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**60 YEARS**  
**EVENNESS TESTING**

**50<sup>th</sup>**  
**ANNIVERSARY**  
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USTER® STATISTICS

# **Strong Margins and Improved Net Result on the Basis of Stable Sales**

## **Half-year Results 2008**

July 17, 2008

# First Half-year 2008 – Operational Review and Outlook

Dr. Geoffrey Scott, CEO

# First Half 2008 at a Glance

## Business Fundamentals Remain Solid

- Strong performance realized in spite of difficult market conditions
- Sales of CHF 93.3 million maintained at previous year's high level (2007: CHF 95.8 million)
  - Reduced OEM supplies partially offset by increased laboratory equipment
- EBITA margin at 30.7%, exceeding previous year and run rate expectations
- Net results more than doubled
  - Primarily due to a generally lower cost base, the lack of goodwill impairment and lower interest expense due to the refinancing after the IPO
- R&D spending increased to 11.1% as the Company continues to invest in the development of its business

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# Market Developments

## On-going demand for quality equipment

- Difficult economic conditions have led to textile market deterioration
  - Consumer spending down in major markets
  - High cotton prices, over-capacity of yarn stocks, low conversion margins
  - Strong currencies (CNY, INR)
  - Increase in labour costs
- Investments in production machinery have been severely impacted
- But overall demand for testing systems maintained
- The underlying challenges for textile producers and manufacturers in low-cost Asia stay the same
  - Move from commodity to higher value-added products to improve margins
  - Improvements in product quality and process efficiency to satisfy increasingly demanding markets
  - Requirement for equipment update in order to maintain their competitive positions

# H1 2008: Building on Key Strengths

Further expanding leading market position

- Cotton classing

- Successfully completed new contracts with United States Department of Agriculture (USDA) and China Fiber Inspection Bureau (CFIB)
- Securing business for 2008



Ginning and Cotton Classing



- Laboratory yarn and fiber testing

- Increased sales level
- Driven by ongoing need to reduce costs and improve quality



Fiber Testing



Yarn Testing



- Yarn clearing

- Proven market leadership with stable retrofit sales
- Limited impact of deteriorating OEM market due to successful sales of other products



Yarn Clearing



# Innovation and Further Market Expansion

## Strong development pipeline and training as growth drivers

- R&D investment increased to 11.1% of sales
  - Focus on yarn clearing, laboratory yarn and fiber testing
  - On-going development of new mid-market products for the local, fast growing Chinese market
    - Further additions to a complete portfolio of “entry-level” products
    - New “entry-level” HVI system launched at the ITMA Asia in Shanghai (28<sup>th</sup> July – 1<sup>st</sup> August)
- Active search for new cotton classing growth in markets where instruments are not yet in place
- Leadership training as vital success factor, involving 35 employees from Uster companies around the world



USTER® TESTER ME 100



USTER® HVI MF100

# Outlook for Full FY 2008

## Uster is Different

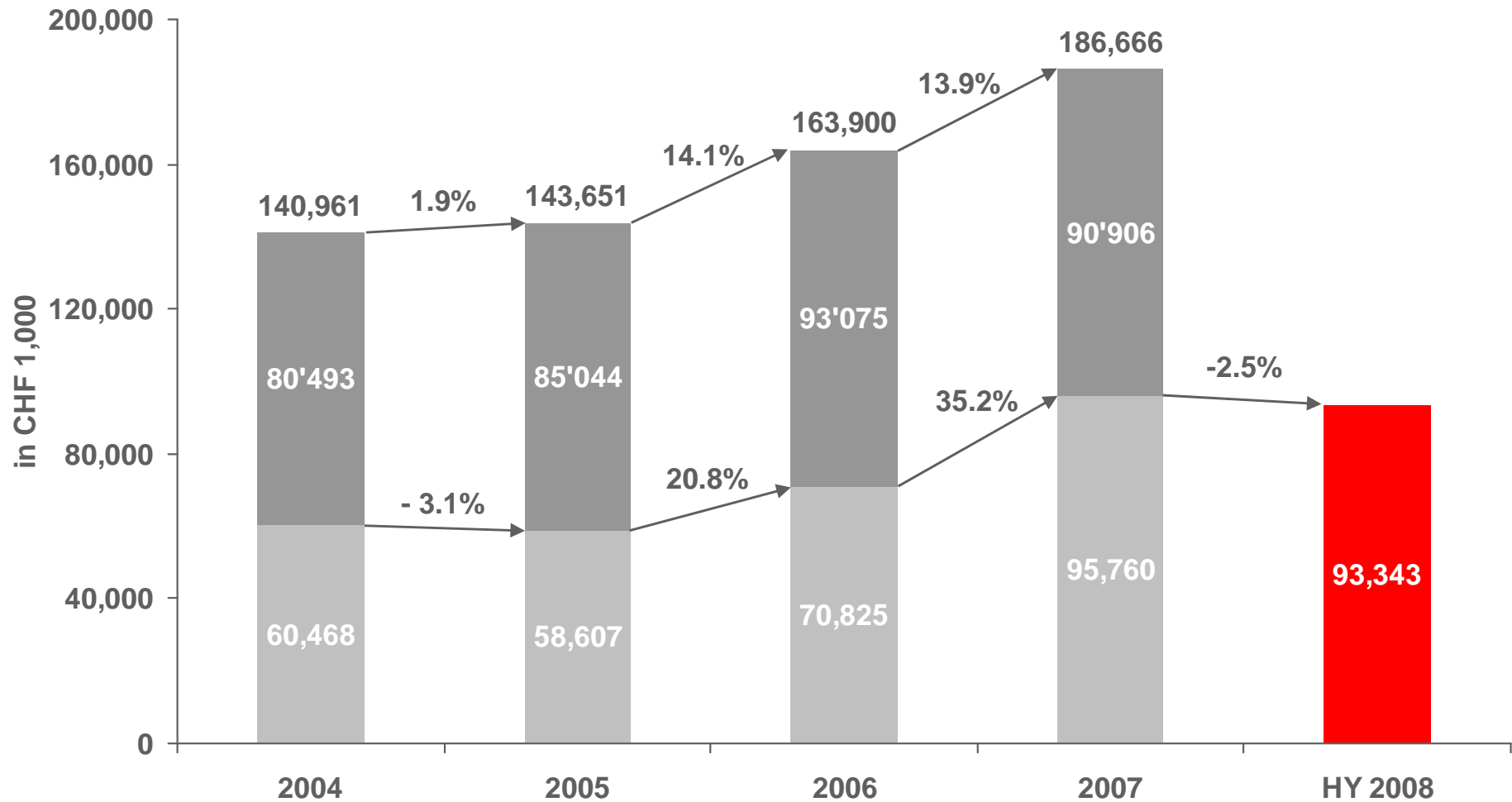
- Difficult current market and economic conditions affecting markets worldwide
  - Hard hit textile machinery producers in particular
- Resilience of Uster business to industry cycles
  - Relatively small impact of deteriorating textile industry cycle
  - Stable demand for retrofit and laboratory equipment
  - Execution of market expansion continues
- Expected gross sales close to previous year's level
  - Barring any further unexpected deterioration in the overall economic and political situations
  - Serving the need for quality and not production capacity
- EBITA margins maintained at the high level between 26% and 28% of sales
  - Higher costs in H2 due to planned higher marketing and R&D costs
  - Continued focus on operational efficiencies and global sourcing

# Half year 2008 – Financial Review

Barbara Müller-Junker, CFO

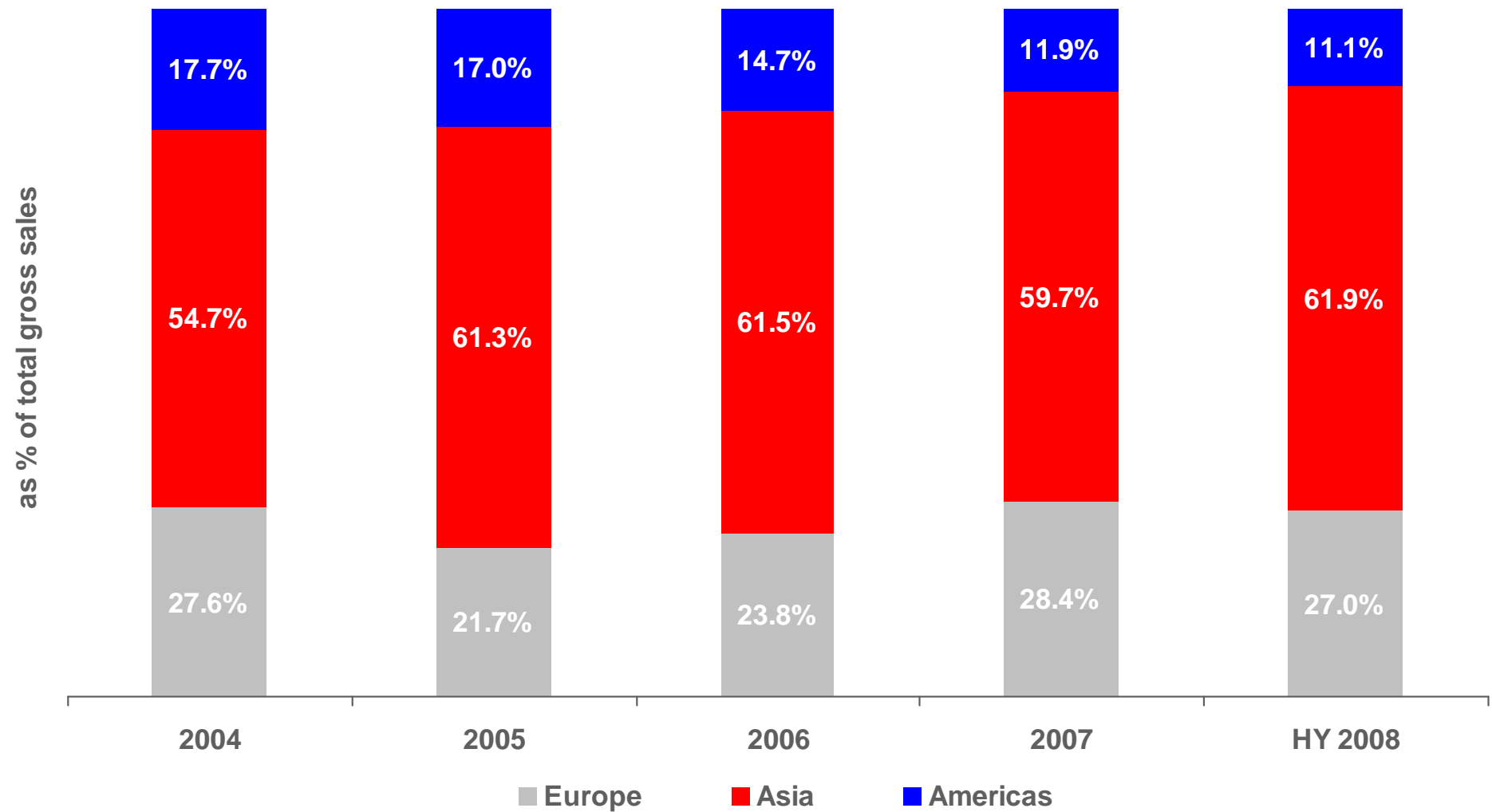
# Gross Sales

Sales levels sustained following step change in demand in recent years, driven by the requirement for improved quality



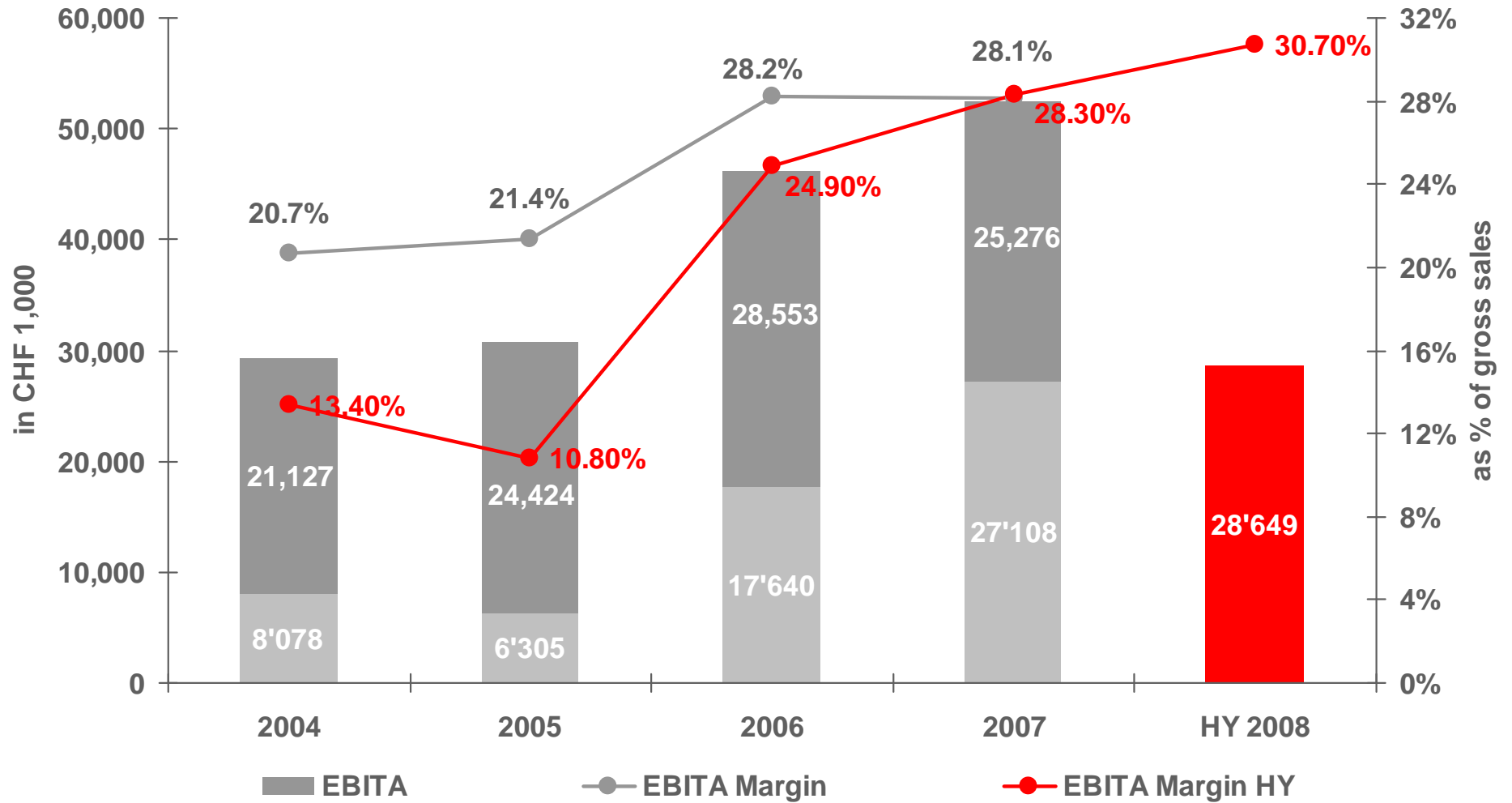
# Gross Sales by Region

## Majority of sales in Asia



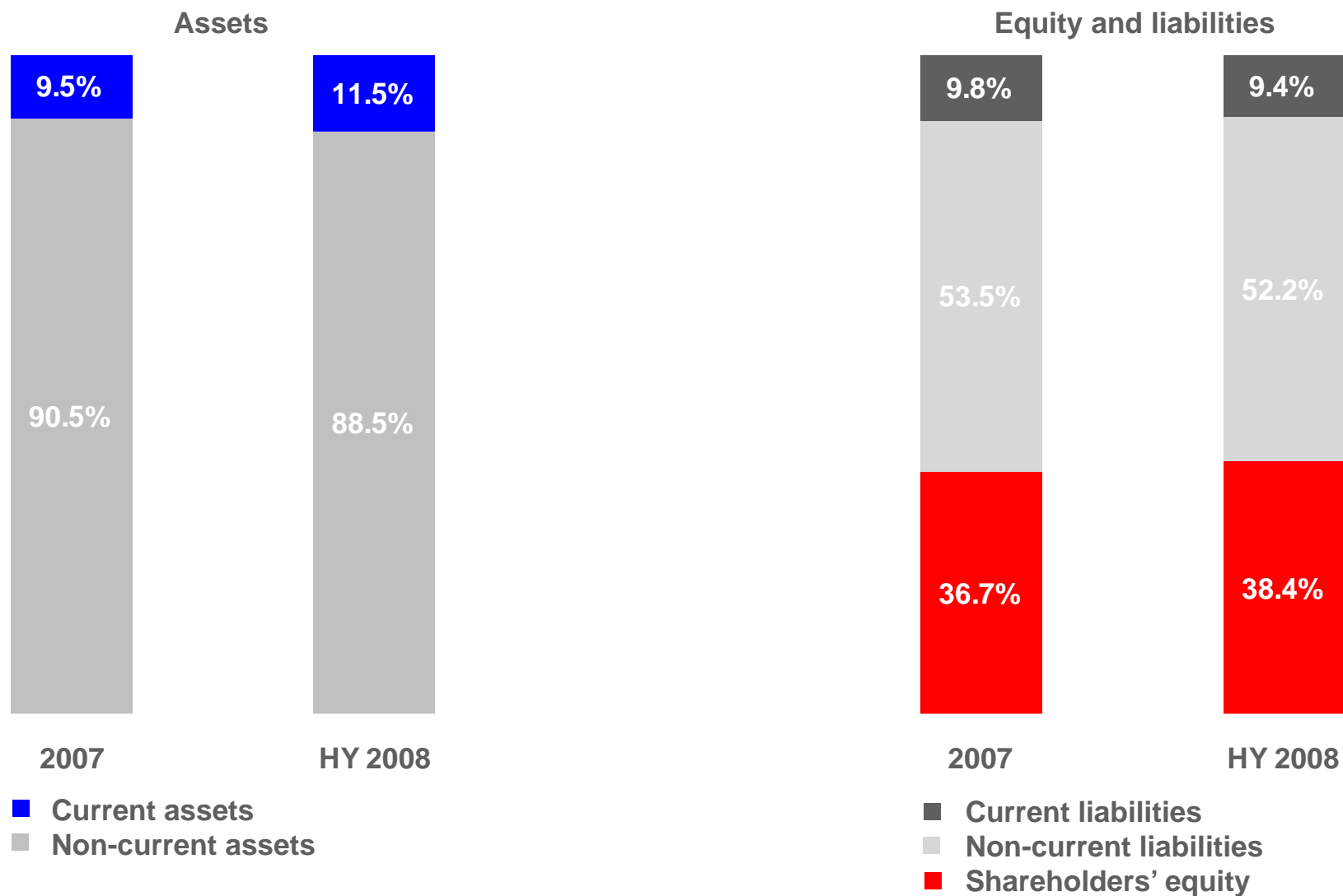
# EBITA

High level of profitability maintained



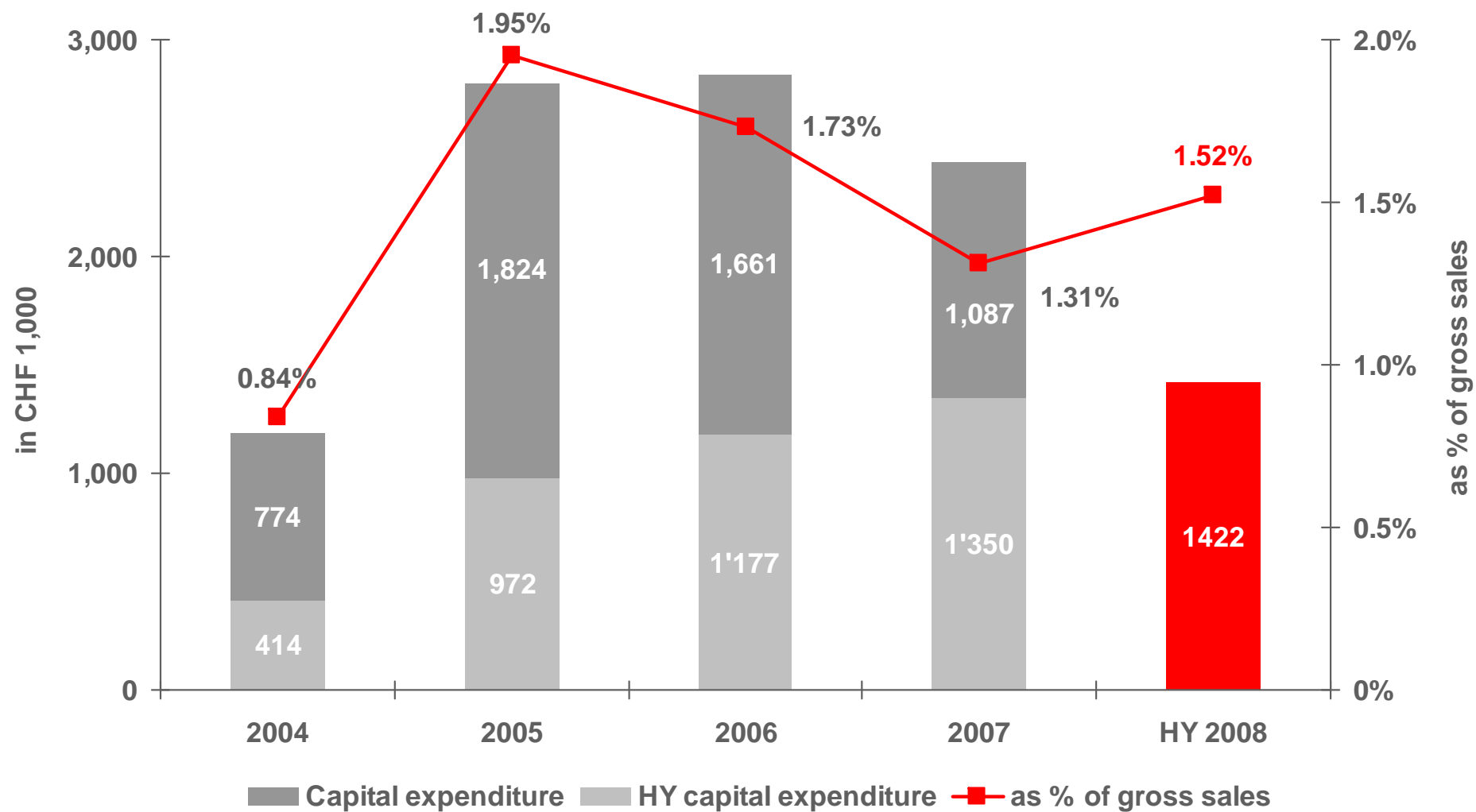
# Balance Sheet Structure

Solid equity base provides financial flexibility



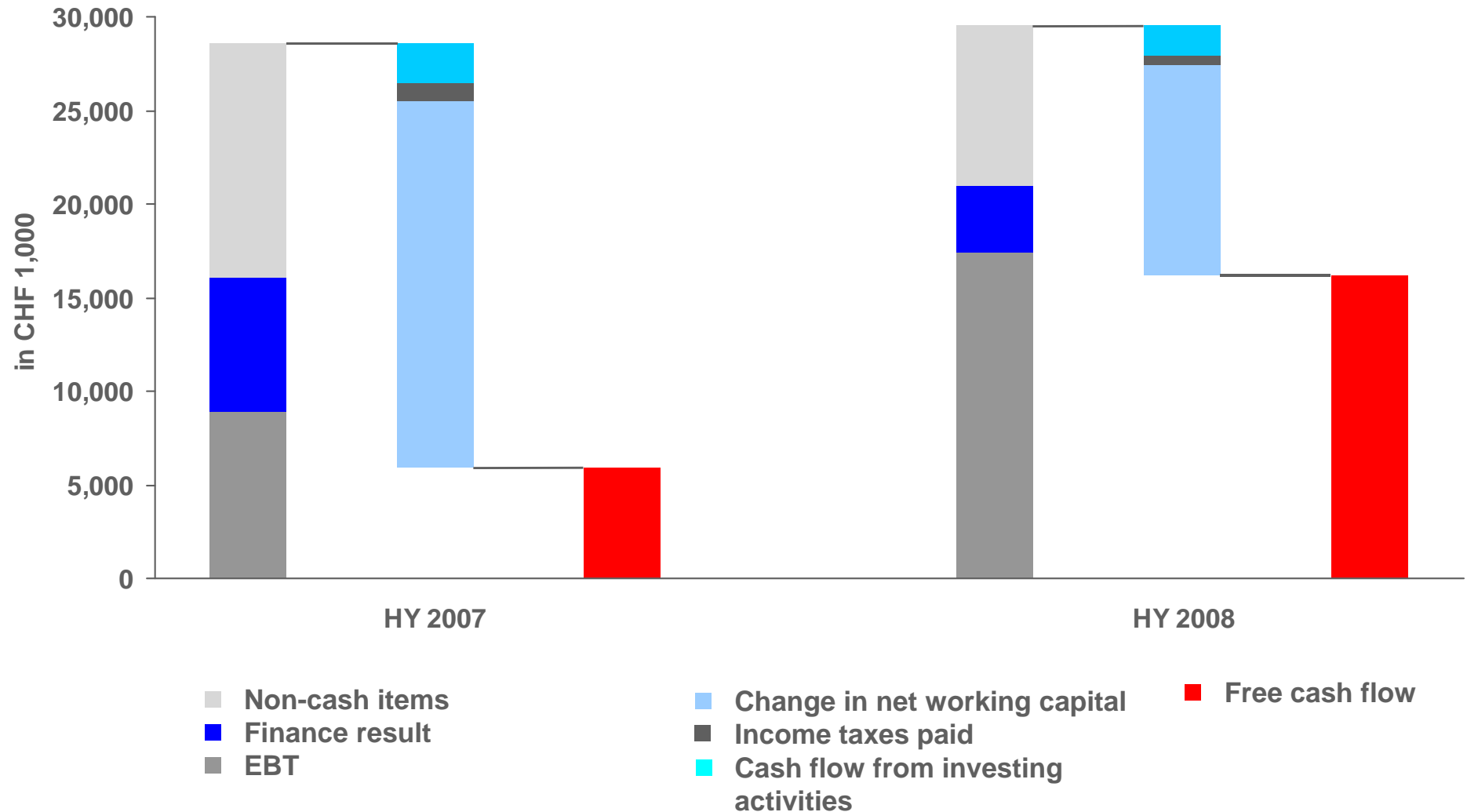
# Capital Expenditure

## Low capital requirement



# Free Cash Flow

Cash flow generating on a high level



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