overlap in materials between the two applications.

The Company expects the overall market for heart valves and vascular grafts to grow over the long term as the result of continuing increases in heart and vascular disease worldwide. These diseases are generally a result of aging and lifestyle, including diet. Market size should also increase as emerging market countries assign a higher priority to health care needs.

CARDIOVASCULAR PROSTHESES PRODUCTS

Cardiac Care

Heart Valves. The company has over 30 years experience in the design, development and manufacturing of mechanical heart valves and heart valve components for itself and other companies. The company's proprietary mechanical heart valve product line, CPHV, has an unmatched record of safety with over 400,000 implants with no postoperative mechanical failures. The company's overall heart valve product line includes, among others, the following:

MODEL NAME	DESCRIPTION
CPHV Mitral/Aortic Valve.....	The CPHV Standard Valves are available for both aortic and mitral implantation. Its advantages, which are incorporated in all of the company's mechanical heart valves, include in-situ rotatability, enhanced radiographic visibility, surgeon-friendly cuff designs and an unmatched record of safety.
CPHV Pediatric Valve.....	A specially sized valve for pediatric cases.
Reduced "R" Series Aortic Valve.....	The Company's "R" Series Aortic Valve features a reduced outside valve diameter to address the needs of patients with a small aortic root, where intra-annular placement is

	preferred.
"Top Hat" Supra-Annular Aortic Valve.....	The Top Hat Supra-Annular Aortic Valve is a bi-leaflet valve designed to allow the implantation of a one to two size larger valve compared to intra-annular placement. This promotes better blood flow and serves as an alternative to surgical annulus enlarge-ment.
Orbis Universal Valve.....	The Orbis Universal Valve features a "universal" design that allows it to be used for either aortic or mitral implantation, thereby reducing multiple inventory stocking needs. The company received FDA approval in early 1999.
OptiForm Mitral Valve.....	The Optiform valve is designed to allow the valve to sit higher in the mitral annulus with an expanded cuff that optimally conforms to the patient's annulus. The company has received FDA approval and the CE Mark.
SuMit Mitral Valve.....	The SuMit Mitral Valve allows atrialized implantation where there is a concern of left ventricular out-flow track obstruction. The company received CE marking in 1999 and has not sought FDA approval.

MODEL NAME	DESCRIPTION
Carbo-Seal Ascending Aortic.....	The Carbo-Seal Ascending Aortic Prosthesis combines a heart valve Prosthesis with a pre-sealed vascular graft, thereby increasing the convenience to the implanting surgeon and reducing operating time and therefore the associated risk to the patient.
AnnuloFlo/AnnuloFlex Annuloplasty Rings.....	Among its heart valve products, the company also designs and manufactures annuloplasty rings to facilitate valve repair. The company produces both a rigid and flexible ring mounted on instrumentation for easier and faster implantation.
Synergy PC.....	A leader in performance in the most rapidly growing pericardial segment of the tissue valve market, the Synergy PC is manufactured by the recently acquired Sulzer Mitroflow subsidiary in Richmond, B.C., Canada. Mitroflow has over 17 years of experience in developing and manufacturing pericardial tissue heart valves. The valve is CE marked and the company is currently seeking FDA approval.
Synergy ST.....	Since April 1997 the company has distributed this stented porcine valve manufactured by Labcor Laboratorios. Labcor has over 16 years of experience with in the manufacture of tissue heart valves. The product is CE marked.

CardioFix Pericardial Patch.....	Using the proprietary PhotoFix(R) tissue fixation process, the CardioFix offers a pericardial patch material for use in cardiac repair that has unprecedented immunological and surgical handling characteristics. The product has both CE mark and FDA approval.

Historically, in addition to selling heart valves to customers directly, the company has manufactured heart valve components for certain of its competitors, which components are then assembled and marketed under the competitor's brands. Customers for the company's products have included, among others, St. Jude, Medtronic, Baxter, Medical Inc., Aortech and ATS Medical, Inc.

In addition to mechanical heart valves, the company is developing a tissue heart valve presence. In July 1998, the company entered into a distribution agreement with Mitroflow International. Subsequently, the company acquired Mitroflow in October 1999. Mitroflow has over 17 years of experience in developing and manufacturing pericardial tissue heart valves.

In April 1997 the company entered a distribution agreement with Labcor to market Labcor's tissue valve prostheses, including the Labcor Porcine Stented Valve Bioprostheses. Labcor has accumulated over 16 years of experience with its tissue heart valves.

Vascular Care

Sulzer Vascutek, one of the Company's subsidiaries, is a world leader in the design, manufacturing and marketing of Vascular Prostheses.

Combining state of the art extrusion and textile technology with a commitment to focused research, Sulzer Vascutek manufactures an extensive range of sealed and unsealed ePTFE and polyester prostheses to meet the global needs of vascular and cardiovascular surgeons.

Recent developments focus on a new modular system for endovascular aneurysm repair which features a unique Nitinol ring-stent combined with an innovative graft material, which has been designed by Sulzer Vascutek specifically for endovascular application. This is the newest and fastest growing area in vascular surgery today.

The Company will be commencing a clinical trial with its redesigned AAA endovascular system Anaconda in June 2002.

MODEL NAME	DESCRIPTION
Sulzer Vascutek ePTFE.....	Is an ePTFE prosthesis indicated for peripheral and vascular access surgery. The range consists of standard and thin wall configurations, either unsupported or with end, central or full external support.
SEALPTFE.....	Is an ePTFE prosthesis using the substrate of Sulzer Vascutek ePTFE and coated with our hydrolysable gelatin sealant. This significant advance addresses suture hole bleeding, one of the main problems asso-

	ciated with conventional ePTFE. SEALPTFE also produces minimal "sweating" -- a problem associated with seroma formation. Most importantly the coating may be bonded with antibiotic to reduce the risk of infection. The range consists of standard and thin wall configurations, either unsupported or with end, central or full external support.
Taperflo.....	Is a range of SEALPTFE prostheses for vascular access surgery in renal dialysis. The range consists of standard and thin wall configurations, either unsupported or centrally supported in both stepped and short taper designs.
Gelsoft.....	Gelsoft is a zero porosity, warp lock knitted polyester graft combining superior handling with a unique modified gelatin impregnation. Gelsoft(TM) is indicated for abdominal and peripheral applications and is available in straight, bifurcation and externally reinforced designs.
Gelsoft Plus.....	Gelsoft Plus is the first of a new generation of zero porosity polyester grafts featuring a unique Koper knitted structure. This provides graft dilatation resistance while preserving all the advantages of a warp knitted structure i.e. soft handling and absence of fraying. Gelsoft(TM)Plus is indicated for abdominal and peripheral applications and is available in straight, bifurcation and externally reinforced designs.
Gelseal.....	Gelseal is a zero porosity, warp-lock knitted polyester graft featuring an additional set of yarns to provide the additional strength required in the high flow, high pressure thoracic area. Gelseal(TM) is available in straight, bifurcation and externally reinforced designs. Single and multibranched configurations are also available for aortic arch procedures.
Gelweave.....	Gelweave is a zero porosity gelatin impregnated graft. This twill woven polyester structure featuring "floating yarns" which create a velour on the external surface of the graft, encouraging better attachment of ingrowing tissue and improved healing capacity. Gelweave(TM) is indicated for thoracic applications and is available as straight, bifurcation as well as single and multibranched configurations.

MODEL NAME	DESCRIPTION
Gelweave Valsalva.....	Gelweave Valsalva, an innovative graft design, is indicated for aortic valve sparing

	and prosthetic valve implant procedures. It mimics the stretch responses of the Valsalva sinuses and provides the potential to reduce the tension on the coronary anastomoses, minimising valve leaflet stress.
Thin Wall Fluoropassiv.....	Fluoropassiv is a unique fluoropolymer coated, Koper knitted zero porosity polyester biomaterial. Each polyester fibre is covered by and bonded to fluoropolymer molecules thereby creating an interpenetrating network between the two polymers. The fluoropolymer imparts low thrombogenic characteristics thus providing the potential for improved healing and long term patency. The range consists of crimped and externally reinforced grafts. Carotid patches are also available.

Primary purpose of peripheral stents, those intended for use outside of the heart, is to restore flow through a obstructed lumen be it a duct, artery or vein. The primary products from the company are stents, which are mechanical scaffolds that hold open the lumen to restore flow. The stents are designed such that they either expand upon release from a delivery system (self-expanding) or expanding via a balloon catheter (balloon expandable) when the balloon is enlarged under pressure. Stents are permanent implants that are implanted by Interventional Radiologist, Interventional Cardiologist and Vascular Surgeons. Sulzer Medica's February 2001 acquisition of IntraTherapeutics Inc. marks its significant entry into the peripheral stent market.

The worldwide peripheral stent market consists of two types of stents: balloon expandable and self-expanding. Balloon expandable stents are available unmounted or premounted on a catheter delivery system. The Company's balloon expandable stents are available unmounted and premounted on delivery catheters, and the Company offers a nitinol wire coil, self-expanding stent on a proprietary delivery catheter and a cut tube self-expanding stent on a proprietary delivery system. Since 1998, the Company has launched several balloon expandable stent products, a nitinol coil self-expanding stent and a cut tube self-expanding stent, which are marketed in the United States and internationally under the IntraStent family name. In the United States, the Company has received 510(k) pre-market clearance for these products either for use in the biliary ducts or for use in the bronchial tubes.

MODEL NAME	DESCRIPTION
IntraStent.....	This is a single strut, stainless steel, balloon expandable stent which optimizes flexibility, coverage and radial force with minimal shortening. This stent's well-balanced performance characteristics make it especially versatile and cost-effective.
IntraStent LP.....	This is a single strut, stainless steel, and balloon expandable stent customized for use with a low profile delivery balloon catheter that retains the performance characteristics of the IntraStent. The IntraStent LP enables the physician to use a smaller diameter delivery system that is less traumatic at the point of entry into the body and increases

the possibility of deploying a stent in a vessel dramatically constricted by a lesion.

MODEL NAME	DESCRIPTION
IntraStent Double Strut.....	This is a double strut, stainless steel, balloon expandable stent. This innovative concept in stent design incorporates cell geometry of two parallel struts rather than a single strut. This stent is highly flexible, provides good vessel coverage, maintains the natural vessel shape and experiences no shortening.
IntraStent Double Strut ParaMount.....	This is a double strut, stainless steel, balloon expandable stent pre-mounted on a peripheral angioplasty balloon catheter. The pre-mounted balloon expandable stent expands the customer base by reaching physicians who prefer pre-mounted stents.
IntraStent Double Strut LD.....	This is a double strut, stainless steel, balloon expandable stent optimized for larger vessels of 9mm to 18mm in diameter, although it is only cleared for use in the biliary ducts for up to 12mm. The stent design provides the vessel coverage and radial force needed in a larger lumen, while remaining flexible for easy delivery and not shortening to ensure precise placement.
IntraStent Double Strut XS.....	This is a double strut, stainless steel, balloon expandable stent designed for the unique requirements of strictures or lesions where high radial force at the stent ends is needed while retaining the flexibility of the IntraStent Double Strut.
ParaMount XS.....	This is a premounted IntraStent Double Strut for physician convenience. The premounted stent ready for use and does not require the physician to mount the stent on a PTA balloon catheter.
Protege.....	This is a self-expanding, nitinol, single strut, cut tube stent. The combined proprietary stent and delivery catheter features expand the customer base by reach-ing physicians who require a self-expanding stent and delivery system that is easy to use and allows for precise stent placement.
IntraCoil.....	This is a nitinol wire coil, self-expanding stent available on a patented delivery catheter. This stent, which is equally flexible in all directions and optimizes radial force and lumen coverage, is best suited for vessels, which must respond to repeated motion or compression.

4.C ORGANIZATIONAL STRUCTURE

Sulzer Medica Ltd, a Swiss company, is one of the world's leading medical technology companies serving the orthopedic and cardiovascular markets on a global basis. With a rich history of technological leadership and major operations in Europe and the United States, Sulzer Medica holds prominent market positions in its principal areas of activity. Sulzer Medica Ltd, a Swiss holding company owns, directly or indirectly, 100% of all significant operating companies. For a list of our subsidiaries see Note 5 to the Consolidated Financial Statements.

The managerial organizational structure of Sulzer Medica's principal operating subsidiaries is as follows:

(Organization Chart)

4.D PROPERTY, PLANTS AND EQUIPMENT

At December 31, 2001, Sulzer Medica had 11 manufacturing facilities located in North America, Switzerland, France and Scotland, five of which also house research and development activities. Of these facilities, Sulzer Medica owns its primary manufacturing facility for the Orthopedics Division in Austin, Texas, and its manufacturing facility in Inchinnan, Glasgow, Scotland. Sulzer Medica leases most of its other facilities. Owned and leased facilities, along with a stand-alone research and development location in Austin comprise a total area of approximately 140,000 square meters approximately 1,250,000 square feet). Sulzer Medica also owns and leases office space at its other manufacturing and research and development facilities and in other locations throughout the world.

Sulzer Medica believes that its facilities are adequate for the development, manufacture and marketing of current and planned products. See Note 16 of the Consolidated Financial Statements for further details.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A OPERATING RESULTS

The following operating and financial review should be read in conjunction with Sulzer Medica's consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 20-F. Sulzer Medica's financial statements are stated in Swiss francs, have been prepared in accordance with IAS and have been reconciled with U.S. GAAP. See Note 31 to the Consolidated Financial Statements for a summary of the principal differences between IAS and U.S. GAAP as they relate to Sulzer Medica. Unless

otherwise noted, all amounts are Swiss francs (CHF) in millions.

Critical Accounting Policies

The following accounting policies are considered to be critical to the reporting of the Group's result:

Legal provisions: A number of our subsidiaries are subject to litigation arising out to the normal conduct of their business, as a result of which claims could be made against them, which might not be covered by insurance. As described in more detail in Note 9 to our consolidated financial statements our

most significant litigation exposure relates to a litigation with the patients in the US affected by defective hip and knee implants. In 2001 we have reached a tentative settlement agreement and recognized a provision of USD 873 million as an estimate of our exposure directly related to this pending litigation, primarily for the proposed tentative settlement agreement, legal and other advisor costs and medical costs. The ultimate outcome of this pending litigation cannot presently determined mainly due to the risks of a high number of plaintiffs deciding to opt-out, the funding of the settlement and possible appeals. Our current estimated provision might not be adequate and our ability to generate sufficient cash flow for repayment of financing arrangements could be adversely different.

Goodwill and intangible assets: Goodwill arising from acquisition are capitalized and amortized on a straight-line basis over its useful life, not exceeding 20 years. Other intangible assets include licenses, patents, trademarks and similar rights as well as existing technology acquired from third parties. These assets are amortized over their estimated useful lives, not exceeding 10 years. Management estimates these useful lives as the benefit provided to the organization. Changes in the assumptions of the estimated useful life could have a negative impact on our results of operations.

In 2002, we will continue to amortize goodwill under IAS although for US GAAP purposes goodwill and certain indefinite lived intangibles will no longer be amortized but periodically tested for impairment upon the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and other Intangible Assets".

Impairments: Tangible and intangible assets are reviewed for impairment annually and when circumstances changes that cause management to question the recoverability of these assets. The Company's assessment compares the estimated discounted cash flows to be generated by the asset with its carrying value. When the carrying value is greater than the estimated discounted cash flows an impairment charge is recognized. In 2001 we performed this analysis and recorded impairment charges of CHF 91 million for intangible assets and CHF 50 million for financial assets. We intend to perform a similar review in 2002 and currently do not expect a material impairment charge. However, it cannot be excluded that at the time the review will be completed an impairment charge would be required. Our estimate of the these charges is subject to actual results or further deterioration of the cash flows generated by these assets.

Taxes: The Company recognizes annual provisions for income taxes assessed on our earnings and profits. These provisions are paid when due to the appropriate tax authorities. Timing differences exist between their payment and financial statement recognition. Deferred taxes are provided for these differences. We have recognized substantial deferred tax assets, some of which are comprised of tax loss carry-forwards. The recoverability of these deferred tax assets is dependant on the Company being able to generate sufficient taxable income or capital gains. In the event the Company determines that it would not be able to realize all or part of these deferred tax assets in the future, an adjustment to the deferred tax assets is charged to income in the period such determination is made. We have recognized valuation allowances in those jurisdictions where based on our operating projections, we do not expect to utilize the deferred tax assets before they expire. The outcome of the hip and knee litigation (discussed above) could affect our ability to realize our tax assets in the US.

OVERVIEW

NET SALES BY DIVISION (CONTINUING OPERATIONS)	2001 MILL. CHF	2000 MILL. CHF	1999 MILL. CHF	01 VS. 00 %	00 V

Orthopedics	1,150	1,097	972	5	1
Cardiovascular Prostheses	268	250	210	7	1
Total net sales	1,418	1,347	1,182	5	1
NET SALES BY LOCATION OF CUSTOMER					
Switzerland	61	59	55	3	
EU	560	530	502	6	
Rest of Europe	19	17	16	12	
North America	629	602	496	4	2
Other countries	149	139	113	7	2
Total net sales	1,418	1,347	1,182	5	1

At Sulzer Medica we design, manufacture and market artificial joints, traumatology products, spinal implants, dental implants, heart valves including repair products, peripheral stents and vascular grafts.

Until 1998, we also produced pacemakers and defibrillators, but market developments led us to divest this business and concentrate our resources on our Orthopedics and Cardiovascular Prostheses Divisions where we hold solid market positions. We used the proceeds from this transaction, which was completed on February 1, 1999, to further strengthen our Orthopedics and Cardiovascular Prostheses Divisions, and to increase our already substantial portfolio of related biological technologies.

RESULTS OF OPERATIONS 2001 COMPARED TO 2000

Net sales for the Group for the year ended on December 31, 2001, totaled CHF 1.42 billion and were up 5% from the previous year. Excluding currency impacts, year-on-year net sales increased in 2001 by 1%.

Net sales in 2001 of the Orthopedics Division increased 5% over the previous year, on a currency adjusted basis by 1%. The strong currency adjusted growth rates in Europe with hip and knee implants (+8%) were offset by the declining market share in the US market (-9%) as a direct result of the recall of some of the Inter-Op acetabular shells and the market withdrawal of some tibia base plates by Sulzer Orthopedics Inc in Austin, TX.

The Cardiovascular prostheses Division grew by 7% in 2001. However, the acquisition and currency adjusted growth rate was -2%. The strong growth rates with tissue valves could not offset the declining sales volume of mechanical heart valves.

The overall gross margin fell from 68.8% in 2000 to 61.9% in 2001. This decrease relates to the impacts of the two acquisitions (including inventory step up and existing technology write-off), inventory allowances for discontinued products and increased product liability costs. The key ratio operating income before goodwill amortization and exceptional items in relation to sales decreased in 2001 to 7.0%, down from 20.0% in 2000. Acquisition effects as inventory step up and amortization of existing technology amounted to 1.0%. In addition, the decision to restructure the both divisions as well as the management companies and weak operating performance of our peripheral stent unit, acquired in 2001, contributed to this development.

The exceptional operating items amount in total to CHF 1.67 billion. The majority of it relates to the provisions for the settlement of the recalled

Inter-Op hip shells or withdrawn tibia base plates (USD 873 million). In addition, various other impairment charges (Goodwill in IntraTherapeutics Inc) and restructuring costs were recorded in connection with the review of operational activities as initiated by the new management after the spin-off from the former major shareholder, Sulzer Ltd. These items include also write-downs of minority holdings ReGen Inc, Orquest Inc., @Outcome Inc. and Orthosoft Inc. Non-operating expenses of about CHF 21 million largely resulted from the spin-off from Sulzer Ltd and the defense cost for the unsuccessful hostile takeover bid for Sulzer Ltd.

Management believes that there are no new standards as promulgated by the International Accounting Standards Committee, which would significantly impact its financial position or certain standards earlier than necessary.

Operating expense as percent of net sales of continuing operations, year ended December 31

	2001 %	2000 %	1999 %
Net sales	100.0	100.0	100.0
Gross profit	61.9	68.8	69.6
Selling, general and administrative expense	(45.7)	(41.2)	(41.5)
Research and development expense	(9.2)	(8.0)	(8.3)
Other operating income/expense	0.0	0.4	0.0
Operating income before goodwill amortization and exceptional items of continuing operations	7.0	20.0	19.8

RESULTS OF OPERATIONS 2000 COMPARED TO 1999

Net sales for the year ended on December 31, 2000, totaled CHF 1.35 billion and were up 14% from the previous year. Excluding currency impacts, year-on-year net sales increased in 2000 by 8%.

2000 net sales of the Orthopedics Division increased 13% over the previous year, on a currency adjusted basis by 7.5%. The continuing favorable acceptance of the 1999 introduced Orthopedics products, Metasul(TM) and Durasul(TM), was mainly responsible for the positive performance in the U.S. Expressed in Swiss francs, growth was above average 21% in North America. The newly introduced spinal fusion systems in the U.S. and

the continuing favorable sales trend in Europe and Asia could not offset the decline in the US market for interbody fusion cage systems. The sales growth in the U.S. was hampered by the voluntary recall of some of the Inter-Op acetabular shells in December 2000.

2000 net sales of the Cardiovascular Prostheses Division grew by 19% to CHF 250 million, of which 10% was attributable to favorable exchange rates. It achieved this growth despite persistent price pressure in several markets.

The gross margin fell from 69.6% in 1999 to 68.8% in 2000 mainly due to the pressure on pricing predominantly in Europe and to the reduced sales of spinal implants. As royalty expenses were reclassified in 2000 from "Selling, general and administrative expense" to "Cost of sales" gross margins for prior years have been adjusted accordingly.

The key ratio operating income before goodwill amortization and exceptional items in relation to sales increased in 2000 to 20.0%, up from 19.8% in 1999. The implementation of the "Redesign to World Class" project within the Orthopedics Division supported the increase, while the cost associated with the launch of several new spinal implant products had a negative impact.

The exceptional operating item amounting to CHF 1 million represents Sulzer Medica's share of the exceptional operating costs of our majority shareholder resulting from the aborted merger plan in autumn 2000.

Net income of CHF 190 million in 2000 was positively impacted by an increased interest rates and favorable exchange rates as well as the repayments of short-term and long-term borrowings during 1999 compared to the previous year. Excluding exceptional impact our net income grew by 29% over the previous year.

BIOLOGICS ACTIVITIES

Sulzer Biologics had a challenging year in 2001 highlighted by a major decision to terminate the Ne-Osteo growth factor program and to shut down the Sulzer Biologics facility in Denver, Colorado. A comprehensive analysis undertaken by management has clearly shown that the Division "s proprietary Ne-Osteo growth factor does not meet the necessary requirements to justify investment in further development. Although excellent research into the stimulation of endogenous bone growth had been carried out over the years, management came to the conclusion that the product would not yield the commercial results required for the Company's core businesses within the necessary timeframe.

As a result, Sulzer Biologics' US-based organization has been consolidated in a new facility in Austin, Texas, located near the Division's key collaborators: Sulzer Orthopedics and Sulzer Carbomedics.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board has recently issued several new accounting standards, including SFAS No. 141 "Business Combinations", SFAS No. 142 "Goodwill and other Intangible Assets", and SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets", will be effective for periods beginning on or after January 1, 2002. The Group is currently determining the effect, if any, these new standards cause divergences from its Consolidated Financial Statements.

The Group adopted SFAS No. 141 for all business combinations after June 30, 2001. This standard requires that all business combinations be accounted for using the purchase method, and it further clarifies the criteria for recognition of intangible assets separately from goodwill. Since June 30, 2001, there have been no material business combinations.

Effective January 1, 2002, the Group will adopt SFAS No. 142 for existing goodwill and other intangibles. This standard eliminates the amortization of goodwill and intangible assets with indefinite useful lives and requires annual testing for impairment. This standard requires the assignment of assets acquired and liabilities assumed, including goodwill, to reporting units for purpose of goodwill impairment testing. Under

the provisions of this standard, any impairment of goodwill will be written off and recognized as a cumulative effect of a change in accounting principle as at

January 1, 2002.

Effective January 1, 2002, the Group will adopt SFAS No. 144. This standard supersedes and amends existing accounting literature related to the impairment and disposal of long-lived assets.

The Company does not intend to adopt certain standards earlier than necessary. See "Item 17. Financial Statements -- Note 3" for a summary of the accounting and consolidation principles of Sulzer Medica.

5.B LIQUIDITY AND CAPITAL RESOURCES

In 2000 and 1999 Sulzer Medica generated cash flows, which were more than sufficient to fund operations. The balance sheet at year-end 2000 was still characterized by the strengthening impact of the net proceeds from the divestiture of the Electrophysiology Division in 1999. In 2001 Sulzer Medica did not generate a cash flow from operating activities sufficient to fund investing activities, resulting in a reduction in the cash position at the end of 2001 compared to 2000.

Cash flow from operating activities of continuing operations amounted to CHF 93 million in 2001, CHF 297 million in 2000 and CHF 178 million in 1999. The working capital (Current assets minus Current liabilities) amounted to CHF 453 million at December 31, 2001 compared to 1,027 million at December 31, 2000. The decrease in working capital was primarily attributable to the primarily attributable to the acquisitions of Paragon Implant Company, USA, IntraTherapeutics Inc and Sulzer Australia, as well as the build up of provisions for the hip and knee settlement. The current ratio, which is the relation of current assets to current liabilities, decreased from 4.0 to 1.8 in 2001.

Sulzer Medica's total capitalization of equity and interest bearing long-term debt was CHF 0.81 billion in 2001, CHF 2.02 billion in 2000 and CHF 1.88 billion in 1999.

Sulzer Medica expects its cash from operations to be adequate to meet its obligations to make interest payments and other anticipated operating cash needs including planned capital expenditures. Capital expenditures, excluding any acquisition, are expected to be approximately CHF 123 million in 2002. The acquisitions in early 2001 of Paragon Implant Company and IntraTherapeutics Inc. for a total purchase price of USD 245 million were both settled in cash. For further discussion of a cash impact from hip and knee settlement see sections below.

The following summarizes our contractual obligations and other commercial commitments, and the effect such obligations and commitments are expected to have on our liquidity and cash flow in future periods:

		PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
		(IN CHF MILLION)			
Long-Term Debt	75	75	0	0	0
Operating Leases	25	7	8	8	2
Research & Development Commitments	0	0	0	0	0
TOTAL CONTRACTUAL CASH OBLIGATIONS	100	82	8	8	2

On December 5, 2000 Sulzer Orthopedics initiated the voluntary recall of certain lots of the Inter-Op acetabular shells immediately after Sulzer Orthopedics discovered an unacceptable level of residue of mineral oil based lubricant on the surface of some shells.

On June 19, 2001, the Judicial Panel on Multi-District-Litigation ("MDL") ordered that all Inter-Op lawsuits filed in federal courts be consolidated for pre-trial proceedings in the U.S. District court (N.D. Ohio) in Cleveland, Ohio. On August 29, 2001, the Court provisionally certified a class and granted preliminary approval to the parties' settlement agreement; and on September 17, the Court issued an order enjoining all further proceedings in other federal and state courts.

The parties have renegotiated the initial settlement agreement. The revised settlement agreement (the "MDL Settlement Agreement) provides for the Company to contribute USD 725 million in the form of USD 425 million in cash and USD 300 million in Convertible Callable Instruments (CCI). Sulzer Medica as group has the obligation to deliver USD 425 million at the later of 180 days after Trial Court Approval or 60 days after the Final Judicial Approval date. At the later of 180 days after Trial Court Approval or 60 days after Final Judicial Approval Date, Sulzer Medica has the obligation to issue the CCI. Unless earlier redeemed, 18 months after the issue date of the CCI, The Company will provide the settlement trust ADSs or shares at the conversion price in effect of the Maturity date.

Sulzer Medica is in discussion with several banks regarding the financing of the USD 425 million cash payment and anticipates the facility to be ready by November 2002. The USD 425 million facilities will result in an annual interest expense burden of USD 22-30 million depending on the final terms agreed. The USD 300 million related to the CCI will result in an annual interest expense burden of USD 22.5 million calculated at a rate of 7.5%. The CCI including interest payment have to be settled until mid of 2004.

Sulzer Medica's historical cash from operations (USD 200-300 million) show the company's potential to serve the interest payments as well as to continuously finance the capital expenditures needed to keep its competitive position in the market. However the ability to finance acquisitions through own cash from operations will be limited for the next 2 to 3 years.

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Sulzer Medica has been a leading technological innovator in the medical products field for several decades. The products developed by Sulzer Medica's European orthopedics companies helped pioneer the European reconstructive implants market during the 1960s and 1970s. In the cardiovascular prosthesis field, Sulzer Medica married the pyrolitic carbon coating technology, design capabilities and manufacturing know-how that were critical to the development of efficacious mechanical heart valves. Since 1969, Sulzer Medica has used this material in the manufacture of components used in mechanical heart valves worldwide.

To maintain its position as a technological innovator, Sulzer Medica conducts research and development on a variety of levels. Product specific research and development is performed primarily by the individual operating companies of Sulzer Medica. Sharing of information takes place at regular intervals. For projects of common interest, and those that are conceptual in nature, Sulzer Markets and Technology Ltd, a subsidiary of Sulzer Ltd that is not a part of Sulzer Medica, conducts contract research. In 2001, Sulzer Medica

paid approximately CHF 2 million to Sulzer Ltd for research and development. The core technologies at Sulzer Markets and Technology Ltd. of particular interest to Sulzer Medica, include flow dynamics, materials technology, biomaterials and electronics and signals. These technologies, for example, are applicable to Sulzer Medica; in analyzing blood flow through a variety of heart valve designs and developing materials/coating solutions.

Sulzer Medica incurred CHF 130, 108 and 98 million in research and development costs in 2001, 2000 and 1999 respectively, representing 9.2%, 8.0% and 8.3% respectively, of 2001, 2000 and 1999 sales. Sulzer Medica's current research and development focus includes new materials, biologics and minimally invasive forms of treatment for diseases and injuries currently requiring invasive surgery. Sulzer Medica's research and development programs focus on enhancements to the metallic and polyethylene components of implants and instrument products with a view to increasing their strength or resistance to corrosion, oxidation or fatigue, or focusing on bearing surface improvements to the artificial joint being replaced in the human body. In addition, research is being conducted on artificial joint simulators and enhancements to the bearing interface.

5.D TREND INFORMATION

PRODUCT PIPELINE

The following products have received approvals or are being first launched in 2002:

DurasulPatella for Natural Knee II.....	In February, the Company launched Durasul patellae for the Natural Knee II product line in the U.S.
UniSpacer.....	In February, the UniSpacer was launched in the U.S.
Large Heads (44mm) for Durasul.....	Use of large heads is possible with Durasul inserts and reduces possibilities for dislocation in hip surgeries.
BP Lordotic.....	In May, the Company received approval by the FDA. It is a tapered cage in the BAK family
Cervical Allograft ACDF.....	Cervical Allograft ACDF is a bone product for use with Trinica plate.
Trinica Select.....	Trinica Select is a narrow version of Trinica for smaller stature patients.
IntraCoil Vascular Approval.....	IntraCoil will receive US FDA premarket approval for use in the superficial femoral and popliteal arteries marking the first stent approved for such use in the USA.
Gelweave Valsalva.....	Regulatory approval is expected in the USA and Canada. A submission for approval is planned in Japan.
SEALPTFE.....	Submissions for approval have been made during the second quarter in China and Korea.
Symmetry Allograft Bone.....	A unique lumbar interbody allograft fusion system that features consistent cortical strength and density.

Despite the weak economy in many geographic regions of the world, the

endosseous dental implant market continues to expand at a double-digit rate of growth. Through the first quarter of 2002, the growth rate for Sulzer Dental has met or slightly exceeded the market due to the optimization of the product portfolio. This has been accomplished while still addressing some integration issues (e.g., product consolidations, product & process improvements) related to the acquisition of The Paragon Implant Company. Key trends in the dental implant segment include the following:

- Simplification -- major competitors continue to streamline systems and improve the simplicity of the implant restorative process in the hopes of increasing referral volumes. Sulzer Dental is well positioned on this front and has several new product development initiatives in place that will enhance packaging and product delivery systems.

- Esthetics -- more natural appearing restorations to meet the increasing expectations of patients are on the rise. The use of all ceramic components is gaining popularity given the preferred esthetics. The use of CAD/CAM technology to fabricate custom abutments to ensure an optimal fit is growing. Sulzer Dental has several new product development initiatives in place that offer more esthetic alternatives.

- Immediacy -- the ability to offer patients a more immediate functional and/or esthetic implant solution is a clear trend. The length of the process has historically impacted the level of patient acceptance. Sulzer Dental has packaged a number of immediacy techniques into a marketing campaign known as SmartSteps(SM).

- Tapered and Single Stage Implant Geometries -- tapered implant designs are gaining favor as they more naturally mimic the geometry of a tooth root. Single stage one-piece implant designs are also a growing product segment given the simplicity of placement and elimination of a surgical procedure.

Sulzer Dental is extremely well positioned on these fronts with numerous tapered designs (Tapered Screw-Vent, AdVent, Tapered SwissPlus) and two single stage implant systems (AdVent, SwissPlus).

Bound on leading an active life, an increasing number of elderly stays fit for an increasing period of time. Where indicated biological heart valves are now moving into the spotlight. Their product life may be limited, but many physicians believe that the risk of reoperation is less than the risk of complications with anticoagulation for these active patients. Also, innovative valvular repair products make it possible to restore the function of an injured or impaired heart valve without replacing the native valve As a major trend, vascular surgery is turning towards gentle i.e. minimally invasive operative procedures. This in turn requires vascular grafts, stents and other repair products that can be placed in a patient's body by way of a catheter advanced through the vascular system. These two dominating market trends determine the research and development strategy of the Cardiovascular Prostheses Division. The emphasis is placed on enlarging the tissue product line for heart valve repair and replacement and furthermore developing vascular products suited for minimally invasive positioning.

SUBSEQUENT EVENTS

On May 13, 2002, the Company announced that it has plans to launch a program aimed at optimizing efficiency at their European Orthopedics Division. As of June 1, 2002, the Company will begin shifting staff members from Baar, Switzerland to Oberwinterthur and Zurich, Switzerland. The Company will abandon

the administration facility in Baar, while the logistics unit will remain there. The optimization program envisions a reduction of some 100 positions in an initial step, followed by a further 20 positions in a second step.

As of the close of the opt-out period on May 15, 2002, the Claims Administrator under the MDL Class Settlement Agreement had received notice from approximately 130 patients who have opted-out of the settlement.

The Company's financial statements have been prepared in accordance with IAS, which differs in certain significant respects from U.S. GAAP. Details are contained in Note 31 of the Consolidated Financial Statements.

This annual report also contains forward-looking statements that involve risks and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from those anticipated in these forward-looking statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A DIRECTORS AND SENIOR MANAGEMENT

Certain information concerning Sulzer Medica's current Directors and Senior Management as of May 12, 2002, is provided below.

Max Link (Age 62) has been a Board member of several biotechnology ventures since 1994. He served as Chief Executive Officer of Corange Ltd from 1993 to 1994. Prior to these endeavors, Mr. Link spent his career with Sandoz from 1970 until his retirement in 1993. He served as Chairman of Sandoz Pharma from 1992 to 1993, Chief Executive Officer of Sandoz Pharma from 1987 to 1992, Chief Executive Officer of Sandoz Corp., USA from 1981 to 1986, and Chief Financial Officer of Sandoz USA from 1978 to 1980. Currently Mr. Link is member of the Board of the following companies: Cell Therapeutics Inc., Seattle WA, USA; Igeneon, Vienna, Austria; Human Genome Sciences Inc., Rockville MD, USA; Mipharm SpA, Milan, Italy; Protein Design Labs Inc., Fremont CA, USA; Noxxon Pharma AG, Berlin, Germany.

Larry L. Mathis (Age 59) was President and Chief Executive Officer of The Methodist Health Care System, an affiliation of over 40 hospitals in the United States and overseas, from 1983 to 1997. From 1980 to

1982, Mr. Mathis served as Executive Vice President and Chief Operating Officer of the Methodist Hospital System. He is past Chairman of the 30,000-member American College of Healthcare Executives, Past-Chairman of the American Hospital Association, the Texas Hospital Association, the Greater Houston Hospital Council and the National Task Force on Health Care Technology Assessment, and a past member of Medicare's Prospective Payment Assessment Commission. He is a Consultant in healthcare leadership and management.

Steffen Gay (Age 54) graduated from the Institute of Pathology at the University of Leipzig (Germany) in 1973. Afterward he served as a researcher at the Max-Planck-Institute of Biochemistry in Munich and as a research specialist at CMDNJ-Rutgers Medical School in Piscataway (USA) until 1976. Thereafter he held different positions at the University of Alabama (USA). In 1983 he assumed the responsibility of Director at the UAG, School of Dentistry. From 1984 to 1996 Mr. Gay was Director of the WHO Collaborating Center of Biochemical Classification and Diagnostic Criteria of Rheumatoid Arthritis and Allied Diseases. Most recently, Mr. Gay has held three different positions: 1) Adjunct Professor of Medicine (Division of Clinical Immunology and Rheumatology); 2) Professor of Experimental Rheumatology and Doctor at the Clinic of Rheumatology

at University Hospital in Zurich; 3) Director of WHO Collaborating Center for Molecular Biology and Novel Therapeutic Strategies for Rheumatic Diseases.

On May 31, 2001 the Board of Directors named Dr. Stephan Rietiker (Age 46) as successor to Mr. Andre P. Buchel as President and Chief Executive Officer. He assumed his new duties on August 1, 2001. Dr. Rietiker completed his studies as a medical doctor at the University of Zurich in 1982 and also qualified to practice medicine in the U.S. He began his business career with Roche in 1987 and has held various management positions with Boehringer Mannheim and Essex Chemie. He was the President of HPC Healthcare & Pharma Consulting in Zurich from 1997 to 1999. Prior to joining Sulzer Medica, Dr. Rietiker was Vice President and General Manager for Europe and South Africa for Covance Central Laboratory Services in Geneva.

On August 7, 2001 the Board of Directors named Mr. Urs Kamber (Age 50) as successor to Mr. George Hahnloser as Chief Financial Officer. He assumed his new duties on September 1, 2002. Mr. Kamber holds a Swiss CPA from the AKAD Zurich. Prior to joining Sulzer Medica, he held various management positions in the area of Finance, including CFO of Cesky Telecom (1996-2001), Corporate Controller of Ascom Holding (1993-1994), President Ascom Holding USA (1989-1993), CFO Avtelca AG (1985-1989) and CFO of subsidiary of Motor-Columbus (1976-1985).

On July 19, 2001 the Board of Directors named Dr. Gabor-Paul Ondo (Age 39) as Chief Risk Officer and as successor to Mrs. Oelz as General Secretary of the Board of Directors. He assumed his new duties on August 1, 2001. Dr. Ondo obtained a doctoral degree in law and attorney at law from the University of Zurich and a master's degree in European business law from the University of St. Gallen. Prior to joining Sulzer Medica, Dr. Ondo held various management positions in the area of Corporate Risk Management, including Executive Director at Group Compliance Services of UBS Financial Services Group (2000-2001), Chief Claims Officer & General Counsel and Member of the Extended Executive Board at Winterthur International, Winterthur (1998-2000), Attorney at law at Baer&Karrer, Zurich (1997-1998), and Head of Legal and Claims Services at Zurich Re, Zurich (1992-1996).

On August 7, 2001 the Board of Directors named Dr. Thomas Zehnder (Age 34) as Group Vice President of Business and Technology Development. He assumed his new duties on August 15, 2001. He has a degree in Industrial Engineering from the Federal Institute of Technology (ETH), Zurich, and a doctoral degree in Business Administration from the University of St. Gallen. Prior to joining Sulzer Medica, Dr. Zehnder held various management positions in the healthcare industry in the area of Strategic Business Development and Marketing, including Director Process Development and Reengineering and Director Clinical Project Management at Covance Central Laboratory Services, Geneva (1999-2001), Consultant and Project Manager at HPC Healthcare & Pharma Consulting AG, Zug (1999), International Product Manager at Stratec Medical AG, Oberdorf (1997-1999).

On August 7, 2001 the Board of Directors named Mrs Beatrice Tschanz (Age 59) as Group Vice President of Corporate Communications. She assumed her new duties on August 15, 2001. She studied

languages and history at the universities of Oxford, Sorbonne and Barcelona. Prior to joining Sulzer Medica, Mrs. Tschanz held various management positions in the area of Corporate Communications, including Head of Corporate Communications at SAir Group (1997-2001), Head of Corporate Communications at Jelmoli AG (1991-1997), and Head of Communications at Ringier AG (1987-1991).

On March 28, 2002, 2002 the Board of Directors named Mr. Matthias Moelleney

(Age 42) as successor to Mr. John Rankin as Group Vice President of Human Resources. He assumed his new duties on May 1, 2002. Prior to joining Sulzer Medica, Mr. Moelleney held various management positions in the area of Human Resources, including Head of Human Resources at SAir Group (1998-2001) and Vice President Human Resources at Lufthansa (1988-1998).

David Floyd (Age 41) has been President of Sulzer Orthopedics, Inc., since July 2001. He has a B.S. from Grace College and attended the Graduate School of Business at Ball State University. Mr. Floyd joined Sulzer Orthopedics, Inc. in 1994 and held several senior management positions until 1998, among others Vice President of Sales. Before re-joining Sulzer Orthopedics in December 2000, Mr. Floyd was Vice President of Sales with OrthoLogic Corp (1998-2000), responsible for the US Market. Additionally Mr. Floyd has held various management positions in the U.S., including National Account Executive at Zimmer Inc.

Dennis Wallach (Age 58) has been President of the Cardiovascular Prostheses Division and Sulzer Spine-Tech Inc since October 15, 2001. Mr. Wallach is a seasoned Senior Executive who has experience in multinational service and manufacturing industries. Mr. Wallach is a Graduate of City University of New York and has completed a graduate work at George Washington University. Prior to joining Sulzer Medica as President of Sulzer Spine-Tech Inc., Minneapolis, Mr. Wallach served six years as Senior Advisor for the Operating Committee of Czech Telecom. Prior to this, he was Senior Vice President and interim CFO at Autotote Inc., where he was also responsible for all manufacturing and procurement functions and sales in Europe and Asia. As President with Ascom Communications Inc., he restructured the company and led the organization successfully exiting Chapter 11.

Richard Fritschi (Age 42) has been President of the business unit Europe/Asia/Latin America for the Orthopedics Division of Sulzer Medica since July 2001. He has a degree in Business Administration from the Business school of Zurich and followed an advanced management program at Harvard Business School in 1999. Mr. Fritschi joined Allo Pro (Sulzer Medica) in 1991 as Controller and during his career at Sulzer; he has held various operational and financial management positions, including General Manager of Sulzer Orthopedics (1999-2001) and CFO of Allo Pro. Before joining Allo Pro, Mr. Fritschi was CFO of Isolag and Controller at Mangold Energy for whom he was working in London and Paris.

Steven Hanson (Age 49) has been President of Sulzer Dental Inc. since September 1992. He has an MBA from Boston College. Mr. Hanson joined Sulzer Medica (Sulzer AG) in 1982 as a manager and has held various operational management positions, including President of Sulzer Dental Inc. (1992-current), Vice President International Sulzer Intermedics Inc. (1987-1992) and Director International Sulzer Intermedics Inc. (1982-1987). Prior to joining Sulzer Intermedics, Mr. Hanson was a Vice President for sales and marketing at American Pacemaker Corporation.

6.B COMPENSATION

During the financial year ended December 31, 2001, the aggregate amount of compensation paid by Sulzer Medica and its subsidiaries to its former and current Directors and Senior Management was approximately CHF 20.1 million, whereof approximately 25% was paid to current Directors and Senior Management as listed in 6.A. No benefits in kind were provided.

The total amount contributed by Sulzer Medica to company pension plans for former and current Directors and Senior Management during 2001 was approximately CHF 0.9 million.

Performance-related incentive compensation is an element of Sulzer Medica's remuneration policy and applies to all management staff. Sulzer Medica maintains

various plans, including the Annual Incentive Award and the Long-Term Incentive Plan, which link a portion of the compensation to Sulzer Medica's achievement of financial performance criteria and personal objectives.

ANNUAL INCENTIVE AWARD

The purpose of Sulzer Medica's Annual Incentive Plan is to provide a direct annual financial incentive to executives and key managers to achieve corporate performance goals established under Sulzer Medica's annual operating plan.

Executives are eligible for target awards determined by the executives' position and competitive data for similar positions at peer companies. In keeping with the performance-based philosophy, the resulting awards decrease or increase substantially if actual Sulzer Medica performance fails to meet or exceed target levels.

LONG-TERM INCENTIVE PLAN

The primary purpose of the Long-Term Incentive Plan is to motivate executives to achieve the long-term performance goals of the Sulzer Medica Group.

The program provides the possibility of earning a payout in cash at the end of a three-year performance cycle. As with short-term incentive compensation, a threshold level of performance is required before payout occurs.

The Long-Term Incentive Plan was discontinued in 2000. From 2001 onwards, long-term performance will be rewarded through the Sulzer Medica share plans.

MANAGEMENT STOCK OPTION PLAN

In July 1997, Sulzer Medica adopted the 1997 Management Stock Option Plan to provide executive and selected key employees throughout Sulzer Medica with an opportunity to obtain options to purchase shares.

The options with respect to employees located in the United States are not intended to qualify as incentive stock options as defined in Section 422A of the Internal Revenue Code of 1986, as amended. The price at which shares may be purchased upon exercise of a particular option is not less than 100% of the fair market value of each Share/ADS on the date of grant or the par value per share (or 1/10th thereof for each ADS) if greater. Options granted under the Option Plan vest at 25% of the options granted per year and may not be exercised after the fifth anniversary of the date of grant.

During 2001, options to purchase Sulzer Medica shares granted to Directors and Senior Managers under the Sulzer Medica 1997 Management Stock Option Plan. The aggregate number of options granted to Directors and Senior Managers in 2001 was 35,665 shares. The options were granted at Fair Market Value on the date of the grant and expire on April 11, 2005. In the United States and Canada, these are granted as options to purchase American Depositary Shares (ADS), which are traded on the New York Stock Exchange. The exercise price for the ADS options in April was USD 19.46 and in August USD 7.80. Outside North America options are granted on Sulzer Medica shares traded on the Swiss Stock Exchange. The exercise price for options granted on shares in April was CHF 333 and in August was CHF 111.

In October 2000, the Board approved the Sulzer Medica 2001 Stock Option Plan, which replaced the 1997 Sulzer Medica Management Stock Option Plan. The first grant under this plan was made in April 2001. These options were granted

with an exercise price at fair market value and vest 25% per year over four years. The term is ten years from the date of grant.

See also Note 30 "Management Stock Option Plan" to the Consolidated Financial Statements.

6.C BOARD PRACTICES

Board members enjoy customary service contracts under Swiss law, which do not provide for benefits on termination.

Set forth below, are the names and terms of office of Sulzer Medica's current directors:

NAME	POSITION	START OF TERM	END OF TERM
Max Link	Chairman since March 2001	1997	2003
Larry L. Mathis		1997	2003
Steffen Gay		2001	2004

The Board is currently comprised of three directors who are each elected for a three-year term.

Sulzer Medica has established an Audit Committee, whose members currently are Max Link, Stephan Rietiker and Gabor-Paul Ondo. Urs Kamber is the Secretary of the Audit Committee. Among its duties, the Audit Committee is charged with reviewing the arm's length nature of transactions between Sulzer Medica and Sulzer Ltd.

The Board established a Compensation Committee composed of all Board members. The Committee establishes the Executive Compensation System for Sulzer Medica and determines the remuneration provided to the Chief Executive Officer and his direct reports.

The Audit Committee and Compensation Committee do not have formally adopted operating procedures.

6.D EMPLOYEES

At year-end 2001, 2000 and 1999, Sulzer Medica had worldwide 3,894, 3,397 and 3,174 employees, respectively.

The table below sets forth the breakdown of our employees by geographic area for the past three years.

FOR THE YEAR ENDED	2001	2000	1999
Switzerland	717	636	644
Europe	889	841	788
North America	2,108	1,800	1,639
Rest of the World	180	120	103
Total	3,894	3,397	3,174

Sulzer Medica complies with legislation regarding employee representation in each of the countries in which it operates and strives to maintain positive labor relations. Sulzer Medica does not employ a significant number of temporary workers.

6.E SHARE OWNERSHIP

Based on the information available to us, the aggregate amount of shares held by current Directors and Senior Management as listed in 6.A as of April 30, 2002, was 3'881shares. The aggregate number of options on the Company's shares held by the same group of persons as of April 30, 2002 is set out below:

EXPIRATION DATE	EXERCISE PRICE	TOTAL NUMBER OF OPTIONS HELD
July 14, 2002	CHF 350/USD 23.85	840
April 15, 2003	CHF 382/USD 24.92	1,696
April 16, 2004	CHF 300/USD 20.00	2,263
April 12, 2005	CHF 376/USD 22.67	2,040
April 18, 2011	CHF 333/USD 19.46	3,622
August 24, 2011	CHF 111/USD 6.71	24,186
October 1, 2012	CHF 145/USD 8.76	77,387
Total		112,034

Options granted to participants in North America are in the form of American Depositary Shares (ADS), which have a ratio of 10 ADS to 1 share. Each granted option calls for one share, respectively one

ADS of the Company. Vesting for all grants is 25% per year following the grant. The grants expiring between July 14, 2002 and April 12, 2005 have a five-year term. Grants expiring in 2011 and 2012 have a ten-year term.

EMPLOYEE STOCK PURCHASE PLAN

Sulzer Medica had in place a 2001 Employee Stock Purchase Plan for the purpose of providing employees of Sulzer Medica and its subsidiary companies with an opportunity to participate in equity ownership of Sulzer Medica by the annual purchase of Shares (in the U.S. and Canada ADSs) of Sulzer Medica at a discount. The price of the Shares/ADSs under the 2001 Plan period was 85% of the lesser of the fair market value of the Shares/ADSs on the offering commencement date or of the fair market value on the exercise date.

The 2002 Employee Stock Purchase Plan provides that Sulzer Medica may sell Shares/ADSs to participants through quarterly offerings of purchase rights. The 2002 Plan provides that Sulzer Medica will make a matching contribution of 15% of a participant's payroll deductions used to purchase Shares/ADSs at fair market value on the exercise date.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

On April 19, 2001, at the Annual General Meeting of Shareholders, the

shareholders of Sulzer Ltd approved a plan to spin off substantially all of Sulzer Ltd's equity ownership in Sulzer Medica. The spin-off took place on July 10, 2001. Sulzer Ltd shareholders have received two shares of Sulzer Medica stock for each share of Sulzer Ltd that they owned at the time of the spin-off.

As of April 30, 2002, 353'559 shares representing approximately 3.5% of the outstanding shares were held of record in the U.S. in the form of 3'535'590 ADSs. Since some ADSs are held by brokers or other nominees, the number of direct record holders in the U.S. may not be fully indicative of the number of beneficial owners in the U.S. or of whether the beneficial owners of such ADSs are U.S. residents.

As of April 30, 2002, InCentive Capital, Zug, Switzerland and Silchester International Investors, London, United Kingdom, were known as the only shareholders of more than 5 percent of the shares (whether in the form of registered shares or American Depository Shares) of Sulzer Medica Ltd. As of April 30, 2002, the directors and executive officers of Sulzer Medica as a group owned 3'881 (less than one percent) of the outstanding shares.

7.B RELATED PARTY TRANSACTIONS

Prior to the spin-off of Sulzer Medica in July 2001, Sulzer Medica and its subsidiaries were parties to a number of agreements with Sulzer Ltd and its affiliates, which Sulzer Medica believes are consistent with arm's length principles. Certain subsidiaries of Sulzer Medica were parties to agreements with Sulzer Markets and Technology AG that provide for certain research and development activities. In addition, Sulzer Medica leased some of its properties from subsidiaries of Sulzer Ltd. See Note 29, "Transactions with Related Parties," to the consolidated financial statements.

Additionally, the parties also agreed, that the Sulzer Medica shall pay Sulzer Ltd. CHF 26,682,276.67 minus USD 266,288.48 and that Sulzer Ltd. shall pay Sulzer Medica USD 8,606,835.56, in settlement of all claims arising out of the Spin-Off Agreement, an inter-company loan and a claim of Sulzer Carbomedics Inc. against Sulzer Mexico S.A.

Sulzer Medica and Sulzer Ltd. have also entered into an agreement regarding claims arising out of the Inter-Op and tibia base plate litigation. See Item 8.A.7 "Legal Proceedings" for more information.

7.C INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 17.

8.A.7 LEGAL PROCEEDINGS

The Company designs, manufactures and markets highly sophisticated products that involve proprietary technology, technical know-how and intellectual property rights. The Company may own these rights outright, or operate under licenses from other parties. Patent challenges, as well as patent infringement and major product liability claims, are common in the medical device industry. On December 5, 2000, Sulzer Orthopedics Inc. issued a voluntary recall of certain lots of the Inter-Op acetabular shells that failed to adhere in certain

cases to patient's acetabulum. Sulzer Orthopedics Inc. has continued to investigate the reason for the product failure, utilizing the expertise and counsel of physicians as well as internal and external scientists and engineers. The investigation initially appeared to reveal that a trace of mineral oil-based lubricant remaining on the implant after the manufacturing process was responsible for the lack of proper bonding between the implant and the bone, in some cases.

More recently, Sulzer Orthopedics Inc. has focused its investigation on various other contaminants on the surface of the porous coated shell. Sulzer Orthopedics has implemented manufacturing and cleaning steps to ensure the problem does not recur.

As of March 7, 2002, the Company and its subsidiaries have been served with a total of 1989 lawsuits in federal and state and provincial courts in the U.S. and Canada, alleging injuries as a result of Inter-Op acetabular shells manufactured and sold by Sulzer Orthopedics Inc. As of March 14, 2002, 2,860 revision surgeries have been reported.

The plaintiffs' allegations of liability are based on various theories of recovery, including, but not limited to, product liability, strict liability, negligence, and breach of warranty. Plaintiffs typically seek relief in the form of monetary damages (including general damages, medical care and monitoring expenses, loss of earnings and earnings capacity, compensatory damages and punitive damages), generally in unspecified amounts, on behalf of the individual or class. Sulzer Orthopedics Inc. has informed the United States Food and Drug Administration of its ongoing investigation of a porous-coated tibia base plate that was manufactured from July to December 2000. A number of adverse clinical outcomes have been reported, and as of March 7, 2002, 585 revision surgeries have been reported to Sulzer Orthopedics and the Company and its subsidiaries have been served with a total of 86 lawsuits. On June 19, 2001, the Judicial Panel on Multi-District Litigation ("MDL") ordered that all Inter-Op lawsuits filed in federal courts be consolidated for per-trial proceedings in the U.S. District Court (N.D. Ohio) in Cleveland, Ohio. On August 29, 2001, the Court provisionally certified a class and granted preliminary approval to the parties' settlement agreement and on September 17, 2001, the Court issued an order enjoining all further proceedings in other federal and state courts.

The parties have renegotiated the initial settlement agreement. The revised settlement agreement (the "MDL Settlement Agreement") provides for the Company to contribute to the settlement trust for the benefit of USD 725 million in the form of USD 425 million in cash and USD 300 million in Convertible Callable Instruments (CCI). In additional, Sulzer Ltd., a Swiss corporation, which until July 2001 owned approximately 74% of the Company, has agreed to pay USD 50 million in cash and contribute 480,349 shares in the company. In addition, XL Winterthur International Insurance Switzerland, "Winterthur", the Company's insurer for the relevant policy years, has agreed to assign all the remaining amounts of the policy covering the period from April 1, 2000 to March 31, 2001, with the consent of Sulzer Ltd. and the Company, and, furthermore, "Winterthur" has agreed to pay an amount of USD 40 million into an escrow account for the

eventual transfer into the settlement trust, with reference to the policy covering the period of April 2, 2001 to March 31, 2002.

The Company has the obligation to deliver USD 425 million at the later of 180 days after trial court approval or 60 days after the final judicial approval date. The amount is increased by an amount equal to the interest calculated at a floating LIBOR rate (one month LIBOR), starting 180 days after trial court approval and compounded annually. At the later of 180 days after trial court

approval or 60 days after final judicial approval date, the Company has the obligation to issue the CCI. Unless earlier redeemed, 18 months after the issue date, the Company will provide the settlement trust ADS or shares at the conversion price in effect on the maturity date. The payment obligation under the CCI will be under the CCI will be unsecured and subordinated to the financing. Beginning with the issue date, the CCI shall accrue interest in the amount of 7.5% compounded annually. The Company has the option at any time to redeem for cash any portion of the face amount of the CCI plus unpaid interest. The partial redemption shall be in a minimum amount of USD 10 million. While the CCI is issued, the Company will not pay out any dividends and will be subject to other financing limitations.

On March 13, 2002, the Company and the plaintiffs have signed the MDL Settlement Agreement and the U.S. District Court in Cleveland, Ohio, granted preliminary approval. The U.S. District Court granted final approval on May 8, 2002, after conducting a fairness hearing on May 6, 2002. The patients have the right to reject this settlement by choosing to opt-out. The opt-out period is scheduled to end on May 15, 2002. The Company has the right to terminate the settlement agreement and withdraw for any reason at any time before May 22, 2002. If too many opt-outs are forcing the Company to withdraw from the settlement agreement, the Company will then be forced to file for Chapter 11 for its subsidiary Sulzer Orthopedics, Inc., based in Austin. As of the close of the opt-out period on May 15, 2002, the Claims Administrator under the MDL Class Settlement Agreement had received notice from approximately 130 patients who have opted out of the settlement. Sulzer Orthopedics Inc. believes that it has acted properly at all times in handling the voluntary recall of Inter-Op acetabular shells and its investigation of the tibia base plates and, with respect to any patients who opt out of the MDL Settlement Agreement, intends to defend the related litigation vigorously.

As an integral part of the MDL Settlement Agreement, the Company agreed to indemnify and hold Sulzer Ltd. and all its direct or indirect subsidiaries harmless for any and all claims and liabilities related to the affected products including, in particular, actions of members of the settlement class (as defined in the MDL Settlement Agreement) who exercise their right to opt-out of the MDL Settlement Agreement. Sulzer Ltd. releases the Company from any indemnification obligation arising out of the pre-existing indemnity agreement. The indemnity is only valid and enforceable if the MDL Settlement Agreement achieves final judicial approval.

Furthermore, as a condition precedent to execution of the above MDL Settlement Agreement, and in return of their payments under the MDL Settlement Agreement, the Company agreed to indemnify and hold "Winterthur" Insurance Company and its subsidiaries harmless from all claims and liabilities which may be brought against "Winterthur" under the original and under the second year policy, including in particular, actions of members of the settlement class (as defined in the MDL Settlement Agreement) who exercise their right to opt-out of the MDL Settlement Agreement.

In March, 1999, IntraTherapeutics, Inc., a stent company located in St. Paul, Minnesota, which the Company acquired in February 2001, received a notice from Cordis Corporation that it was infringing U.S. Patent No. 4,739,762 (the "762 Patent") by manufacturing and marketing the IntraStent. The notice demanded that IntraTherapeutics cease manufacturing and selling the IntraStent and that if it failed to do so, Cordis Corporation would commence litigation against IntraTherapeutics once Cordis Corporation had completed lawsuits regarding the 762 Patent in the U.S. District Court of Delaware. The Company does not believe the IntraStent infringes the 762 Patent and will vigorously defend against any such litigation.

Joint Medical Products Corporation, a division of Johnson & Johnson, filed a complaint on January 28, 1997, in the U.S. District Court for the District of

Connecticut against Sulzer Medica USA Inc. and Sulzer

Orthopedics Inc. The suit alleged infringement of a patent owned by Joint Medical relating to an acetabular cup and polymeric insert used in hip prostheses and sought treble damages, attorneys' fees, and injunctive relief. In December 1997 (and as later amended in December 1999), the parties stipulated and the Court ordered that the case be dismissed without prejudice and that the parties' April 1995 Tolling Agreement remains in effect pending conclusion of reexamination proceedings involving the Joint Medical patent. The reexamination period has not concluded, but a substantial possibility exists that it will conclude in 2002.

In addition, the Company is party to certain other litigation incidental to its business. These matters are unlikely, individually or together, to have an adverse material effect on the Company's business, financial condition or operational results.

8.A.8 DIVIDEND POLICY

The level of dividends in each year will depend upon general business conditions, the Company's current and expected future financial performance, developments with respect to the legal proceedings described in 8.A.7 above, and other relevant factors. As long as the CCI is issued, the Company will not be able to pay out any dividends and will be subject to other financing limitations.

The distribution of dividends proposed by the directors of the Company requires the approval of the shareholders of the Company in a General Meeting. In addition, the Company's statutory auditors are required to declare that the dividend proposal is in accordance with Swiss law. Dividends will be payable following the end of the relevant financial year, if approved at the Company's Annual General Meeting which will be held in April or May.

Because cash dividends, if any, will be paid by the Company in Swiss francs, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADS upon conversion by the Depositary of such dividends.

8.B SIGNIFICANT CHANGES

The information required by Item 8.B is incorporated by reference from the information under Item 8.A.7 regarding the voluntary product recall.

ITEM 9. THE OFFER AND LISTING

9.A LISTING DETAILS

Sulzer Medica's shares are listed on the Swiss Stock Exchange under the symbol "SMEN" and the ADSs are listed on the New York Stock Exchange under the symbol "SM." Consequently, Sulzer Medica is subject to the listing regulations of both stock exchanges.

NEW YORK STOCK EXCHANGE

The ADSs have been trading on the NYSE since July 14, 1997. Each ADS represents the right to receive one-tenth (1/10) of a registered share, par value CHF 30 per share, and is evidenced by an American Depository Receipt. The ADSs have been issued pursuant to a deposit agreement with Citibank, N.A., as depositary. The following table sets forth, for the periods indicated, the high and low sales prices in U.S. dollars of the ADSs on the NYSE:

	HIGH	LOW
Annual information for the most recent full years (closing prices)		
1997	30.50	20.31
1998	28.88	16.00
1999	21.75	16.00
2000	29.75	18.88
2001	28.38	2.55

	HIGH	LOW
Quarterly information for the past two years (closing prices)		
2000:		
First Quarter	24.50	18.88
Second Quarter	24.38	20.94
Third Quarter	29.75	24.06
Fourth Quarter	27.63	23.50
2001:		
First Quarter	28.38	20.10
Second Quarter	20.20	5.95
Third Quarter	8.50	4.40
Fourth Quarter	5.40	2.55
2002:		
First Quarter	9.77	4.43
Monthly information for most recent six months (closing prices)		
November 2001	4.50	2.55
December 2001	4.76	3.85
January 2002	5.45	4.43
February 2002	8.29	5.60
March 2002	9.77	7.90
April 2002	10.40	9.39

SWISS STOCK EXCHANGE

The shares have also been trading on the Swiss Exchange since July 14, 1997. Securities traded on the Swiss Exchange include Swiss and non-Swiss bonds, equities, investment funds, rights and warrants.

The following table sets forth, for the periods indicated, the high and low sales prices in Swiss francs, of the registered shares on the Swiss Exchange:

	HIGH	LOW
Annual information for the most recent full years (closing		

prices)		
1997	448	298
1998	430	214
1999	334	234
2000	535	298
2001	465	37
Quarterly information for the past two years (closing prices)		
2000:		
First Quarter	416	298
Second Quarter	403	346
Third Quarter	535	390
Fourth Quarter	490	407
2001:		
First Quarter	465	345
Second Quarter	351	100
Third Quarter	135	72
Fourth Quarter	87	37

	HIGH	LOW
2002:		
First Quarter	159	71
Monthly information for most recent six months (closing prices)		
November 2000	75	39
December 2000	77	63
January 2001	90	71
February 2001	137	92
March 2001	159	136
April 2001	169	156

9.B PLAN OF DISTRIBUTION

Not applicable.

9.C MARKET

Sulzer Medica's registered shares are listed on the SWS Swiss Exchange under the symbol "SMEN" and the ADSs are listed on the New York Stock Exchange under the symbol "SM." Consequently, Sulzer Medica is subject to the listing regulations of both stock exchanges.

NEW YORK STOCK EXCHANGE

The ADSs have been trading on the NYSE since July 14, 1997. Each ADS represents the right to receive one-tenth (1/10) of a registered share and is evidenced by an American Depository Receipt. The ADSs have been issued pursuant to a deposit agreement with Citibank, N.A., as depositary.

SWX SWISS EXCHANGE

The registered shares have also been trading on the Swiss Exchange, our principal trading market, since July 14, 1997. Securities traded on the Swiss

Exchange include Swiss and non-Swiss bonds, equities, investment funds, rights and warrants.

The Swiss Exchange is an order-driven exchange system. Transactions on the Swiss Exchange are transmitted electronically via a high-speed computer-processing center. Trading is divided into three separate phases: pre-opening, opening and continuous trading. During the pre-opening phase, the system is available for entries into the order book, inquiries and reporting of off-exchange transactions, which are subject to additional regulations. During the opening phase, the system fixes the price for the particular security. During the continuous trading phase orders are matched. The Swiss Exchange interrupts trading in a security that is subject to significant price fluctuations during a particular trading period.

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

Not applicable.

10.B MEMORANDUM AND ARTICLES OF ASSOCIATION

The information required by Item 10.B is incorporated by reference from information contained in the Company's Annual Report on Form 20-F for the year ended December 31, 1998 as filed with the Commission on June 28, 1999 as Exhibit 1.

10.C MATERIAL CONTRACTS

Sulzer Medica USA Inc., a Delaware corporation, and certain other subsidiaries of the Company (collectively "Purchaser") entered into an Asset Purchase Agreement (the "Purchase Agreement") dated as of November 1, 2000, with Core-Vent Corporation d/b/a Paragon Implant Company, a Nevada corporation ("Paragon") and certain Paragon shareholders (collectively "Seller") whereby Purchaser agreed to buy substantially all of the assets of Seller for one hundred million ($100,000,000) U.S. dollars, subject to certain post-closing adjustments. The Purchase Agreement contains customary terms and conditions for a transaction of this type and the purchase closed on January 8, 2001.

A subsidiary of the Company, Sulzer Medica USA Holding Co, a Delaware corporation, ("Acquirer"), entered into an Agreement and Plan of Merger (the "Merger Agreement") dated as of January 5, 2001, with IntraTherapeutics, Inc., a Minnesota corporation ("IntraTherapeutics") whereby Acquirer acquired 100% of the issued and outstanding equity of IntraTherapeutics for one-hundred forty-five million ($145,000,000) U.S. dollars. The Merger Agreement contains usual and customary terms and conditions for transactions of this type, and the merger was effective on February 1, 2001.

Sulzer Medica, Sulzer Orthopedics Inc. and Sulzer Ltd. entered into the MDL Settlement Agreement dated as of March 13, 2002, with class counsel in connection with the Inter-Op and tibial baseplate litigation. Sulzer Medica, Sulzer AG and XL Winterthur International Insurance Switzerland also entered into an Indemnification and Release Agreement effective as of March 14, 2002, pursuant to which XL Winterthur International Insurance Switzerland has agreed to assign certain insurance proceeds to the Settlement Trust Fund and Sulzer Medica has agreed to indemnify Sulzer Ltd against all claims and liabilities of members of the settlement class who opt-out of the MDL Settlement. See Item 8.A7 for more information.

Sulzer Orthopedics Inc. has entered into a Settlement and Release Agreement with the United States of America concerning the Centers for Medicare and Medicaid Services ("CMS") claims for reimbursement of medical items and services provided to Medicare beneficiaries in connection with the voluntary recall of the Inter-Op shells. Under the terms of the Settlement and Release Agreement, Sulzer Orthopedics Inc. agrees to reimburse the United States for up to USD 10,000 dollars for hospital services and USD 5,000 dollars for physicians services for each Medicare patient who has had a revision surgery. Payments to the United States will be paid out of the Settlement Trust established for the administration of the MDL Settlement Agreement.

Sulzer Orthopedics has also entered into a Letter Agreement dated April 25, 2002, with XL Winterthur International Insurance Switzerland under the terms of which XL Winterthur International Insurance Switzerland has agreed to fund payments to be made under the Settlement and Release Agreement Sulzer Orthopedics Inc. has entered into with CMS.

Sulzer Orthopedics Inc. has also entered into a Memorandum of Understanding ("MOU") with several large third-party payors including various BlueCross/BlueShied plans, Humana Health plans, Mutual of Omaha and CIGNA plans throughout the United States to resolve certain claims of subrogation for reimbursement relating to revision surgeries for both the recalled acetabular shells and withdrawn tibial baseplates. The MOU is subject to negotiation and execution of a definitive settlement agreement. The payments to be made to these third-party payors will also be made out of the Settlement Trust Fund.

10.D EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDER

Sulzer Medica may restrict transfers or, to the extent permitted under applicable law or Sulzer Medica's Articles of Incorporation and Organizational Regulations, cause the mandatory sale or disposition of Shares and ADSs where such transfer or ownership, as the case may be, might result in ownership of registered shares or ADR's exceeding the limits under applicable law or Sulzer Medica's Articles of Incorporation and Organizational Regulations. As of the date hereof, there are no such limitations affecting ownership of registered shares under applicable laws of Switzerland or the Articles of Incorporation and Organizational Regulations of Sulzer Medica.

10.E TAXATION

The following is a summary of Swiss tax matters that may be relevant with respect to the acquisition, ownership and disposition of registered shares or ADSs (which are evidenced by ADRs).

For purposes of the Convention between the United States of America and Switzerland for the avoidance of double taxation with respect to Taxes on income of 1996 ("the Treaty") and the IRC of 1986, as amended, United States Holders of

ADSs are treated as the owners of the registered shares corresponding to such ADSs. Accordingly, the Swiss tax consequences discussed below also generally apply to United States holders of registered shares.

SWISS TAXATION

Gain on Sale. Under present Swiss law, a holder of registered shares or ADSs, will be exempted from any Swiss federal, cantonal or municipal income or other tax on gains realized during the year on the sale of registered shares or ADSs who:

(i) is a non-resident of Switzerland,

(ii) during the taxable year has not engaged in a trade or business through a permanent establishment within Switzerland and

(iii) is not subject to taxation by Switzerland for any other reason.

Stamp, Issue and Other Taxes. The transfer of shares of Sulzer Medica or ADSs may be subject to the Swiss security transfer stamp duty (Umsatzabgabe) as defined in the Swiss Federal Stamp Tax Act.

Withholding Tax. Dividends paid in respect of shares will be subject to the Swiss Anticipatory Tax at the rate of 35%, and Sulzer Medica will be required to withhold tax at such rate from any dividend payments made to a holder of registered shares. Dividend payments may qualify for reduction of or refund of the Swiss Anticipatory Tax because of the provisions of a double tax treaty between Switzerland and the country of residence or incorporation of a holder. In such cases the holder will be entitled to claim a refund of all or a portion of such tax in accordance with such treaty. The Treaty provides for a mechanism where a United States resident or United States corporations can generally seek a refund of the Swiss Anticipatory Tax paid on dividends in respect of registered shares, to the extent the withholding exceeds 15%.

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

The documents that are exhibits to or incorporated by reference in this annual report can be read at U.S. Securities and Exchange Commission's public reference facilities.

10.I SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET-RATE-SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

Due to the global nature of its operations, Sulzer Medica conducts its business in various foreign currencies and, as a result, is subject to the exposures that arise from foreign currency exchange rate movements. Such

exposures arise from transactions denominated in foreign currencies, primarily intercompany loans and purchases of inventory, as well as from the translation of results of operations from outside of Switzerland.

The Group manages volatility risks where necessary under the Group's risk management policies. Through its Foreign Exchange Risk Policy, the Group seeks to protect its net income and net worth in Swiss Francs against major currency fluctuations. Sulzer Medica's Chief Executive Officer and Chief Financial Officer have approved of the Foreign Exchange Risk Policy. The foreign exchange risks are managed by the Finance Department based on strategies defined in conformity with the Foreign Exchange Risk Policy and are reviewed on a regular basis with the frequency depending on the size and nature of the underlying risks. The individual companies of the Sulzer Medica Group are responsible for protecting their net income and net worth in their local currencies. In order to avoid any significant impact on a subsidiary's net income because of changes in foreign currency rates, transactional foreign currency risks shall be kept to a minimum or have to be hedged. The Group mainly uses currency forward contracts to address the currency transaction risk. Adding and holding additional risk positions, especially speculative positions without underlying operating transactions, is explicitly prohibited.

Due to its borrowings and cash position the Group is also exposed to changes in interest risks. These risks are covered by the respective Group policy. Borrowings at year-end remained at almost same levels compared to 2000. But the Group's cash position has been reduced significantly due to two major acquisitions in January and February 2001. The Group's borrowings are to be expected to increase significantly by year-end in the event the MDL Settlement Agreement approved by the U.S. District Court is not terminated. Consequently, the interest rate risks will increase substantially in 2003.

FOREIGN CURRENCY EXCHANGE RATE RISK

The financial statements for the Group are reported in Swiss francs. However, approximately 90% of Group sales (Orthopedics and Cardiovascular Prostheses Divisions) of CHF 1,418 million are denominated in currencies other than the Swiss franc. In addition, approximately 75% of its long-term debt is denominated in currencies other than the Swiss franc. As a result, fluctuations in exchange rates can have a significant effect on the Group's sales, operating results and financial position.

Sulzer Medica's financial instruments are subject to changes in fair values (as reported in the consolidated balance sheet) due to changes in market rates of exchange. All financial instruments hedge foreign currency assets, liabilities and intercompany transactions. As a result, changes in fair values of financial instruments do not affect Sulzer Medica's net income.

The net fair values of all foreign currency derivative contracts outstanding at December 31, 2001, were negative by CHF 1 million. An analysis has been prepared to estimate the sensitivity of the fair value of all derivative instruments to a hypothetical 10% unfavorable change in spot exchange rates at December 31, 2001. The results of the estimation, which may vary from actual results, are as follows:

Fair value of foreign currency exchange rate sensitive instruments

10% adverse rate movement.....	2.5 million (Loss)
At year-end rates.....	20.5 million (Gain)

Losses and gains on underlying transactions or anticipated transactions would largely offset any gains and losses of fair value on derivative contracts. These offsetting gains and losses are not reflected in the above table. There were no anticipatory hedges at December 31, 2001.

In addition, approximately 170% of the Group's net assets as per December 31, 2001 are denominated in currencies other than the Swiss franc (USD, GBP, EURO). As a result, fluctuations in exchange rates can have a significant effect on the Group's equity (currency translation adjustment); if Swiss francs were to have strengthened 10% against all other currencies, Sulzer Medica's equity, reported in Swiss francs, would have decreased by CHF 107 million.

INTEREST RATE RISK

The financial statements for the Group report CHF 21 million long-term borrowings as of December 31, 2001. The table below provides information about Sulzer Medica's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates.

Maturity date for debt and notional amount outstanding for loans at December 31, 2001 in million Swiss francs equivalents, which is Sulzer Medica's reporting currency:

MATURITY DATES AS AT YEAR END	2002 CARRYING VALUES	2003 AND THEREAFTER	TOTAL	TOT FAIR
LIABILITIES				
LONG-TERM BORROWINGS:				
Various, principally in CHF, EUR, GBP, USD and JPY floating based on Libor	--	21	21	2
TOTAL LONG-TERM BORROWINGS	--	21	21	2
SHORT-TERM BORROWINGS:				
Other borrowings (floating rate based in Libor, in CHF, Euro, Pound Yen and USD)	75	--	75	7
TOTAL SHORT-TERM BORROWINGS	75	--	75	7

Based upon the net cash position at December 31, 2001 (CHF 61 million) a decrease in short-term interest rates by 1% point would lower Sulzer Medica's annual net interest income by CHF 0.6 million.

So far Sulzer Medica does not consider it necessary to hedge the interest rate exposure of its interest bearing assets and liabilities; Sulzer Medica has no outstanding interest swaps at December 31, 2001.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

The Company's Registration Statement on Form F-1, Commission file number 333-7068, was declared effective on July 8, 1997. Pursuant to such Registration Statement, Sulzer Medica conducted its IPO of 2,300,000 registered shares, nominal value CHF 30 per share. The U.S. tranche of the IPO consisted of 580,859 registered shares. The offerees in the U.S. had the option to request the shares in the form of American Depositary Shares ("ADSs"), each of which represents 0.1 of a registered share.

The IPO commenced on July 14, 1997 and terminated after all offered shares were sold for an aggregate offering price of $620,100,000, including the exercise of the underwriters' over-allotment option. The offering price per share was CHF 350 and per ADS was $23.85. The Company's expenses relating to the IPO were approximately $17,000,000, all of which was paid to persons other than directors or officers of the Company, and the underwriting discount was approximately $31,616,000, leaving net proceeds to Sulzer Medica of approximately $571,484,000. Morgan Stanley Dean Witter was both the Global Coordinator of the IPO and the managing underwriter of the U.S. tranche.

In January 1998, Sulzer Medica acquired Spine-Tech, Inc. through a cash tender offer for approximately CHF 883 million (net of cash on hand and amounts tendered by Spine-Tech shareholders for exercise of options). The cash purchase price was paid from the net proceeds of the IPO and operating cash flow of the Company. The entire purchase price was paid to the shareholders of Spine-Tech.

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

The following audited and consolidated financial statements, together with the report of PricewaterhouseCoopers AG thereon, are filed as part of this Annual Report:

ITEM 18. FINANCIAL STATEMENTS

Not applicable.

ITEM 19. EXHIBITS

1.	Articles*
4.1	1997 Management Stock Option Plan of Sulzer Medica Ltd. And Affiliated Companies, as amended**
4.2	Sulzer Medica 2001 Stock Option Plan, as amended(1)
4.3	2001 Employee Stock Purchase Plan United States and Canada, as amended(2)
4.4	Sulzer Medica 2001 Long-Term Stock Option Plan, as amended(3)
4.5	Sulzer Medica 2002 Stock Purchase Plan United States and Canada, as amended(4)
4.6	AGREEMENT AND PLAN OF MERGER dated as of January 5, 2001, among SULZER MEDICA USA HOLDING CO., a Delaware corporation ("Parent"), ELVER ACQUISITION CORPORATION, a Minnesota corporation and a wholly owned subsidiary of Parent ("Merger Sub"), and INTRATHERAPEUTICS, INC., a Minnesota corporation (the "Company").(5)

4.7	ASSET PURCHASE AGREEMENT, dated as of November 1, 2000, as amended January 8, 2001, and May 23, 2001, among CORE-VENT CORPORATION, d/b/a Paragon Implant Company, a Nevada corporation ("Paragon"), CORE-VENT BIOENGINEERING, INC., a California corporation ("C-V BioEngineering"), CORE-VENT PARAGON BIO, a California corporation ("C-V Paragon"), PARAGON ADMINISTRATION, INC. , a California corporation ("Paragon Administration"), CORE-VENT GmbH, a corporation organized under the laws of the Federal Republic of Germany ("C-V GmbH"), CORE-VENT ISRAEL (1997), a PARAGON Company Ltd., a corporation organized under the laws of Israel ("C-V Israel"; and together with Paragon, C-V BioEngineering, C-V Paragon, Paragon Administration, C-V GmbH and C-V Israel, the "Seller"), the shareholders of Paragon identified on the signature page hereof (the "Paragon Shareholders"), the shareholders of C-V BioEngineering identified on the signature page hereof (the "C-V BioEngineering Shareholders"), the Niznick Family Foundation (the "Niznick Foundation"), a California not-for-profit corporation, DR. GERALD A. NIZNICK, an individual ("Dr. Niznick"; and together with the Paragon Shareholders, the C-V BioEngineering Shareholders and the Niznick Foundation, the "Shareholders"), SULZER MEDICA USA INC., a Delaware corporation ("Parent"), SULZER CALCITEK INC., a Delaware corporation ("Calcitek"), and SULZER CALCITEK GmbH, a corporation organized under the laws of the Federal Republic of Germany ("Calcitek GmbH"), GASHTAR LTD, a corporation organized under the laws of Israel ("Calcitek Israel") and SULZER DENTAL CORP, a corporation organized under the laws of Canada ("Calcitek Canada" and together with Calcitek, and Calcitek GmbH and Calcitek Israel, the "Purchaser").(6)
4.8	Class Action Settlement Agreement among Sulzer Orthopedics Inc., Sulzer Medica AG, Sulzer Ltd. and Class Counsel, on Behalf of Class Representatives In Re Sulzer Hip Prosthesis and Knee Prosthesis Liability Litigation MDL Docket No. 01-CV-9000 (MDL No. 1401) dated as of March 13, 2002

4.9	Indemnification and Release Agreement by and among Sulzer Medica AG, Sulzer AG and XL Winterthur International Insurance Switzerland effective as of March 14, 2002.
4.10	Settlement and Release Agreement dated as of May 2, 2002, Among the United States of America, acting through the Civil Division of the United States Department of Justice and on behalf of the Department of Health and Human Services and Sulzer Orthopedics Inc.
4.11	Letter Agreement between Sulzer Orthopedics Inc. and XL Winterthur International Insurance Switzerland dated April 25, 2002.
4.12	Memorandum of Understanding among the Settling Health Plans and Sulzer Entities named therein.
10.	Consent of PricewaterhouseCoopers AG, Independent Public Accountants

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* Incorporated by reference to Exhibit 1 to the Company's annual report on Form 20-F for the year ended December 31, 1998, filed with the Commission on June 28, 1999.

** Incorporated by reference to Exhibit 1 to the Company's annual report on Form 20-F for the year ended December 31, 1999, filed with the Commission on June 9, 2000.

(1) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Reg. No. 333-76282) filed with the Commission on January 4, 2002.

(2) Incorporated by Reference to Exhibit 4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2000 filed with the Commission on June 18, 2001.

(3) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Reg. No. 333-76280) filed with the Commission on January 4, 2002.

(4) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Reg. No. 333-85388) filed with the Commission on April 2, 2002.

(5) Incorporated by reference to Exhibit 5(a)(i) to the Company's Annual Report on Form 20-F for the year ended December 31, 2000 filed with the Commission on June 18, 2001.

(6) Incorporated by reference to Exhibit 5(a)(ii) to the Company's Annual Report on Form 20-F for the year ended December 31, 2000 filed with the Commission on June 18, 2001.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SULZER MEDICA LTD

By: /s/ Urs Kamber

Urs Kamber
Chief Financial Officer

By: /s/ Stephan Rietiker

Stephan Rietiker
Chief Executive Officer

Date: May 16, 2002

SULZER MEDICA LTD AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
of Sulzer Medica Ltd, Winterthur

We have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes) of Sulzer Medica Ltd and its subsidiaries as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, all expressed in Swiss francs.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the Swiss legal requirements concerning professional qualification and independence.

Our audits were conducted in accordance with auditing standards promulgated by the profession and with International Standards on Auditing issued by the International Federation of Accountants (IFAC) and auditing standards generally

accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, of the Sulzer Medica Ltd and its subsidiaries as of December 31, 2001 and 2000 and the results of operations and the cash flows for each of the three years in the period ended December 31, 2001 in accordance with International Accounting Standards and comply with Swiss law.

International Accounting Standards vary in certain respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of the consolidated net income expressed in Swiss francs for each of the three years in the period ended December 31, 2001 and the determination of consolidated shareholders' equity also expressed in Swiss francs at December 31, 2001 and 2000 to the extent summarized in note 31 to the consolidated financial statements.

PricewaterhouseCoopers AG

/s/ R. Rausenberger
R Rausenberger

/s/ St. Haag
St Haag

Winterthur, April 2, 2002

CONSOLIDATED INCOME STATEMENTS

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	Notes	2001 Mill. USD unaudited(1)	2001 Mill. CHF
NET SALES		839	1,418
Cost of sales		(320)	(540)
GROSS PROFIT		519	878
Selling, general and administrative expense		(383)	(648)

Research and development expense		(77)	(130)
Other operating income/expense	8	--	--
OPERATING INCOME BEFORE GOODWILL AMORTIZATION AND EXCEPTIONAL ITEMS		59	100
Goodwill amortization		(34)	(57)
Hip and knee settlement	9	(873)	(1,476)
Exceptional operating items	10	(117)	(198)
Gain on sale of the Electrophysiology Division	11	--	--
OPERATING INCOME/LOSS		(965)	(1,631)
Financial income/expense	12	4	7
Other non-operating income/expense	12	(12)	(21)
INCOME/LOSS BEFORE TAXES		(973)	(1,645)
Taxes	13	268	454
NET INCOME/NET LOSS BEFORE MINORITY INTERESTS		(705)	(1,191)
Minority interests		(1)	(2)
NET INCOME/NET LOSS		(706)	(1,193)

PER REGISTERED SHARE/PER AMERICAN DEPOSITARY SHARE (ADS)		USD	CHF
Basic income per share	14	(70.79)	(119.62)
Basic income per ADS		(7.08)	(11.96)
Diluted income per share(2)	14	(70.79)	(119.62)
Diluted income per ADS(2)		(7.08)	(11.96)

(1) Translated solely for the convenience of the reader, see note 32.

(2) According to IAS 33 and due to the net loss in 2001 the diluted income corresponds to the basic income.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

*

ASSETS	Notes	2001 Mill. USD unaudited(1)
NON-CURRENT ASSETS		
Intangible assets	15	554
Property, plant and equipment	16	140
Investments and other financial assets	17	39
Deferred income taxes	13	383
TOTAL NON-CURRENT ASSETS		1,116
CURRENT ASSETS		
Inventories	18	245
Trade accounts receivable	19	183
Other accounts receivable and prepaid expenses		73
Cash and cash equivalents		93
TOTAL CURRENT ASSETS		594
TOTAL ASSETS		1,710
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY	21	467
Minority interests		4
LONG-TERM LIABILITIES		
Long-term borrowings	22	12
Deferred income taxes	13	11
Long-term provisions	23	874
Other long-term liabilities		7

TOTAL LONG-TERM LIABILITIES		904
CURRENT LIABILITIES		
Short-term borrowings	24	44
Short-term provisions	23	133
Trade accounts payable		42
Other current and accrued liabilities	25	116
TOTAL CURRENT LIABILITIES		335
TOTAL LIABILITIES		1,239
TOTAL EQUITY AND LIABILITIES		1,710
Commitments and contingencies	26	

(1) Translated solely for the convenience of the reader, see note 32.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*

(in millions of Swiss francs, except share data)	Share capital	Additional paid-in capital	Retained earnings	Cumula transl adjust
JANUARY 1, 1999	300	766	247	
Adjustments for adopting IAS 19, revised			(2)	
Dividends (CHF 4.50 per share)			(45)	
Options exercised				

Decrease in treasury stock				
Net income			483	
Currency translation adjustments				
Comprehensive income(1)			483	
DECEMBER 31, 1999	300	766	683	
Dividends (CHF 5.00 per share)			(50)	
Options exercised (note 30)		3		
Increase in treasury stock				
Net income			190	
Currency translation adjustments				
Comprehensive income(1)			190	
DECEMBER 31, 2000	300	769	823	
Adjustments for adopting IAS 39 (note 21)			12	
Dividends (CHF 6.00 per share)			(60)	
Options exercised (note 30)				
Increase in treasury stock				
Fair value adjustments on financial instruments (note 21)			(9)	
Net income			(1,193)	
Currency translation adjustments				
Comprehensive income(1)			(1,193)	
DECEMBER 31, 2001	300	769	(427)	

(1) Comprehensive income includes changes in equity, other than those arising from investment by owners and distributions to owners. The comprehensive income was CHF -1143 million in 2001, CHF 203 million in 2000 and CHF 664 million in 1999.

(2) The financial statements 1999 have been restated to reflect the adoption of SIC 16 which requires treasury stock to be deducted from equity.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

*

	2001 Mill. CHF	2000 Mill. C
CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income/net loss	(1,193)	
Minority interests	2	
Gain on sale of the Electrophysiology Division	--	
Depreciation and amortization	195	
Change in provisions	1,492	
Change in net current assets and long-term receivables	(40)	
Exceptional non-cash write-down of goodwill	53	
Other non-cash items, net	(416)	
TOTAL CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	93	
CASH FLOW FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Purchase/sale of intangible assets	(8)	
Purchase/sale of tangible assets	(71)	
Acquisitions including minority investments	(413)	
Proceeds from divestitures	27	
Purchase/sale of long-term financial assets	(38)	
TOTAL CASH FLOW OF INVESTING ACTIVITIES	(503)	
NET CASH FLOW BEFORE FINANCING ACTIVITIES	(410)	
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	--	
Change in treasury stock	(9)	
Change in borrowings	(19)	

Dividends	(60)
TOTAL CASH FLOW (- USED IN) FROM FINANCING ACTIVITIES	(88)
Net effect of currency translation on cash and cash equivalents	21
CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	(477)
Cash and cash equivalents at January 1	633
CASH AND CASH EQUIVALENTS AT DECEMBER 31	156
Supplemental cash flow information:	
Interest receipts	14
Interest payments	(8)
Income tax payments	(24)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Accounting Policies

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NOTE 1. GENERAL INFORMATION

On January 9, 1997, the Board of Directors of Sulzer Ltd, Winterthur, Switzerland ("Sulzer") approved a plan to offer a minority shareholding in its SulzerMedica Group to the public. In order to prepare for this offering, Sulzer transferred its ownership interest in its orthopedic, electrophysiology and cardiovascular prostheses subsidiaries to SulzerMedica Ltd ("SulzerMedica" or the "Company"), a company previously named Sulzer Orthopedics Ltd, incorporated in Switzerland. On July 14, 1997, SulzerMedica Ltd increased its share capital by 2,600,000 registered shares, each with a nominal value of CHF 30. These shares were sold to the public through an Initial Public Offering (IPO) in July 1997, for CHF 350 per share. Upon completion of the IPO via capital increase, Sulzer's beneficial ownership of the Company's common stock was reduced to 74%. On February 1, 1999, SulzerMedica consummated its sale of the Electrophysiology business. At the Annual General Meeting of Sulzer on April 19, 2001 the shareholders approved the separation of Sulzer and SulzerMedica. The separation was completed on July 10, 2001. With the extraordinary shareholders' meeting of SulzerMedica on July 9, 2001 the Company took the final step to complete its independence from parent company Sulzer.

NOTE 2. BASIS OF PRESENTATION

The term "mill. CHF" in these Consolidated Financial Statements refers to millions of Swiss francs.

NOTE 3. ACCOUNTING AND CONSOLIDATION PRINCIPLES

The financial statements are based on the following consolidation and valuation principles and present fairly the financial position and results of the SulzerMedica Group ("Group") in accordance with the standards formulated by the International Accounting Standards Committee (IASC) under the historical cost convention.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the valuation of depreciable lives of fixed assets and intangible assets, allowances for doubtful accounts, inventory obsolescence, provisions, impairment charges and deferred taxes. Actual results could differ from estimates.

The consolidated financial statements include all of the assets, liabilities, income and expense of companies in which Sulzer Medica, directly or indirectly, holds more than 50% of the voting rights.

Acquisitions have been accounted for using the purchase method. All material intercompany balances and transactions are eliminated. In addition, unrealized gains on intercompany transfers of inventory and of fixed assets are eliminated and recognized only upon sale to third parties or depreciation, respectively.

Investments in associated companies in which the Group holds between 20% and 50% of the voting rights and exercises significant influence are accounted for by using the equity method. The Group's share in the equity is presented under "Investments and other financial assets" and the Group's share of net income under "Other operating income/expense".

CHANGE IN ACCOUNTING POLICY. In 2001 the following new IAS have been adopted:

IAS 39 Financial Instruments: Recognition and Measurement IAS 40 Investment Properties

These new applications resulted in minor changes in the presentation of the financial statements.

FOREIGN CURRENCY CONVERSION. In the individual financial statements of affiliated companies, income and expense in foreign currencies are recorded at the exchange rates applicable on the date of the transaction. Assets and liabilities in foreign currencies are stated at the year-end or hedged exchange rates. The resulting exchange differences are included in the net income.

The assets and liabilities of foreign affiliates, including acquired goodwill, are translated using the year-end rates of exchange. Income and expense items are translated at average exchange rates for the year if the effective rate does not deviate significantly from the average exchange rate. Currency conversion differences resulting from consolidation are included in shareholders' equity. In the event of sale or liquidation of foreign affiliated companies, the cumulative currency conversion differences relating to the Company disposed form part of the gain or loss on the sale or liquidation proceeds.

GOODWILL AND OTHER INTANGIBLE ASSETS. Goodwill arising from acquisitions is capitalized in the currency of the acquired company and amortized on a straight-line basis over its useful life, not exceeding 20 years.

Other intangible assets include licenses, patents, trademarks and similar rights as well as existing technology acquired from third parties. These assets are amortized over their estimated useful lives, not exceeding 10 years.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life. In the case of land, depreciation is only recorded in the event of a permanent impairment in value.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	25-40 years
Machinery	5-15 years
Equipment	5-10 years
Tools, EDP equipment and patterns	max. 5 years
Motor vehicles	4 years

Investment property is held for long-term rental yields and is not occupied by the Group. Such properties are carried at cost less accumulated depreciation. The fair value is based on market evidence and on discounted cash flow projections based on existing and potential rent contracts.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the property for its intended use, as part of the cost of the asset. In 2001, 2000 and 1999 the interest costs were expensed as incurred since they did not fulfill the criteria for capitalization.

IMPAIRMENT. If circumstances affecting the recoverability of tangible and intangible assets change, and impairment has occured, the Company compares the estimated discounted cash flows expected to be generated by the asset with its carrying value and recognizes an impairment charge by means of special depreciation of the excess carrying value and adjusts the useful lives of intangible assets as appropriate.

INVESTMENTS AND OTHER FINANCIAL ASSETS. Investments in associates are accounted for under the equity method. As of January 1, 2001 minority investments and other financial assets are initially recorded at cost and subsequently carried at fair value. The Group has classified all these equity investments as available-for-sale. Changes in fair value are deferred as a fair value adjustment in equity and recycled to the income statement when the asset is sold. Unrealized losses which are considered to be other than temporary are included in the income statement. Depending on the classification of the investment as operating or not the impairment is recorded as other operating expenses or as financial expense, respectively.

INVENTORIES. Raw materials, supplies and consumables are stated at the lower of cost or market value. Finished products and work in progress are stated at the lower of production cost or net realizable value. Production costs include the cost of materials and direct and indirect manufacturing cost. Depending on the nature and the use, inventories are valued on the basis of weighted average prices or the FIFO method. Allowances are made for obsolete, slow-moving and excess inventories.

ACCOUNTS RECEIVABLE. Trade and other accounts receivable are stated at face value net of necessary allowances for doubtful accounts.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents comprise bills, postal and bank accounts, together with current account and deposit balances with maturities of under three months at acquisition, including deposits with Sulzer and its subsidiaries.

PROVISIONS. Provisions are made for all probable losses arising from warranties, penalties and litigation risks and for the cost of restructuring measures which have been approved by management and announced to those affected.

DERIVATIVE FINANCIAL INSTRUMENTS. The Company uses derivative financial instruments to manage the economic impact of fluctuations in foreign currency exchange rates. The Company does not enter into derivative financial instruments for trading or speculative purposes. All derivatives are to be recognized on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. Changes in the fair value of derivative financial instruments are either recognized in the income statement or in equity depending on whether the instrument qualifies for hedge accounting. To qualify for hedge accounting, the hedging relationship must meet several strict conditions starting at the inception of the transaction.

EMPLOYEE BENEFITS. The liability of defined benefit plans for retirement benefits corresponds to the present value of benefits payable. The discount rate used for determining the present value is based on the prevailing interest rates applicable to long-term corporate or government bond issues with maturities extending over the average duration of the retirement benefit entitlements. All actuarially computed gains and losses which exceed 10% of the present value of future benefits payable or the underlying assets of the benefit plan ("corridor"), are amortized over the average remaining active

period of employment.

Defined contribution plans are pure saving plans without any added benefits. The contributions made are charged directly to personnel costs.

REVENUE RECOGNITION. Sales of supplies and services are recorded at the time of delivery or implant. Net sales exclude sales or value-added taxes and are stated net of credits, discounts and rebates. Accruals for estimated future returns and credits are made when the related revenue is recognized. Such amounts are estimated based on historical rates of return, customer inventory levels and other factors.

INCOME PER SHARE. Basic income per share is calculated by dividing net income by the weighted average number of shares issued minus treasury stock during the year.

Diluted net income per share is computed by dividing net income by the weighted average number of registered shares issued minus treasury stock during the year plus the incremental shares that would have been outstanding under the management stock option plan (see "Stock-based compensation") upon the assumed

exercise of dilutive stock options.

RESEARCH AND DEVELOPMENT COSTS. Research costs are charged directly to income as incurred. In accordance with IAS 38, intangible assets, development costs during the years ended on December 31, 2001, 2000 and 1999 were charged to income as incurred because they did not fulfill the criteria for capitalization.

STOCK-BASED COMPENSATION. Under the terms of the management stock option plan, the option exercise price is equal to the fair market value of the share at the date of grant and, accordingly, almost no cost is recorded in connection with the plans.

TAXES. Provision is made for all income taxes assessed on the profits earned up to the balance sheet date in the year to which they relate. Deferred taxes are provided on differences between carrying amounts for tax and corporate purposes, applying the liability method. For this purpose, all the valuation differences of affiliated companies and their available tax loss carry-forwards are taken into consideration. Deferred taxes are calculated at the locally applicable tax rates. These tax rates are immediately adjusted to reflect the effects of changes in the law. A potential offset against future tax costs as a result of available loss carry-forwards and valuation differences is only taken up in the balance sheet if realization by means of anticipated profits is expected. Deferred taxes on proposed profit distributions of subsidiaries are accrued. Profits of subsidiaries retained in the business and used for local investment are not taken up in the deferred tax calculation. Where the disposal of an investment is foreseen, the applicable deferred taxes are provided. Deferred tax assets and liabilities are only offset by the entities subject to tax to the extent that income taxes are payable to the same authority and such offset is permitted by law. The movement in the deferred tax position is accounted for as a direct charge or credit to tax expense.

EXPLANATORY NOTES

NOTE 4.
CURRENCY
EXCHANGE RATES

	YEAR-END RATES CONSOLIDATED BALANCE SHEETS			AVERAGE RATES CONSOLIDATED STATEMENTS AND CASH FLOW STATEM	
CHF	2001	2000	1999	2001	2000
1 US Dollar USD	1.68	1.62	1.59	1.69	1.69
1 Pound Sterling GBP	2.44	2.43	2.58	2.43	2.56
1 Euro EUR	1.48	1.52	1.61	1.51	1.56
100 Japanese Yen JPY	1.28	1.42	1.56	1.39	1.57

NOTE 5.
COMPOSITION OF THE GROUP

A list of investments held directly or indirectly by SulzerMedica Ltd is provided below:

	COMPANY/MANAGEMENT	SHARE	REGISTERED CAPIT	
SWITZERLAND				
*	SulzerMedica Management Ltd, Zurich Stephan Rietiker	100%	CHF	100,
[ ]	Sulzer Orthopedics Ltd, Baar Richard Fritschi	100%	CHF	12,000,
[ ]	Sulzer Orthopedics (Switzerland) Ltd, Munsingen Peter Liniger	100%	CHF	100,
[X]	Sulzer Cardiovascular Ltd, Baar Mike Barrett	100%	CHF	500,
BELGIUM				
[ ]	Sulzer Orthopedics Belgium SA, Bruxelles Marc Dusart	100%	EUR	300,
GERMANY				
*	SulzerMedica Holding GmbH, Freiburg Urs Kamber	100%	EUR	35,000,
[ ]	Sulzer Orthopedics GmbH, Freiburg Klaus Hug	100%	EUR	4,500,
[ ]	Sulzer Dental GmbH, Freiburg Steven E. Hanson, Christophe Lizot	100%	EUR	511,
[X]	Sulzer Cardiovascular GmbH, Hamburg Manfred Reinhardt, Mike Barrett	100%	EUR	512,

[ ] Orthopedics

[x] Cardiovascular Prostheses

* Management

o Research & Development Biologics

*

	COMPANY/MANAGEMENT	SHARE	REGISTERED CAPITAL
FRANCE			
[ ]	Sulzer Orthopedie SA, Etupes Maurice Meytre	100%	EUR 130,
[ ]	Sulzer Orthopedie Sud-Ouest Sarl, Toulouse Francoise Loesch	100%	EUR 54,
[ ]	Sulzer Orthopedie Ouest Sarl, La Chappelle-des-Fougeretz Philippe Jaffres	100%	EUR 2,256,
[ ]	Sulzer Orthopedie Centre Sarl, Ebreuil (Vichy) Benoit Combe	100%	EUR 8,
[ ]	Sulzer Orthopedie Nord Sarl, Lille Eric Bauduin	100%	EUR 8,
[ ]	Sulzer Orthopedie Cedior Sarl, Etupes Maurice Meytre	100%	EUR 1,600,
[X]	Sulzer Cardiovascular SA, Meudon (Paris) James F.A. Deegan	100%	EUR 2,515,
[ ]	Sulzer Dental Sarl, Rungis (Paris) Christophe Lizot	100%	EUR 76,
GREAT BRITAIN			
*	SulzerMedica (UK) Holdings Ltd, Inchinnan Roshan Maini	100%	GBP 16,160,
[ ]	Sulzer Orthopaedics (UK) Ltd, Alton Roger Norman	100%	GBP 1,050,
[X]	Sulzer Carbomedics UK Ltd, Crawley James F.A. Deegan	100%	GBP 1,
[X]	Sulzer Vascutek Ltd, Inchinnan Roshan Maini	100%	GBP
NETHERLANDS			
[ ]	Sulzer Orthopedie Nederland BV, Utrecht Rob Ringelberg	100%	EUR 25,
[X]	Sulzer Cardiovascular BV, Utrecht Roshan Maini	100%	EUR 150,
ITALY			
[ ]	Sulzer Orthopedics Italia S.p.A., Opera (Milano) Marco Grubenmann	100%	EUR 14,025,

[ ]	Allo System Srl, Villorba (Treviso) Antonio De Cristofaro	51%	EUR	40,
[ ]	Migliori Srl, Viagrande (Catania) Fernando Migliori	51%	EUR	434,

[ ] Orthopedics

[X] Cardiovascular Prostheses

* Management

o Research & Development Biologics

COMPANY/MANAGEMENT		SHARE		REGISTERED CAP
AUSTRIA				
[ ]	Sulzer Orthopadie GmbH, Modling Manfred Koppl	100%	ATS	800,
SPAIN				
[ ]	Sulzer Orthopedics Iberica SA, Madrid Marcel Kyburz	100%	EUR	62,
SWEDEN				
[ ]	Sulzer Orthopedics Sweden AB, Stockholm Bengt Sedell	100%	SEK	200,
CZECH REPUBLIC				
[ ]	Sulzer Orthopedics CZ sro, Praha Oldrich Cech	100%	CZK	24,700,
CANADA				
[X]	SulzerMedica Canada Inc., Toronto Paul E. Parsons	100%	CAD	3,200,
[ ]	Sulzer Orthopedics Canada Inc., Toronto Thomas Fischer	100%	CAD	2,500,
[X]	Sulzer Carbomedics Canada Ltd, Calgary Charles D. Griffin	100%	CAD	
[X]	Sulzer Mitroflow Corp., Richmond Mark Seboldt	100%	CAD	12,000,

[ ]	Sulzer Dental Corp., Etobicoke (Ontario) Steven E. Hanson	100%	CAD

[ ] Orthopedics

[X] Cardiovascular Prostheses

* Management

o Research & Development Biologics

*

	COMPANY/MANAGEMENT	SHARE	REGISTERED CAPITAL	
USA				
*	SulzerMedica USA Holding Co., Houston/Texas Stephan Rietiker	100%	USD	185,000,
*	SulzerMedica USA Inc., Houston/Texas Stephan Rietiker	100%	USD	1,
[X]	Sulzer Carbomedics Inc., Austin/Texas Charles D. Griffin	100%	USD	117,490,
[ ]	Sulzer Orthopedics Inc., Austin/Texas David Floyd	100%	USD	206,592,
[ ]	Sulzer Spine-Tech Inc., Minneapolis/Minnesota Dennis Wallach	100%	USD	615,195,
[ ]	Sulzer Dental Inc., Carlsbad/California Steven E. Hanson	100%	USD	52,378,
[X]	Sulzer Vascutek USA Inc., Austin/Texas Roshan Maini	100%	USD	3,000,
o	Sulzer Biologics Inc., Austin/Texas Thomas Zehnder	100%	USD	1,280,
[X]	Sulzer IntraTherapeutics Inc., St. Paul Dennis Wallach	100%	USD	145,150,

AUSTRALIA					
[ ] [X]	SulzerMedica Australia Pty Ltd, Chatswood Paul Aragones	100%	AUD	14,450,
SOUTH AFRICA					
[ ]	Sulzer Orthopedics South Africa (Pty) Ltd, Greenside Michael Nesbitt	100%	ZAR	
INDIA					
[ ]	Sulzer Orthopedics India Ltd, Chennai K. Senthilnathan	74%	INR	3,000,
JAPAN					
[ ]	SulzerMedica Japan KK, Tokyo Hans-Rudolf Schuerch	100%	JPY	350,000,
KOREA					
[ ]	Sulzer Orthopedics Korea Ltd, Seoul Dae Sik Pyon	100%	KRW	319,220,

[ ] Orthopedics

[X] Cardiovascular Prostheses

* Management

o Research & Development Biologics

Acquisitions of subsidiaries in the years 2001 and 1999 are set out in the following list which indicates the companies acquired, the country, the division and the date of integration into the consolidation. In each acquisition, all voting rights were acquired. No significant acquisitions took place in 2000.

2001: Paragon Implant Company Encino (USA);
Orthopedics Division; Jan. 1, 2001

IntraTherapeutics Inc. St. Paul (USA);
Cardiovascular Prostheses
Division; Feb. 1, 2001

Sulzer Australia Pty Ltd Chatswood (Australia); both Divisions;
July 1, 2001

1999: Mitroflow Enterprise Inc. Richmond (Canada); Cardiovascular Prostheses
Division; Oct. 1, 1999

The purchase price considerations of these acquisitions amount to CHF 432

million and CHF 38 million in 2001 and 1999, respectively.

No agreements to make contingent payments, apart from the following, have been entered into in connection with these acquisitions: The agreement to purchase Mitroflow Inc. foresees a potential adjustment of the purchase price of a maximum of USD 17 million including interest depending upon the time when SulzerMedica receives approval from the US Federal Drug Administration, FDA, for the main product, a biological valve. If FDA approval is not obtained within a specified time frame no payment beyond the recorded liability is required.

NOTE 6.
EFFECTS OF ACQUISITIONS

The impact of significant subsidiaries acquired was as follows:

MILL. CHF	2001	2000	1999
Net sales	91	--	1
Operating income	(33)	--	(1)
Non-current assets acquired	89	--	16
Current assets acquired	53	--	2
thereof cash acquired	6	--	--
Liabilities acquired	(47)	--	1

*

NOTE 7.
SEGMENT INFORMATION

PRIMARY REPORTING FORMAT - SEGMENT INFORMATION BY DIVISION

MILL. CHF	2001	2000	1999
Net sales			

Orthopedics	1,150	1,097	972
Cardiovascular prostheses	268	250	210
TOTAL	1,418	1,347	1,182
Operating income before goodwill amortization and exceptional items			
Orthopedics	130	222	179
Cardiovascular prostheses	1	63	60
Biologics and Group management	(31)	(15)	(5
TOTAL	100	270	234
Operating income			
Orthopedics	(1,403)	185	(120
Cardiovascular prostheses	(88)	61	59
Other operating income including Biologics and Group management	(140)	(16)	574
TOTAL	(1,631)	230	513
Capital expenditure			
Orthopedics	79	55	41
Cardiovascular prostheses	9	6	5
Biologics and Group management	4	2	1
TOTAL	92	63	47
Depreciation and amortization			
Orthopedics	117	102	332
Cardiovascular prostheses	104	12	9
Biologics and Group management	3	2	1
TOTAL	224	116	342
Assets			
Orthopedics	1,759	1,552	1,493
Cardiovascular prostheses	342	198	197
Biologics and Group management	770	775	701
Net assets from discontinuing operations	--	--	--
TOTAL ASSETs	2,871	2,525	2,391
Liabilities			
Orthopedics	1,706	287	288
Cardiovascular prostheses	70	51	59

Biologics and Group management	304	189	201
TOTAL LIABILITIES	2,080	527	548

Sulzer Medica's business is managed on a worldwide basis structured in two Divisions. The Orthopedics Division develops, manufactures and distributes hips, knees, spine, other orthopedics and dental implants. The Cardiovascular prostheses Division develops, manufactures and distributes heart valves including repair products, vascular grafts and stents.

Further operating activities consist of biologic activities and of Group management, including the costs of holding, financing and management of Sulzer Medica.

The geographic segmentation reflects the main operating areas of the Group. The Group's policy determines that transfers of goods and services between the various segments are carried out at arm's length.

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS PART 1

MILL. CHF	2001	2000	
Net sales by location of customers			
Switzerland	61	59	
European Union	560	530	
Other Europe	19	17	
North America	629	602	
All Other countries	149	139	
TOTAL	1,418	1,347	
Net sales by location of subsidiaries			
Switzerland	472	431	
European Union	563	537	
Other Europe	4	4	
North America	849	806	
All Other countries	70	52	

TOTAL	1,958	1,829	
Transfers to other geographic areas from			
Switzerland	(364)	(338)	
European Union	(17)	(20)	
Other Europe	--	--	
North America	(159)	(124)	
All Other countries	--	--	
TOTAL	(540)	(482)	
Net sales to third parties by location of subsidiaries			
Switzerland	108	93	
European Union	546	517	
Other Europe	4	4	
North America	690	681	
All Other countries	70	52	
TOTAL	1,418	1,347	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS PART 2

MILL. CHF	2001	2000	1999
Operating income by location of subsidiaries			
Switzerland	(22)	49	
European Union	46	58	
Other Europe	--	--	
North America	(1,662)	118	4
All Other countries	7	5	

TOTAL	(1,631)	230	5
Assets by location of subsidiaries			
Switzerland	210	223	2
European Union	452	454	4
Other Europe	4	4	
North America	(2,138)	(1,796)	(1,6
All Other countries	67	48	
TOTAL ASSETS	(2,871)	(2,525)	(2,3
Capital expenditure by location of subsidiaries			
Switzerland	1	3	
European Union	25	27	
Other Europe	--	--	
North America	63	30	
All Other countries	3	3	
TOTAL	92	63	

NOTE 8.
OTHER OPERATING
INCOME/EXPENSE

MILL. CHF	2001	2000	1999
Currency exchange differences	(3)	(2)	
Sundry operating income/expense	4	8	
Share of loss of associate earnings	(1)	--	
TOTAL OTHER OPERATING INCOME/EXPENSE, NET	--	6	

Sundry operating income in 2001 and 2000 relates mainly to revenue from an OEM-Agreement entered into at the end of 1999.

NOTE 9.
HIP AND KNEE
SETTLEMENT

On December 5, 2000, Sulzer Orthopedics Inc. issued a voluntary recall of certain lots of the Inter-Op acetabular shells that failed to adhere in certain cases to patients acetabulum. Sulzer Orthopedics Inc has continued to investigate the reason for the product failure, utilizing the expertise and counsel of physicians as well as internal and external scientists and engineers. The investigation initially appeared to reveal that a trace of mineral oil-based lubricant remaining on the implant after the manufacturing process was responsible for the lack of proper bonding between the implant and the bone, in some cases. More recently, Sulzer Orthopedics Inc has focused its investigation on various other contaminants on the surface of the porous coated shell. Sulzer Orthopedics Inc has implemented manufacturing and cleaning steps to ensure the problem does not recur. As of March 7, 2002, the Company and its subsidiaries have been served with a total of 1989 lawsuits in federal and state courts in the U.S. and Canada, alleging injuries as a result of Inter-Op acetabular shells manufactured and sold by Sulzer Orthopedics Inc. As of March 14, 2002, 2860 revision surgeries have been reported.

Sulzer Orthopedics Inc has informed the Food and Drug Administration of its ongoing investigation of a porous-coated tibial baseplate that was manufactured from July to December 2000. A number of adverse clinical outcomes have been reported, and as of March 7, 2002, 585 revision surgeries have been reported to Sulzer Orthopedics and the company and its subsidiaries have been served with a total of 86 lawsuits.

On June 19, 2001, the Judicial Panel on Multi-District Litigation ("MDL") ordered that all Inter-Op lawsuits filed in federal courts be consolidated for pre-trial proceedings in the U.S. District Court (N.D. Ohio) in Cleveland, Ohio. On August 29, 2001, the Court provisionally certified a class and granted preliminary approval to the parties settlement agreement and on September 17, the Court issued an order enjoining all further proceedings in other federal and state courts.

The parties have renegotiated the initial settlement agreement.

The revised settlement agreement (the "MDL Settlement Agreement") provides for the Company to contribute USD 725 million in the form of USD 425 million in cash and USD 300 million in Convertible Callable Instruments (CCI).

SulzerMedica as group has the obligation to deli-ver USD 425 million at the later of 180 days after Trial Court Approval or 60 days after the Final Judicial Approval Date. The amount is increased by an amount equal to the interest calculated at a floating LIBOR rate (one month LIBOR), starting 180 days after Trial Court Approval and compounded annually. At the later of 180 days after Trial Court Approval or 60 days after Final Judicial Approval Date, SulzerMedica has the obligation to issue the CCI. Unless earlier redeemed, 18 months after the issue date of the CCI, SulzerMedica will provide the settlement trust ADR's or shares at the conversion price in effect on the Maturity Date. The payment obligation under the CCI will be unsecured and subordinated to the Financing. Beginning with the issue date, the CCI shall accrue interest in the amount of 7.5% compounded annually. SulzerMedica has the option at any time to redeem for cash any portion of the face amount of the CCI plus unpaid interest. The partial redemption shall be in a minimum amount of USD 10 million. While the CCI is issued, SulzerMedica will not pay out any dividends and will be subject to other

financing limitations.

On March 13, 2002, the Company and the Plaintiffs have signed the revised settlement agreement and the U.S. District Court in Cleveland, Ohio, has granted preliminary approval.

The patients will have the right to reject this settlement by choosing to Opt-Out. The Opt-Out period is scheduled to end on May 14, 2002. The U.S. District Court in Cleveland has scheduled a Final Fairness Hearing for May 6, 2002. SulzerMedica has the right to terminate the settlement agreement and withdraw for any reason at any time before May 21, 2002.

As integral part of the above settlement agreement SulzerMedica agreed to indemnify and hold Sulzer AG and all its direct or indirect subsidiaries harmless for any and all claims and liabilities related to the Affected Products including in particular, actions of members of the settlement class (as defined in the MDL Settlement Agreement) who exercise their right to Opt-Out of the Settlement Agreement. Sulzer releases SulzerMedica from any indemnification obligation arising out of the Pre-Existing Indemnity agreements. The indemnity is only valid and enforceable if the MDL Settlement Agreement achieves Final Judicial Approval.

Additionally, the parties also agreed, that the Company shall pay Sulzer CHF 26,682,276.67 minus USD 266,288.48 and that Sulzer shall pay Sulzer

Medica USD 8,606,835.56, in settlement of all claims out of the Spin-Off agreement and the inter-company loan. Furthermore, as condition precedent to execution of the above MDL Settlement Agreement, and in return of their payments under the MDL Settlement agreement, SulzerMedica agreed to indemnify and hold "Winterthur" Insurance company and its subsidiaries harmless from all claims and liabilities which may be brought against "Winterthur" under the Original and under the Second Year Policy, including in particular, actions of members of the settlement class (as defined in the MDL Settlement Agreement) who exercise their right to opt-out of the settlement agreement.

The company fully provided for the face amounts of the cash as well as the CCI portion of the MDL Settlement Agreement. In addition to that, the company made provisions to cover cost that are directly related to the recalled Inter-Op acetabular shells and adverse clinical outcomes of porous-coated tibial baseplates, but which are not covered in the Settlement Agreement, such as Revisions in excess of 4000, Non-US revisions, legal fees and other miscellaneous expenses etc. The total provisions related to the Settlement Reserve amounts to USD 874 million. The related tax accrual amounts to USD 240 million.

If the settlement proposal should not go through then the going concern basis of the Groups US operations is in doubt. However, management believes based on currently available information, that the Group, excluding its US operations,

would be able to continue as a going concern. There are mainly three risks that need to be considered, namely opt-outs, the funding of the settlement and possible appeals. In the view of management, the risk that the settlement does not go through is primarily related to a potential high number of plaintiffs, deciding to optout, at which point the company will have to abandon the settlement agreement.

With regard to the funding of the cash amount of the settlement, the USD 425 million, the company is currently in negotiations with a number of financial institutions and management has no indications that the funding would not be possible. Also, management is confident that the shareholders will approve the settlement as proposed.

After the final fairness hearing on May 6, 2002, the plaintiffs will also have the possibility to appeal the final fairness decision of the judge. An appeal would have to be filed within 30 days of the courts decision. In the view of management, an appeal would not materially negatively impact the financial condition of the company. All payments that will have to be made by the company are subject to Final Judicial Approval.

NOTE 10. EXCEPTIONAL OPERATING ITEMS

MILL. CHF	2001	2000	199
Litigation settlement income	48	--	
Impairment of intangibles	(91)	--	
Investments in non-consolidated companies write-off	(50)	--	
Restructuring costs	(105)	(1)	
TOTAL EXCEPTIONAL OPERATING ITEMS	(198)	(1)	

In 2001, the Company received approximately USD 28 million in connection with the settlement of a pending litigation by Sulzer Spine-Tech Inc.

Soon after the integration but especially towards year-end 2001, the stent market did not develop in line with high sales expectations. Despite restructuring measures initiated in the fourth quarter at Sulzer IntraTherapeutics Inc., the impairment test performed as of year end showed an impairment on goodwill of USD 31 million and on existing technology of USD 11 million. The value in use (based on the income approach utilizing the discounted cash flow method) was determined using a weighted discount rate of 10.3%.

As result of deterioration of cage sales and also in connection with the introduction of a competitors' product in December 2001, the impairment test at Sulzer Spine-Tech's Inc existing technology showed an amount of USD 8 million. The value in use was determined using a discount rate of 15%.

In relation to the Orthosoft Inc engagement, a minority holding, total charges of CHF 5 million are recorded. The high expectations regarding the product development were not realistic and a Canadian court order to purchase the remaining stake resulted in an additional charge of CHF 16 million. For an

additional payment commitment of CHF 8 million in 2002 a provision was booked.

The investment in Orquest Inc and license, crosslicense, research and distribution agreement was determined to be impaired as of year end 2001 as a result of further delays of the common research and development programs. In addition, since further benefits are unlikely to be realized, the write down related to this exposure resulted in an exceptional operating item of USD 20 million.

Sulzer Orthopedics Inc cooperated in 1999 with @Outcome in order to offer orthopedic clinics and surgical group practices a secure internet access for the communication with patients thus simplifying patient management. The market acceptance of the product but also the financial outlook resulted in a complete write down of the exposure of total USD 8 million in 2001.

In addition, various other charges exist. As a result of the change in management middle of 2001 various restructuring measures were initiated in order to improve the operational efficiencies. This resulted in exceptional operating items of CHF 33 million in various other US businesses and the group office in the US. Restructuring costs of CHF 20 million for Sulzer Biologics Inc are included in this position.

In June 1999, SulzerMedica announced the introduction of a comprehensive program to achieve a step in performance improvement and secure sustainable success in the future of the Orthopedics Division. This initiative resulted in personnel costs and inventory allowances of CHF 14 million.

Due to the developments in the spinal implant markets SulzerMedica performed an impairment test in 1999 in order to check the value of the net assets (including goodwill) of Sulzer Spine-Tech which belongs to the Orthopedics Division. The method for the test was in line with the requirements defined in IAS 36. The "value in use" (based on the income approach utilizing the discounted cash flow method) was determined using a discount rate of 10.0%. This resulted in an exceptional amortization of Sulzer Spine-Tech's goodwill of CHF 240 million.

NOTE 11. DISCONTINUING OPERATIONS

On June 3, 1998, the Group announced its intention to exit the electrophysiology business. The subsidiaries comprising this segment were sold on February 1, 1999, for USD 802 million (including cash on hand of CHF 19 million). The transactions of the discontinuing operations from January 1, 1999, to the date of sale are not considered significant and are included in the "Gain on sale of the Electrophysiology Division." The book profit of CHF 579 million realized from this transaction is provisional since negotiations with the buyer about the final sales price are not yet complete. This trans-action resulted in a tax credit of CHF 6 million. No adjustments were necessary in 2000 and 2001.

NOTE 12. FINANCIAL INCOME/EXPENSE

OTHER NON-OPERATING INCOME/EXPENSE

MILL. CHF	2001	2000	1999

Gain on sale of investments	26	4	6
Interest income	11	38	33
Interest expense	(8)	(8)	(21
Other financial expense	(22)	(5)	(1
TOTAL FINANCIAL INCOME	7	29	17

In 2001 and 2000 the gain on sale of investments is a result of a partial sale of the Company's investment in Thoratec Laboratories Corp. In 1999 it relates to the divested investment in Maxxim Medical Inc. In 2001 the market value of the stake in Japan Lifeline Co. Ltd, declined significantly and the related charge of USD 5 million is included in other financial expense. In connection with the impairment test on ReGen Biologics Inc, an additional loan allowance of USD 7 million was recorded as other financial expense.

The other non-operating expenses of CHF 21 million resulted from the spin-off of Sulzer and from the defense cost for the unsuccessful hostile takeover attempt.

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NOTE 13. TAXES

MILL. CHF	2001	2000	1999
Current income taxes			
Switzerland	12	18	13
European Union	10	14	15
Other Europe	--	--	--
North America	(4)	11	32
All Other Countries	7	11	6
TOTAL CURRENT INCOME TAXES	25	54	66

Deferred income taxes			
Switzerland	(7)	(2)	(5)
European Union	5	(1)	1
Other Europe	--	--	(1)
North America	(481)	13	(19)
All Other Countries	2	(2)	--
TOTAL DEFERRED INCOME TAXES	(481)	8	(24)
TOTAL INCOME TAXES	(456)	62	42
Other taxes	2	5	4
TOTAL TAXES	(454)	67	46

Current income taxes, comprising taxes paid or due on the underlying income of individual subsidiaries, are calculated according to the law applicable in the individual countries. Other taxes include taxes not directly related to income.

INCOME BEFORE TAXES/MILL. CHF	2001	2000	1999
Switzerland	(84)	105	89
European Union	34	40	38
Other Europe	1	1	2
North America	(1,652)	48	382
All Other Countries	56	65	19
TOTAL INCOME/LOSS BEFORE TAXES	(1,645)	259	530

Using the maximum tax rate for Winterthur, Switzerland, of 25.1% the tax benefit on 2001 consolidated loss before taxes of CHF -1,645 million amounts to CHF 413 million. The following table serves to indicate the reasons why in 2001, 2000 and 1999 the charge was below the reference amount.

MILL. CHF	2001	2
Income/loss before taxes	(1,644.8)	

Maximum tax rate (Winterthur, Switzerland)	25.1%
Income tax benefit/expense at maximum tax rate	(412.8)
Taxes at other rates	(31.4)
Effect of losses/credits and loss carry-forwards	(84.8)
Permanent differences	19.2
Impact of the exceptional write-down of goodwill	13.3
Impact of the gain on the divestiture of the Electrophysiology Division	--
Impact of hip and knee settlement	(35.4)
Changes in tax rate and tax laws	(3.5)
Change in valuation allowance	84.2
Other	(4.6)
TAX INCOME/EXPENSE (CURRENT AND DEFERRED)	(455.8)

The tax effect on permanent differences is mainly due to the annual amortization of goodwill which is not deductible for tax purposes.

At December 31, deferred taxes consisted of the following:

	2001		2000	
MILL. CHF	Assets	Liabilities	Assets	Liabilities
Intangible and financial assets	10	(14)	14	(28)
Tangible fixed assets	3	(5)	1	(9)
Loss carry-forwards	245	--	154	--
Inventories	33	(9)	16	(8)
Other assets	26	(5)	19	(3)
Eliminations of unrealized gains	46	--	40	--
Long-term provisions	411	--	27	(2)
Short-term provisions	113	(2)	48	(2)
Other current liabilities	35	--	9	--

TOTAL POTENTIAL TAX EFFECT	922	(35)	328	(52)	
Valuation allowance	(263)	--	(154)	--	
DEFERRED TAXES	659	(35)	174	(52)	
Set off of assets and liabilities	(16)	16	(32)	32	
DEFERRED TAXES, NET	643	(19)	142	(20)	

The majority of the increase, from prior year, in the net deferred tax position is attributable to the Hip and Knee Settlement. The deferred taxes on eliminations of unrealized gains above primarily relate to unrealized gains from a Swiss company belonging to the Orthopedics Division.

There was no unrecognized deferred tax liability relating to undistributed earnings of subsidiaries at December 31, 2001 and 2000.

The Company has loss carry-forwards available of CHF 1,861 million as of December 31, 2001. Of this amount, CHF 1,673 million will expire between 2002 and 2008 with the remaining amount of CHF 188 million still available for use post-2008. The tax effect of these loss carry-forwards, at their respective jurisdictional statutory rate, is CHF 245 million, which when netted with the associated valuation allowance of CHF 221 million, results in an anticipated tax benefit of CHF 24 million.

NOTE 14. EARNINGS PER SHARE

The earnings per share were calculated as follows:

	2001	2000
NET LOSS/INCOME IN MILL. CHF	(1,193)	190
Weighted average number of shares outstanding, in thousands	9,973	9,996
BASIC LOSS/INCOME PER SHARE IN CHF	(119.62)	19.01
Net loss/income in mill. CHF	(1,193)	190
Weighted average number of shares adjusted for dilutive share options, in thousands	9,973	10,012
DILUTED LOSS/INCOME PER SHARE IN CHF	(119.62)	18.98

The share options outstanding are in connection with the Management Stock Option Plan. Diluted income per share is affected by share options outstanding when the average share price of the year is above the strike prices of the outstanding options.

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NOTE 15. INTANGIBLE ASSETS

MILL. CHF	Goodwill	Other	2001 Total	Goodwill	
Cost					
Balance at January 1	1,795	148	1,943	1,724	
Changes in composition of Group	--	53	53	--	
Additions	339	8	347	59	
Disposals	--	--	--	--	
Currency conversion adjustment	28	3	31	12	
Balance at December 31	2,162	212	2,374	1,795	
Accumulated amortization					
Balance at January 1	1,204	50	1,254	1,161	
Amortization	111	68	179	39	
Disposals	--	--	--	--	
Currency conversion adjustment	11	--	11	4	
Balance at December 31	1,326	118	1,444	1,204	
Net book value at January 1	591	98	689	563	
NET BOOK VALUE AT DECEMBER 31	836	94	930	591	

The annual amortization of goodwill in 2001 includes the exceptional writedown on Sulzer IntraTherapeutics Inc goodwill as described in Note 10 of CHF 52 Mio. The total amount of impairment of goodwill in 2001, 2000 and 1999 is CHF 292 Mio. In the amortization of other intangible assets, the existing technology impairment charges are included.

In 2000 as a result of the acquisition of the stake in Tutogen Medical Inc, goodwill in the amount of CHF 57 million was capitalized.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

MILL. CHF	Land and buildings	Machinery and equipment	Other fixed assets	2001 Total
Cost				
Balance at January 1	115	140	307	562
Changes in composition of Group	--	15	12	27
Additions	3	16	62	81
Disposals	(6)	(9)	(33)	(48)
Currency conversion adjustment	2	3	(1)	4
Balance at December 31	114	165	347	626
Accumulated depreciation				
Balance at January 1	36	101	202	339
Changes in composition of Group	--	8	7	15
Depreciation	6	14	49	69
Disposals	(4)	(6)	(26)	(36)
Currency conversion adjustment	--	3	--	3
Balance at December 31	38	120	232	390
Net book value at January 1	79	39	105	223
NET BOOK VALUE AT DECEMBER 31	76	45	115	236
Fire insurance value at December 31	155	195	421	771

No property within SulzerMedica is recognized as an Investment property in accordance with IAS 40.

Details of leased assets included in tangible fixed assets are as follows:

Mill. CHF	2001	2000

Cost capitalized	1	2
Net book value	--	1
Related lease liability	3	1

NOTE 17. INVESTMENTS AND OTHER FINANCIAL ASSETS

Mill. CHF	Investments in Associates	Investments in non-consoli-dated companies	Other financial assets	2001 Tota
Balance at January 1	7	64	33	
Adoption of IAS 39	--	15	--	
Additions	--	1	42	
Disposals	--	(18)	(17)	
Fair value adjustments	--	(54)	(12)	
Currency conversion adjustment	--	3	1	
Balance at December 31	7	11	47	
NET BOOK VALUE				
at January 1	7	64	33	
AT DECEMBER 31	7	11	47	

Investments in non-consolidated companies as of December 31, 2001, include ReGen Biologics Inc, Redwood City (USA), @Outcome Inc, Austin (USA), Orquest Inc, Mountain View (USA), Orthosoft Inc, Outremont (Canada), and publicly traded securities of Thoratec Inc, Berkeley (USA), and Japan Lifeline Co. Ltd, Tokyo (Japan), held as non-current assets.

Revaluation of fair value consists of write-offs for the investments in Orquest Inc, ReGen, @Outcome, Japan Lifeline and Orthosoft Inc.

NOTE 18. INVENTORIES

	Gross	2001 Net	Gross

Mill. CHF	value	Allowances	Total	value
Raw materials, supplies and consumables	63	(7)	56	
Work in progress	44	(2)	42	
Finished products and trade merchandise	447	(134)	313	
TOTAL INVENTORIES	554	(143)	411	

Obsolescence expense was CHF 75 million, CHF 35 million, and CHF 16 million at December 31, 2001, 2000, and 1999, respectively. Write-offs of scrapped inventory against the allowance for obsolescence were CHF 3 million, CHF 4 million, and CHF 5 million at December 31, 2001, 2000, and 1999, respectively.

Cost of materials included in cost of sales was CHF 254 million, CHF 243 million, and CHF 215 million at December 31, 2001, 2000, and 1999, respectively.

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NOTE 19.
TRADE ACCOUNTS RECEIVABLE

MILL. CHF	2001	2000
Gross trade accounts receivable	332	301
Allowance for doubtful accounts	(24)	(14)
TRADE ACCOUNTS RECEIVABLE	308	287

Bad debt expenses were CHF 7 million, CHF 2 million, and CHF 1 million at December 31, 2001, 2000, and 1999, respectively. Bad debt write-offs against the allowance were CHF 1 million, CHF 1 million, and CHF 3 million in 2001, 2000, and 1999, respectively.

NOTE 20.
PLEDGED ASSETS

In connection with the global settlement negotiations related to the hip and knee implant litigation all assets of the Group were pledged as of December 31, 2001. In 2002 the settlement has been revised and the pledged assets will be

released.(1) In 2000 total CHF 5 million assets were pledged.

(1) Described in Note 9.

NOTE 21. SHAREHOLDERS' EQUITY

Outstanding shares with a nominal amount of CHF 30.- each as of December 31, 2001 and 2000, amount to 9,933,556 and 9,991,300, respectively.

The conditional share capital with a nominal value totaling CHF 6 million was reduced due to shares and ADS options exercised in 2001 to CHF 5,752,890, and in 2000 to CHF 5,758,860.

Amounts planned for dividend distribution by the Company's subsidiaries at December 31, 2001, 2000, and 1999 were approximately CHF 53 million, CHF 86 million and CHF 72 million, respectively.

If the shareholders' meeting approves the proposed appropriation of available earnings of December 31, 2001, no dividend will be distributed.

Due to the adoption of IAS 39 as of January 1, 2001 the following entries were recorded directly to equity:

MILL. CHF	Retained earnings
JANUARY 1, 2001 FAIR VALUE ADJUSTMENTS	
Available-for-sale securities	15
Derivative and other financial instruments	3
Deferred tax on above	(6)
EFFECT OF INTRODUCING IAS 39 ON JANUARY 1, 2001	12
Changes in fair value:	
- Available-for-sale securities	--
- Cash flow hedges	--
Realized gains or losses transferred to the income statement:	
- securities sold	(18)
Impaired securities and instruments	4
Deferred tax on above	5
FAIR VALUE ADJUSTMENTS AT DECEMBER 31, 2001	3

NOTE 22.

LONG-TERM BORROWINGS

MILL. CHF	2001	2000
Loans from third parties	13	13
Mortgage loans	6	5
Leasing commitments	2	1
TOTAL LONG-TERM BORROWINGS	21	19
Current portion	1	--
TOTAL LONG-TERM BORROWINGS NON-CURRENT	20	19

Non-current borrowings will mature as follows:

MILL. CHF	Third-party loans	Mortgage	Other	Total
2003 - 2006	3	--	2	
2007 and thereafter	10	5	--	1
TOTAL LONG-TERM BORROWINGS	13	5	2	2

NOTE 23.
PROVISIONS

MILL. CHF	Personnel related provisions	Warranties, litigation risks	Provision for taxes	Other provision
Balance of January 1	18	3	107	
Changes in composition of Group	--	--	--	
Increase	1	1,563	29	
Unused amounts reversed	--	--	--	
Utilisation	(15)	(84)	(27)	(

Currency conversion adjustment	--	(8)	--	
BALANCE OF DECEMBER 31	4	1,474	109	1
Short-term portion	1	170	31	
Long-term portion	3	1,304	78	
BALANCE OF DECEMBER 31	4	1,474	109	1

Personnel provisions are accrued to cover expenses arising primarily from grants, rewards for years of service, termination and pension benefits.

The strong increase in provisions for litigation risks of CHF 1563 million is mainly related to the hip and knee settlement of CHF 1476 million. Additional provisions were built to reflect the settlement of all claims between Sulzer and SulzerMedica relating to the Spin-Off agreement.

Furthermore, provisions have been built to reflect the restructuring actions taken in some of the US entities as well as to reflect the risks related to our activities with Orthosoft. See note 9.

"Other provisions" are mainly relating to the divestiture of the Electrophysiology Division in 1999 and to accrued stop-loss complying with insurance policies.

As a result of the divestiture of the Electrophysiology Division in 1999 the Company is involved in the procedure, as provided for in the contract, to determine the final selling price. Management believes that the recorded provisions are adequate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24.
SHORT-TERM BORROWINGS

MILL. CHF	2001	2000
Borrowings from third parties	75	83
Loans from related parties	--	3
TOTAL SHORT-TERM BORROWINGS	75	86

NOTE 25.

OTHER CURRENT AND ACCRUED LIABILITIES

MILL. CHF	2001	2000
Notes payable	1	1
Social security contributions	3	4
Assessed taxes payable	5	8
Commissions payable	14	18
Other liabilities	53	46
Vacation and overtime claims	15	8
Salaries, wages and bonuses	34	33
Corporate identity	15	--
Fair value of derivative instruments	2	--
Other accruals	52	27
TOTAL OTHER CURRENT LIABILITIES AND ACCRUALS	194	145

NOTE 26. COMMITMENTS AND CONTINGENCIES

The contractual commitments for future investments in property, plant, and equipment for which the applicable financing will arise in future years at December 31, 2001, 2000, and 1999, were CHF 6 million, CHF 3 million, and CHF 1 million, respectively.

The future minimum rental commitments for operating leases as of December 31 are:

MILL. CHF	Buildings	Other	2001 Total	Buildings	Oth
Maturity:					