

Uster Technologies Ltd | Interim Report June 30, 2010
Uster Technologies AG | Halbjahresbericht 2010

Achievements in the First Half 2010

- 24.5% sales improvement with strong EBITA margin of 25.5%.
- Positive net result of CHF 4.0 million.
- Net debt further reduced to CHF 98.2 million demonstrating the Company's strong cash generation ability.
- New classing business in additional cotton growing regions.
- Increased investments in all R&D projects in order to secure long-term growth prospects.
- Start-up of joint technology and business development projects in order to exploit strategic collaboration with Toyota Industries Corporation.
- Sale of the two millionth USTER® QUANTUM clearer along with celebration of 50th anniversary of the launch of the first electronic yarn clearer.
- Launch of a new USTER® ZWEIGLE laboratory system that allows the measurement of yarn hairiness at greatly improved accuracy, reproducibility and speed.
- Demonstrated market leadership at ITMA ASIA& CITME 2010 under the slogan 'The Future Has a Past'.

Höhepunkte erstes Halbjahr 2010

- Umsatzsteigerung von 24.5% mit hoher EBITA-Marge von 25.5%.
- Positives Nettoergebnis in Höhe von CHF 4.0 Mio.
- Weiterer Abbau der Nettoschulden auf CHF 98.2 Mio. demonstriert die ausgezeichnete Fähigkeit, liquide Mittel zu generieren.
- Neue Klassifizierungsgeschäfte in weiteren baumwollanbauenden Regionen.
- Erhöhung der Investitionen in alle F&E-Projekte zur Sicherung der langfristigen Wachstumschancen.
- Initiierung gemeinsamer Technologie- und Geschäftsentwicklungsprojekte im Zuge der strategischen Zusammenarbeit mit Toyota Industries Corporation.
- Verkauf des zweimillionsten Garnreinigers USTER® QUANTUM und 50-Jahre-Jubiläum der Markteinführung des ersten elektronischen Garnreinigers.
- Einführung eines neuen USTER® ZWEIGLE Laborsystems, das die Garnhaarigkeit mit erheblich verbesserter Genauigkeit, Reproduzierbarkeit und Geschwindigkeit misst.
- Demonstration der Marktführerschaft an der ITMA ASIA&CITME 2010 unter dem Slogan „The Future Has a Past“.

Gross Sales

in CHF 1,000

Jun 10		62,389
2009		100,763
Jun 09		50,100
2008		154,893
Jun 08		93,343

Net Result

in CHF 1,000

in percent of gross sales

Jun 10		6.4%	4,008
2009		1.1%	1,078
Jun 09		1.6%	780
2008		3.4%	5,316
Jun 08		14.0%	13,072

EBITA

in CHF 1,000

in percent of gross sales

Jun 10		25.5%	15,925
2009		22.5%	22,709
Jun 09		26.3%	13,152
2008		22.1%	34,168
Jun 08		30.7%	28,649

Free Cash Flow

in CHF 1,000

Jun 10		14,225
2009		11,278
Jun 09		-922
2008		29,409
Jun 08		16,181

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Foreword

Vorwort

Dear Fellow Shareholders

In the first half of the 2010 financial year, Uster Technologies Ltd received many positive signs from the markets revealing a change in mood and a general improvement in overall economic conditions. After a challenging 2009, the textile industry currently finds itself switching over to a growth track again. The business environment has improved significantly and demand from textile producers as well as end-consumers is picking up.

The Group's results reflect these positive trends. Gross sales in the first six months of financial year 2010 grew by 24.5% compared to the first half 2009, underlining the steady recovery of the market. At the same time, the Group delivered a strong EBITA margin of 25.5% whilst responding to the market upswing by terminating the short-time working program in Switzerland and significantly increasing its investment in USTER®'s innovation and development programmes. The major growth driver was the renewed investment appetite of textile producers. After an almost two-year period of limited investments, textile producers began to buy new equipment aiming to enhance efficiency and profitability. This positive development was in response to increased demand for new yarn production as producers had worked off their excess stocks in the previous year, leading to higher yarn prices. Furthermore, increased cotton prices prompted producers to focus again on raw material quality in order to reduce lost profits due to variable quality. A third important factor was the improvement in credit and trade financing for the Group's customers in all major markets, which helped to increase momentum in orders.

Going forward, Uster Technologies Ltd will maintain its focus on strengthening its competitive positioning by introducing new state-of-the-art products in all market segments in combination with expanding its global sales organization. Pro-active response to the improving market environment since the end of 2009, backed by the Group's flexible business model, allowed an immediate increase of all R&D activities that had been slowed down in the face of the uncertain busi-

Sehr geehrte Aktionärinnen und Aktionäre

In der ersten Hälfte des Geschäftsjahres 2010 erhielt Uster Technologies AG viele positive Signale von den Märkten, die auf einen Stimmungswechsel und eine allgemeine Erholung der wirtschaftlichen Rahmenbedingungen hinwiesen. Nach einem schwierigen Jahr 2009 kehrt die Textilindustrie gegenwärtig wieder auf den Wachstumspfad zurück. Das geschäftliche Umfeld hat sich deutlich verbessert, und die Nachfrage von Textilherstellern wie Endverbrauchern zieht an.

Diese positiven Trends spiegeln sich auch in den Ergebnissen der Gruppe wider. Der Bruttoumsatz stieg im ersten Halbjahr des Geschäftsjahres um 24.5% gegenüber der Vorjahresperiode und unterstreicht damit die kontinuierliche Erholung des Marktes. Gleichzeitig erzielte die Gruppe eine hohe EBITA-Marge von 25.5%. Als Reaktion auf den Aufschwung des Marktes wurde die Kurzarbeit in der Schweiz beendet und die Investitionen in die Innovations- und Entwicklungsprojekte von USTER® markant erhöht.

Der grösste Wachstumstreiber war die wiedererwachte Investitionsbereitschaft der Textilproduzenten. Nachdem fast zwei Jahre lang nur verhalten investiert worden war, begannen die Hersteller neue Maschinen anzuschaffen, um ihre Effizienz und Profitabilität zu erhöhen. Diese positive Entwicklung wurde durch die Garnproduktionsnachfrage ausgelöst, nachdem die Hersteller ihre Überbestände im Vorjahr abgebaut hatten und sich damit die Garnpreise erhöhten. Ausserdem veranlasste der Anstieg der Baumwollpreise die Produzenten, sich wieder auf die Rohstoffqualität zu konzentrieren, um ihre Gewinneinbussen aufgrund von Qualitätsschwankungen zu verringern. Ein dritter wichtiger Faktor waren die besseren Rahmenbedingungen für Kredit- und Handelsfinanzierungen für unsere Kunden in allen wichtigen Märkten, welche für einen zusätzlichen Nachfrageaufschwung sorgten.

Wir werden der Stärkung unserer Wettbewerbsposition auch zukünftig hohe Priorität einräumen und neue, innovative Produkte in allen Marktsegmenten einführen sowie die globale Vertriebsorganisation erweitern. Eine vorausschauende Geschäftsführung als Antwort auf das sich seit Ende 2009 verbessernde



Max-Ulrich Zellweger, Geoffrey Scott

ness climate that existed earlier last year. The result of this fast response was the launch of new products at the ITMA ASIA&CITME 2010 in June, with further new product introductions planned for the second half of this year. A special focus was on evaluating and developing synergies and joint technology and market opportunities offered by the strategic partnership with Toyota Industries Corporation.

We are very happy that the market upswing combined with the Company's operational flexibility allowed us to terminate the short-time working program and to resume working at 100% in all of our Technology Centers worldwide as of January 2010.

On behalf of the Board of Directors and the Management we thank our dedicated employees all over the world for their strong commitment and achievements. We look forward to tackling new business and growth opportunities with the support of highly motivated and skilled staff at all corporate levels. We also thank our customers, business partners and suppliers for their excellent collaboration. Last but not least, we express our thanks to our Shareholders for their continued confidence and trust in the Company's growth's prospects.

Yours sincerely

Max-Ulrich Zellweger
Chairman of the Board of Directors

Marktumfeld und das flexible Geschäftsmodell der Gruppe ermöglichten eine sofortige Intensivierung aller F&E-Aktivitäten, die angesichts des unsicheren Geschäftsklimas Anfang des letzten Jahres zurückgeschraubt worden waren. Das Ergebnis dieser schnellen Reaktion war die Lancierung neuer Produkte an der ITMA ASIA&CITME 2010 im Juni, wobei weitere neue Produkteinführungen für das zweite Halbjahr geplant sind. Einen besonderen Schwerpunkt bildete die Prüfung und Nutzung von Synergien und gemeinsamen Technologie- und Marktentwicklungsmöglichkeiten, die sich durch die strategische Partnerschaft mit der Toyota Industries Corporation eröffnen.

Wir freuen uns sehr, dass wir aufgrund der Markterholung und der betrieblichen Flexibilität die Kurzarbeit beenden und in allen Technologiezentren weltweit ab Januar 2010 wieder zu 100% arbeiten konnten.

Im Namen des Verwaltungsrates und der Konzernleitung danken wir allen Mitarbeitenden auf der ganzen Welt für ihren engagierten Einsatz und ihre hervorragenden Leistungen. Wir freuen uns, neue Geschäfts- und Wachstumschancen mit hoch motivierten, kompetenten Mitarbeitern auf allen Unternehmensebenen in Angriff zu nehmen. Des Weiteren danken wir unseren Kunden, Geschäftspartnern und Lieferanten für die ausgezeichnete Zusammenarbeit mit unseren Teams. Nicht zuletzt geht ein herzliches Dankeschön an unsere Aktionäre für ihr Vertrauen und die Zuversicht in die Wachstumsaussichten unseres Unternehmens.

Mit freundlichen Grüßen

Dr. Geoffrey Scott
Chief Executive Officer

Operational Review and Outlook

Operativer Rückblick und Ausblick

In the first half of financial year 2010, Uster Technologies Ltd delivered a strong top- and bottom-line performance as the market recovered. The Group's gross sales grew to CHF 62.4 million, an increase of 24.5% compared to the previous year (H1 2009: CHF 50.1 million). EBITA reached CHF 15.9 million (H1 2009: CHF 13.2 million), keeping the margin at the high level of 25.5% (H1 2009: 26.3%). The net result amounted to CHF 4.0 million (H1 2009: CHF 0.8 million). Net debt was further reduced to CHF 98.2 million demonstrating the Group's strong cash generation ability.

Strong Chinese and Stabilized Mid-Asian Markets

As of the beginning of 2010, the Group has seen a steady improvement in general market conditions and an upturn in demand for quality measurement and certification products for the textile industry. Geographically the center of the textile market is in Asia with a strong focus on China, where textile manufacturers continued to invest in sustainable quality improvements supported by ongoing, well-directed government stimulus packages. In particular, the local textile market is growing fast. It is currently switching from labor-intensive manual production to automated production technology, thereby powering the business of foreign producers that are well positioned in this important growth market. At the same time, the mid-Asian markets including India, Turkey, Bangladesh and Pakistan recovered from the economic instability of previous years, which led to an improved investment climate. Whilst the Indian market is growing again, albeit not as fast as the dynamic Chinese market, order levels in Turkey, Bangladesh and Pakistan have stabilized and are expected to increase towards the end of the year or, at the latest, at the beginning of 2011.

Overall, sales in the Asian markets contributed 66.2% to total gross sales (H1 2009: 69.0%, H2 2009: 73.3%), Europe and Americas generated 22.2% and 11.6% respectively (H1 2009: 14.7% and 16.3% respectively, H2 2009: 16.8% and 9.9%).

In der ersten Hälfte des Geschäftsjahres 2010 erzielte die Uster Technologies AG parallel zur Marktbelebung ein starkes Umsatz- und Gesamtergebnis. Der Bruttoumsatz der Gruppe erhöhte sich auf CHF 62.4 Mio., eine Zunahme von 24.5% gegenüber dem Vorjahr (H1 2009: CHF 50.1 Mio.). Mit einem EBITA von CHF 15.9 Mio. (H1 2009: CHF 13.2 Mio.) konnte die Marge auf einem hohen Niveau von 25.5% (H1 2009: 26.3%) gehalten werden. Das Nettoergebnis betrug CHF 4.0 Mio. (H1 2009: CHF 0.8 Mio.). Die Nettoschulden wurden weiter auf CHF 98.2 Mio. reduziert, ein Beweis für die ausgezeichnete Ertragskraft der Gruppe.

Starker chinesischer Markt und stabilisierte Märkte in Mittelasien

Seit Anfang 2010 beobachtet die Gruppe eine kontinuierliche Verbesserung der allgemeinen Marktbedingungen und eine höhere Nachfrage nach Qualitätsprüfungs- und Zertifizierungssystemen für die Textilindustrie. Geographisch liegt das Zentrum des Textilmarktes in Asien. Den klaren Schwerpunkt bildet China, wo die Textilhersteller dank laufender gezielter staatlicher Förderprogramme weiter in nachhaltige Qualitätsverbesserungen investieren. Besonders der lokale Textilmarkt wächst schnell. Gegenwärtig ist dort eine Umstellung von der arbeitsintensiven manuellen Herstellung auf automatisierte Produktionsverfahren zu beobachten. Hiervon profitiert auch das Geschäft ausländischer Hersteller, die in diesem wichtigen Wachstumsmarkt gut positioniert sind. Gleichzeitig erholten sich die mittelasiatischen Märkte von der wirtschaftlichen Instabilität früherer Jahre, darunter Indien, die Türkei, Bangladesch und Pakistan. Das Investitionsklima verbesserte sich insgesamt. Während der indische Markt wieder wächst, wenn auch nicht so stark wie der dynamische chinesische Markt, hat sich das Auftragsvolumen in der Türkei, Bangladesch und Pakistan stabilisiert und dürfte gegen Ende des Jahres oder spätestens Anfang 2011 wieder zunehmen.

Insgesamt trugen die asiatischen Länder 66.2% zum Gesamtbruttoumsatz bei (H1 2009: 69.0%, H2 2009: 73.3%); auf Europa und Nordamerika entfielen 22.2% bzw. 11.6% (H1 2009: 14.7% bzw. 16.3%, H2 2009: 16.8% bzw. 9.9%).

Increased Orders from Machinery Manufacturers

In the cotton classing business Uster Technologies Ltd deepened its strong relationship with the China Fiber Inspection Bureau (CFIB) and United States Department of Agriculture (USDA) and continued to support their ongoing expansion and replacement plans. Additional business for the HVI cotton classing systems was secured in other cotton growing regions, including India, Africa and Central Asia and further diversified the customer base in the classing business.

In the laboratory yarn and fiber testing business, greater interest from manufacturers in efficiency improvements and cost reductions resulted in new demand for USTER® products. In addition, the Group profited from stabilized market conditions in the mid-Asian markets as well as from the strong local business in China.

In the yarn clearer business the positive developments already seen in the second half of 2009 continued, supported by the renewed increase in demand for yarn. The ongoing move to automated production technology in China described above has restored demand for automatic winding machinery. Consequently, Uster Technologies Ltd experienced increased orders from machinery suppliers which had suffered badly in the crisis and now see a strong positive trend in business activity. Moreover, the Company celebrated the 50th anniversary of its development of the first electronic yarn clearers – the technology which enables in-process quality assurance for yarns. Also in the reporting period, the Group passed the milestone of two million USTER® QUANTUM clearers sold.

Höherer Auftragseingang von Maschinenherstellern

Im Bereich der Baumwollklassierung intensivierte Uster Technologies AG ihre engen Beziehungen mit der chinesischen Behörde für Faserprüfung (CFIB) und dem US-Landwirtschaftsministerium (USDA) und profitierte von deren fortlaufenden Erweiterungs- und Austauschprogrammen. Darüber hinaus erhielt Uster Technologies AG neue Aufträge für Baumwollklassierungssysteme aus anderen Baumwollregionen wie Indien, Afrika und Mittelasien. Sie trugen zu einer weiteren Diversifizierung der Kundenbasis im Klassierungsgeschäft bei.

Im Bereich Garn- und Faserprüfsysteme für Labors löste das stärkere Interesse der Hersteller an Effizienzsteigerung und Kostenreduzierung eine erneute Nachfrage nach USTER®-Produkten aus. Ausserdem kamen der Gruppe die stabilisierten Marktbedingungen in den mittelasiatischen Märkten sowie das starke lokale Geschäft in China zugute.

Die positiven Entwicklungen bei den Geschäften mit Garnreinigern, die bereits im zweiten Halbjahr 2009 zu beobachten waren, setzten sich fort, unterstützt durch die wieder wachsende Nachfrage nach Garn. Durch die zuvor erwähnte fortlaufende Umstellung auf automatisierte Produktionstechnologie in China wurde die Nachfrage nach automatischen Spulmaschinen wiederhergestellt. Demzufolge verzeichnete Uster Technologies AG einen höheren Auftragseingang von Maschinenlieferanten, die von der Krise schwer betroffen waren und jetzt einen starken Aufwärtstrend verzeichnen. Ausserdem feierte das Unternehmen das 50-Jahre-Jubiläum der Entwicklung seiner ersten elektronischen Garnreiniger – der Technologie, die eine Qualitätsprüfung von Garnen bei laufender Produktion ermöglicht. Weiter erreichte die Gruppe während der Berichtsperiode den Meilenstein von zwei Millionen verkauften USTER® QUANTUM Garnreinigern.

Extension of Product Offering

At the important industry fair ITMA ASIA&CITME 2010 in Shanghai, China, USTER® presented its latest range of testing instruments under the slogan 'The Future Has a Past'. This provided a powerful statement to the market, acknowledged by customers and competitors, of the Group's unrivalled record of innovation underpinning one of the fundamental aspects of its strong market position and the high value of the USTER® brand. In addition, the Group launched a totally new USTER® ZWEIGLE laboratory system that allows the measurement of yarn hairiness with improved accuracy and reproducibility, and at speeds that are eight times faster than those of previous devices. This demonstrated USTER®'s continued innovation power and ability to bring new value-added products to the market in response to customer's ongoing needs for more efficiency, cost savings and consistent quality.

Furthermore, dedicated project teams began to explore synergies and new joint business development opportunities building on the strategic partnership with Toyota Industries Corporation. Both Uster Technologies and the Textile Machinery Division of Toyota hold leading market positions and a combined product portfolio that offers a broad coverage of many stages in the textile manufacturing process. As an example, Toyota is well positioned in the markets for weaving systems for which the Uster Group offers technologies that can enhance overall quality of the devices. First joint product offerings based on the combined technology portfolio are expected for 2012.

Erweiterung des Produktangebots

Auf der wichtigen Fachmesse ITMA ASIA&CITME 2010 in Schanghai, China, präsentierte USTER® unter dem Motto „The Future Has a Past“ sein neuestes Sortiment an Prüfsystemen. Damit setzte die Gruppe gegenüber Kunden und Mitbewerbern ein starkes Zeichen auf dem Markt, indem sie ihre unübertroffene Innovationskraft demonstrierte, die grundlegenden Stärken ihrer Marktposition untermauerte und den hohen Wert der Marke USTER® aufzeigte. Gleichzeitig brachte die Gruppe ein völlig neues USTER® ZWEIGLE Laborsystem auf den Markt, das die Haarigkeit von Garnen mit höherer Präzision und Reproduzierbarkeit und acht Mal schneller als bisherige Systeme misst. Dies war ein weiterer Beweis der hohen Innovationskraft von USTER® und ihrer Fähigkeit, den Markt mit neuen wertschöpfenden Produkten zu bereichern, die dem laufenden Bedürfnis der Kunden nach hoher Effizienz, Kosteneinsparungen und konstanter Qualität gerecht werden.

Zudem haben neue Projektteams damit begonnen, Synergien und gemeinsame Geschäftsentwicklungsmöglichkeiten zu erschliessen, die auf der strategischen Partnerschaft mit der Toyota Industries Corporation basieren. Sowohl Uster Technologies AG als auch die Division Textile Machinery von Toyota besitzen führende Marktpositionen und ein Produktportfolio, das in seiner Kombination viele Stufen der Textilwertungskette abdeckt. Beispielsweise ist Toyota in den Märkten für Websysteme hervorragend positioniert, für die die Uster Gruppe Technologien zur Verbesserung der Gesamtqualität der Anlagen anbietet. Die ersten gemeinsamen Produktangebote auf Basis des kombinierten Technologie-Portfolios werden für 2012 erwartet.

Improvement in Sales Backed by Strong EBITA Margin

Uster Technologies Ltd is currently expecting a continued market improvement based on strong demand from Asian markets, especially from China and India. For the financial year 2010 the management expects gross sales in the range of CHF 125 to CHF 130 million whilst maintaining an EBITA margin around 25%. It is important to note that the Group is maintaining its operational flexibility and its ability, as demonstrated last year, to respond to any possible subsequent softening of demand. Nonetheless, future growth prospects are underpinned by the move towards quality and automation in the emerging markets. In the mid-term, management is confident it can gradually expand business activities and bring the Group's revenues back to the levels seen before the crisis.

Umsatzsteigerung und hohe EBITA-Marge

Aus heutiger Sicht erwartet Uster Technologies AG eine fortgesetzte Verbesserung des Marktumfeldes, das durch die starke Nachfrage von den asiatischen Märkten, insbesondere China und Indien, angetrieben wird. Für das Geschäftsjahr 2010 rechnet die Geschäftsleitung mit einem Bruttoumsatz in der Grössenordnung von CHF 125 Mio. bis CHF 130 Mio. und einer EBITA-Marge, die weiterhin um 25% liegt. Die Gruppe hält ihre grosse operative Flexibilität und Fähigkeit aufrecht, schnell auf mögliche Nachfragerückgänge zu reagieren, wie sie dies im letzten Jahr gezeigt hatte. Zukünftiges Wachstum erwartet sie insbesondere von dem verstärkten Fokus auf Qualität und der zunehmenden Automatisierung in den Schwellenländern. Die Geschäftsleitung ist zuversichtlich, mittelfristig die Aktivitäten weiter ausbauen und das Unternehmen zum Umsatzniveau vor der Krise zurückführen zu können.

Additional Comments to the Interim Consolidated Financial Statements (condensed)

Summary

In the first six months 2010, Uster Technologies Ltd demonstrated solid financial performance:

- Sales increased by 24.5% to CHF 62.4 million (compared to HY1 2009)
- EBITA margin at 25.5% with an increase of CHF 2.8 million vs. prior year
- Net Result at CHF 4.0 million or 6.4% of sales
- Net Debt reduced to CHF 98.2 million
- Equity ratio at a strong 51.1%
- Currency gains/losses kept at a minimum due to invoicing with secured payment terms mainly in CHF or USD for the majority of the products
- Flexible organizational structure allowing the Group to adapt to the current textile cycle upswing

Strong Income Statement

Gross sales for the first half 2010 amounted to CHF 62.4 million, representing a strong increase of 24.5% compared to the first half year 2009 figure of CHF 50.1 million. The increased level of gross sales in the first half 2010 is a result of the current improved textile market environment. The Group's flexible business model allows it to immediately adjust to this positive development with increased investments in R&D and Marketing projects. Furthermore, the short-time work implemented in all the departments in 2009 has been cancelled as of January 2010. The effect of these actions is on the one hand an increase in COGS due to the halting of short-time work in manufacturing, and an overall increase in overheads compared to prior year. However, the EBITA margin has been maintained at 25.5% (first half 2009: 26.3%).

The Group mainly invoices in CHF or USD thus reducing exchange rate effects.

Balance Sheet

The balance sheet total as of June 30, 2010, amounted to CHF 407.6 million (December 31, 2009: CHF 404.7 million). The increase of CHF 2.9 million was mainly driven by higher trade receivables from OEM customers in the second quarter 2010 and the increase of inventories (assets). The Group has used the majority of the free cash flow generated in the first half of 2010 to voluntarily repay CHF 10.0 million of bank loans, thereby reducing the bank loans to CHF 114.4 million (liability). Shareholder's equity increased due to the positive net result by CHF 4.7 million compared to December 31, 2009, resulting in a strong equity ratio of 51.1%.

Intangible Assets

The intangibles assets of CHF 326.3 million have been tested on impairment. This impairment test, performed in the second quarter 2010, was based on recent market developments, realistic internal assumptions and external input on key parameters. The test more than confirmed the carrying amounts.

Bank Loans

All bank loans (maturity date in 2012) have been fully served and all loan covenants were met in the first half of 2010. Net Debt was down to CHF 98.2 million compared to CHF 109.2 million in Dec. 31, 2009 resulting into a net debt / EBITDA ratio of 3.6. The Group's current cash position amounts to CHF 16.2 million.

Interim Consolidated Financial Statements (condensed)

Interim Consolidated Statement of Comprehensive Income (condensed)

in CHF 1,000	Notes	Jan 1 – Jun 30, 2010 Unaudited		Jan 1 – Jun 30, 2009 Unaudited	
Gross sales		62,389	100.0%	50,100	100.0%
Sales deductions		-1,084		-1,355	
Net sales		61,305	98.3%	48,745	97.3%
Cost of goods sold		-25,236		-19,391	
Gross profit		36,069	57.8%	29,354	58.6%
Sales and marketing expenses		-6,687		-6,189	
Research and development expenses		-7,086		-5,072	
Management and administrative expenses		-6,460		-5,183	
Other income		54		192	
Other expenses	6	-7,555		-7,577	
Earnings before interest and tax (EBIT)		8,335	13.4%	5,525	11.0%
Amortization		7,590		7,627	
Earnings before interest, tax and amortization (EBITA)		15,925	25.5%	13,152	26.3%
Amortization		-7,590		-7,627	
Earnings before interest and tax (EBIT)		8,335	13.4%	5,525	11.0%
Finance income		649		36	
Finance expenses		-3,516		-3,125	
Finance result	7	-2,867	-4.6%	-3,089	-6.2%
Earnings before tax (EBT)		5,468	8.8%	2,436	4.9%
Income tax	8	-1,460		-1,656	
Profit of the year		4,008	6.4%	780	1.6%
Currency translation differences		579		244	
Total comprehensive income		4,587	7.4%	1,024	2.0%
Earnings per share (in CHF)					
Basic		0.47		0.12	
Diluted		0.47		-	

Interim Consolidated Statement of Financial Position (condensed)

in CHF 1,000	Notes	Jun 30, 2010 Unaudited		Dec 31, 2009 Audited	
Intangible assets	9	326,304		333,789	
Property, plant and equipment	10	10,261		9,660	
Pension fund asset		14,741		15,624	
Financial assets		174		168	
Deferred tax assets		1,984		2,028	
Non-current assets		353,464	86.7%	361,269	89.3%
Inventories	11	12,419		10,451	
Receivables trade		22,580		15,108	
Other receivables		1,839		1,840	
Income tax receivables		1,049		1,018	
Cash and cash equivalents		16,223		15,053	
Current assets		54,110	13.3%	43,470	10.7%
Assets		407,574	100.0%	404,739	100.0%
Share capital	12	79,524		79,524	
Share premium		103,691		103,691	
Other reserves		671		447	
Currency translation differences		-738		-1,317	
Retained earnings		25,270		21,262	
Shareholders' equity		208,418	51.1%	203,607	50.3%
Bank loans	13	104,398		114,277	
Provisions	14	1,507		1,282	
Deferred tax liabilities		49,447		50,133	
Non-current liabilities		155,352	38.1%	165,692	40.9%
Bank loans		10,000		10,000	
Derivative financial instruments		1,626		1,900	
Trade and other liabilities		10,469		4,434	
Accrued liabilities		12,459		11,212	
Provisions	14	1,275		1,182	
Income tax liabilities and provisions		7,975		6,712	
Current liabilities		43,804	10.7%	35,440	8.8%
Liabilities		199,156	48.9%	201,132	49.7%
Shareholders' equity and liabilities		407,574	100.0%	404,739	100.0%

Interim Consolidated Statement of Cash Flows (condensed)

in CHF 1,000	Notes	Jan 1 – Jun 30, 2010 Unaudited	Jan 1 – Jun 30, 2009 Unaudited
Earnings before tax (EBT)		5,468	2,436
Adjustments for			
Depreciation property, plant and equipment		947	903
Amortization intangible assets		7,590	7,627
Change in pension fund asset		883	64
Change in other reserves	5	224	0
Provisions	14	312	-2,788
Finance result		2,867	3,089
Gain on sale of intangible assets and property, plant and equipment		5	-107
		18,296	11,224
Change in			
Inventories	11	-1,697	2,970
Receivables trade		-7,152	-11,720
Other receivables		-26	-55
Trade and other liabilities		5,983	-155
Accrued liabilities		1,014	-1,185
Change in working capital		-1,878	-10,145
Income taxes paid		-784	-1,360
Cash flow from operating activities		15,634	-281
Purchase of intangible assets		-103	0
Purchase of property, plant and equipment		-1,396	-857
Purchase of financial assets		-3	-39
Disposal of property, plant and equipment		35	151
Disposal of financial assets		7	70
Interest received		51	34
Cash flow from investing activities		-1,409	-641
Proceeds from bank loans	13	0	5,000
Repayment of bank loans	13	-10,000	0
Interest paid		-3,106	-2,773
Cash flow from financing activities		-13,106	2,227
Net change in cash and cash equivalents		1,119	1,305
Cash and cash equivalents at beginning of period		15,053	7,490
Exchange differences on cash and cash equivalents		51	129
Cash and cash equivalents at end of period		16,223	8,924
Operating cash flow generated in % of EBITA		98.2%	-2.1%
Free cash flow (operating cash flow plus investing cash flow) generated in % of EBITA		89.3%	-7.0%

Interim Consolidated Statement of Changes in Equity (condensed)

in CHF 1,000	Share Capital	Share Premium	Other Reserves	Currency Translation Differences	Retained Earnings	2009
Balance at January 1 (audited)	61,664	78,647	123	-1,400	20,508	159,542
Total comprehensive income	0	0	0	244	780	1,024
Share based payment transaction	0	0	0	0	0	0
Dividend	0	0	0	0	0	0
Allocation to statutory reserves	0	0	324	0	-324	0
Balance at June 30 (unaudited)	61,664	78,647	447	-1,156	20,964	160,566

in CHF 1,000	Share Capital	Share Premium	Other Reserves	Currency Translation Differences	Retained Earnings	2010
Balance at January 1 (audited)	79,524	103,691	447	-1,317	21,262	203,607
Total comprehensive income	0	0	0	579	4,008	4,587
Share based payment transaction	0	0	224	0	0	224
Dividend	0	0	0	0	0	0
Allocation to statutory reserves	0	0	0	0	0	0
Balance at June 30 (unaudited)	79,524	103,691	671	-738	25,270	208,418

For details to the Shareholders' equity refer to note 11 Share Capital and Reserves.

Notes to the Interim Consolidated Financial Statements (condensed)

1 Corporate Information

Uster Technologies Ltd (“the Company”) and its subsidiaries (together “the Group”) are the world’s market leader in textile quality controlling and provide systems and services that enable the industry to manufacture optimum quality and competitive products “from fiber to fabric.” The Group has a long history as the leader in textile electronics. For more than 60 years, the testing and monitoring solutions have enabled the production of the finest fibers, yarns and fabrics.

Uster Technologies Ltd is domiciled in Switzerland. The address of its registered office is Sonnenbergstrasse 10, CH-8610 Uster.

2 Basis of Preparation of the Interim Consolidated Financial Statements (condensed)

2.1 Statement of Compliance

The Interim Consolidated Financial Statements (condensed) of the Uster Group as of June 30, 2010, have been prepared in accordance with IAS 34 Interim Financial Reporting. The Interim Consolidated Financial Statements (condensed) do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as of December 31, 2009.

The Interim Consolidated Financial Statements (condensed) of the Uster Group for the six months ended June 30, 2010, were authorized for issue in accordance with a resolution of the Board of Directors on July 8, 2010.

2.2 Significant Accounting Judgments and Estimates

In the process of preparing the Interim Consolidated Financial Statements (condensed), the Executive Committee of the Uster Group has to make judgments, assumptions and estimations that affect the reported amounts of assets, liabilities, income and expenses. These estimates are reviewed on a regular basis and are based on past experience as well as assumptions about the future that currently seem to be reasonable. The actual results, however, could differ from these estimates.

The judgments, assumptions and estimations made for the Interim Consolidated Financial Statements (condensed) as of June 30, 2010, correspond to those mentioned in the Group’s annual financial statements as of December 31, 2009.

3 Summary of Significant Accounting Policies

3.1 Changes in Accounting Policies

The accounting policies adopted in the preparation of these Interim Consolidated Financial Statements (condensed) are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2009.

3.2 Basis of Consolidation

The Interim Consolidated Financial Statements (condensed) comprise the condensed financial statements of Uster Technologies Ltd and all its subsidiaries for the six months period ended June 30, 2010, and 2009.

There were no changes in the scope of consolidation during the first six months of 2010.

4 Segment Reporting

Also under the application of IFRS 8 (management approach) the Group is organized in only one operating segment. Whilst revenues are reported by geographical areas, the operating results and balance sheet are only analyzed at Group level. This is the primary way in which Management and the Board of Directors are provided with financial information to decide on allocation of resources. Therefore, the information by operating segment has already been given in these Interim Consolidated Financial Statements (condensed).

5 Personnel Expense

In May 2010 a Restricted Stock Unit Plan has been implemented by the Group. Under this plan, selected employees of the Group have been awarded a fixed number of Restricted Stock Units (RSU Awards) to purchase registered shares of Uster Technologies AG on May 4, 2013 (vesting date) at CHF 9.40 per share. The shares (up to 320,000) will be provided out of conditional share capital. There is no cash settlement of these awards. These awards are forfeited when a participant's employment with a member of the Group is terminated before the vesting date (except for the cases of retirement, disability or death).

The fair value of the RSUs granted is estimated at the date of grant using the Black-Scholes pricing model using the following assumptions:

Dividend yield:	0%
Expected volatility:	50.8%
Risk-free interest rate:	1.05%
Expected life:	3 years
Weighted average share price:	CHF 22.11

A share based payment transaction expense of CHF 224,000 was recognized as personnel expense and directly in equity according to the regulations of IFRS 2.

6 Other Expenses

Other expenses mainly consist of the amortization of the intangible assets technology, customer base, and USTER® STATISTICS.

7 Finance Result

The finance result mainly consists of interest on bank loans, swap expenses and foreign exchange differences on financing transactions.

8 Income Tax

The major components of income tax expense in the Interim Consolidated Statement of Comprehensive Income (condensed) are as follows:

in CHF 1,000	Jan 1- Jun 30, 2010 Unaudited	Jan 1- Jun 30, 2009 Unaudited
Current income taxes	-2,003	-2,161
Current income taxes previous years	-24	-149
Deferred income taxes	567	654
Total	-1,460	-1,656

The tax expenses of the first half year 2009 and the first half year 2010 are impacted by the facts that tax losses carried forward are only capitalized in rare circumstances and the mix of profit contribution by the single subsidiaries.

9 Intangible Assets

The intangibles assets have been tested on impairment. This impairment test, performed in the second quarter 2010, was based on recent market developments, realistic internal assumptions and external input on key parameters. The test more than confirmed the carrying amounts.

10 Property, Plant and Equipment

During the six months ended June 30, 2010, the Group acquired assets with a cost of CHF 1.4 million (June 30, 2009: CHF 0.9 million).

Assets with a net book value of CHF 40,000 were disposed of by the Group during the six months ended June 30, 2010 (June 30, 2009: CHF 44,000), resulting in a net loss on disposal of CHF 5,000 (June 30, 2009: net gain CHF 107,000).

11 Inventories

The change in value allowance of inventories recognized in the income statement during the six months ended June 30, 2010, amounted to CHF 0.7 million (June 30, 2009: CHF -0.2 million) and is included in the income statement in cost of goods sold.

12 Share Capital and Reserves

12.1 Share Capital

Ordinary Share Capital

The ordinary share capital of Uster Technologies Ltd as of June 30, 2010, amounted to CHF 79.5 million and was fully paid up. It consisted of 8,460,000 registered shares with a nominal value of CHF 9.40 each (December 31, 2009: share capital of CHF 79.5 million and 8,460,000 shares with a nominal value of CHF 9.40 each).

Authorized and Conditional Share Capital

The authorized share capital as of June 30, 2010, amounted to CHF 17.9 million (December 31, 2009: CHF 0 million). The conditional share capital amounted to CHF 3.0 million (December 31, 2009: CHF 3.0 million).

12.2 Dividends

The holders of registered shares are entitled to dividends and to one vote per share at the Shareholders' meetings of Uster Technologies Ltd.

Based on the decision of the Annual General Meeting dated March 30, 2010, no dividend will be paid out to the Shareholders in 2010 (2009: none).

13 Bank Loans

In the first half year 2010 CHF 10.0 million of Facility B were voluntarily repaid (net repayment in 2009 CHF 40.0 million in relation to the capital increase conducted on November 2, 2009).

14 Provisions

The increase in provision is mainly attributable to higher warranty provisions as a result of the increased sales volume.

15 Related-Party Transactions

In his function of a Managing Partner of a consulting company, a Member of the Board of Directors advises the Company on certain business issues related to China. However, the scope of these consultancy services is not significant and on the same terms and conditions as if they were delivered by third parties. There were no other transactions with related parties during the first half year 2010.

Information for Investors

Shareholding Structure

The structure of the Shareholders entered in the share register as of June 30, 2010, was as follows:

Shares		Shareholders		Shares	
1-100	307	30.1%	20,243	0.2%	
101-1,000	582	57.0%	236,823	2.8%	
1,001-10,000	99	9.7%	278,072	3.3%	
10,001-100,000	26	2.5%	1,052,301	12.4%	
100,001-1,000,000	5	0.5%	1,297,840	15.3%	
> 1,000,000	2	0.2%	4,258,377	50.4%	
Not registered			1,316,344	15.6%	
Total	1,021	100.0%	8,460,000	100.0%	

Important Dates

Publication of annual results 2010	February 28, 2011
Media and analyst conference	February 28, 2011
Last day for inscription into the share register before the Shareholders' meeting 2011	March 18, 2011
Shareholders' meeting 2011	March 29, 2011
Semi-annual results 2011	July 19, 2011

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Key Figures

in CHF 1,000	Jan 1 – Jun 30, 2010		Jan 1 – Jun 30, 2009		Jan 1 – Jun 30, 2008		Jan 1 – Jun 30, 2007	
Consolidated Income Statement								
Gross sales	62,389	100.0%	50,100	100.0%	93,343	100.0%	95,760	100.0%
Sales deductions	-1,084		-1,355		-1,932		-1,631	
Net sales	61,305	98.3%	48,745	97.3%	91,411	97.9%	94,129	98.3%
Cost of goods sold	-25,236	-40.4%	-19,391	-38.7%	-35,236	-37.7%	-38,617	-40.3%
Gross profit	36,069	57.8%	29,354	58.6%	56,175	60.2%	55,512	58.0%
Sales and marketing expenses	-6,687	-10.7%	-6,189	-12.4%	-10,336	-11.1%	-11,630	-12.1%
Research and development expenses	-7,086	-11.4%	-5,072	-10.1%	-10,369	-11.1%	-9,094	-9.5%
Management and administrative expenses	-6,460	-10.4%	-5,183	-10.3%	-6,965	-7.5%	-7,856	-8.2%
Other income and expenses	-7,501	-12.0%	-7,385	-14.7%	-7,493	-8.0%	-10,808	-11.3%
Earnings before interest and tax (EBIT)	8,335	13.4%	5,525	11.0%	21,012	22.5%	16,124	16.8%
Amortization and restructuring	7,590		7,627		7,637		10,984	
Earnings before interest, tax and amortization (EBITA)	15,925	25.5%	13,152	26.3%	28,649	30.7%	27,108	28.3%
Amortization	-7,590		-7,627		-7,637		-10,984	
Earnings before interest and tax (EBIT)	8,335	13.4%	5,525	11.0%	21,012	22.5%	16,124	16.8%
Finance result	-2,867	-4.6%	-3,089	-6.2%	-3,603	-3.9%	-7,223	-7.5%
Earnings before tax	5,468	8.8%	2,436	4.9%	17,409	18.7%	8,901	9.3%
Income tax	-1,460		-1,656		-4,337		-3,130	
Profit of the year	4,008	6.4%	780	1.6%	13,072	14.0%	5,771	6.0%

in CHF 1,000

	Jan 1 – Jun 30, 2010	Jan 1 – Jun 30, 2009	Jan 1 – Jun 30, 2008	Jan 1 – Jun 30, 2007
Consolidated Statement of Cash Flows				
Earnings before tax	5,468	2,436	17,409	8,901
Adjustments for depreciation, amortization etc.	12,828	8,788	11,959	19,274
Change in working capital	-1,878	-10,145	-11,230	-19,515
Income taxes paid	-784	-1,360	-537	-1,024
Cash flow from operating activities	15,634	-281	17,601	7,636
Purchase of non-current assets	-1,502	-896	-1,451	-1,786
Disposal of non-current assets	42	221	31	105
Interest received	51	34	120	36
Cash flow from investing activities	-1,409	-641	-1,300	-1,645
Proceeds from loans	0	5,000	0	-237
Repayments of loans	-10,000	0	-5,000	-4,800
Nominal value reduction	0	0	-3,936	0
Interest paid	-3,106	-2,773	-3,998	-6,085
Cash flow from financing activities	-13,106	2,227	-12,934	-11,122
Net change in cash and cash equivalents	1,119	1,305	3,367	-5,131
Operating cash flow generated in % of EBITA	98.2%	-2.1%	61.4%	28.2%
Free cash flow (operating cash flow – investing activities) in % of EBITA	89.3%	-7.0%	56.9%	22.1%

in CHF 1,000

Jun 30, 2010 Jun 30, 2009 Jun 30, 2008 Jun 30, 2007

Consolidated Statement of Financial Position

Assets	407,574	412,537	433,352	454,490
Non-current assets	353,464	367,658	383,465	399,229
as % of total assets	86.7%	89.1%	88.5%	87.8%
Current assets	54,110	44,879	49,887	55,261
as % of total assets	13.3%	10.9%	11.5%	12.2%
Equity	208,418	160,566	166,273	63,218
as % of total assets	51.1%	38.9%	38.4%	13.9%
Liabilities	199,156	251,971	267,079	391,272
Non-current liabilities	155,352	218,355	226,364	344,286
as % of total assets	38.1%	52.9%	52.2%	75.8%
Current liabilities	43,804	33,616	40,715	46,986
as % of total assets	10.7%	8.1%	9.4%	10.3%
Net debt	98,175	160,232	165,890	284,335
AR collection period	71	70	51	48
AP collection period	57	58	57	57

Capital expenditure

Intangible assets	-103	0	-120	-311
Property, plant, and equipment	-1,396	-857	-1,302	-1,039
Total	-1,499	-857	-1,422	-1,350

Employees

Number of employees (FTE)	434	464	534	520
Gross sales per employee	143,753	107,974	174,800	184,154

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The English Interim Report is the governing text.

A German version of the report is also available.