

Uster Technologies Ltd | Financial Report 2007

Table of Contents

Comment on the Consolidated Financial Statements	2
Uster Group – Consolidated Financial Statements	7
Uster Group – Notes to the Consolidated Financial Statements	11
Report of the Group Auditors	54
Uster Technologies Ltd – Financial Statements	55
Uster Technologies Ltd – Notes to the Financial Statements	57
Report of the Statutory Auditors	62
Information for Investors	63

Comment on the Consolidated Financial Statements

On December 13, 2006, Hercules Holding Ltd, Zug, acquired 100% of the shares of Uster Technologies Ltd, Uster. Hercules Holding Ltd was the company used to allow the change of investors for Uster Technologies Ltd. The first time consolidation at Hercules Group level was made as of December 31, 2006. As a consequence, the consolidated income statement for November 6, 2006, to December 31, 2006, includes only the figures of Hercules Holding Ltd for this period, whereas the balance sheet contains the consolidated figures at Hercules Group level as of December 31, 2006.

The comparison of the selected income statement positions is made in relation to the consolidated prior year figures at Uster Group level. For the balance sheet, the comparison is based on the consolidated balance sheet as shown in the consolidated financial statements.

Income Statement

Gross Sales

Gross sales for 2007 amounted to CHF 186.7 million, an increase of 13.9% compared to the prior year figure of CHF 163.9 million. All of this growth achieved was purely organic and the impact of the development of the average exchange rates on gross sales was only -0.2%.

EBITA

EBITA for the Group increased from CHF 46.2 million in 2006 to CHF 51.5 million in 2007. As a percentage of gross sales, the profitability was with 27.6% again on a very high level (2006: 28.2%).

Amortization of Intangible Assets, Goodwill Impairment and EBIT

In the course of the acquisition of the Uster Group by Hercules Holding Ltd assets and liabilities had to be recognized at fair value. Thus intangible assets amounting to CHF 317.6 million were capitalized in the balance sheet as of December 31, 2006. This capitalization led and will lead at least over the next ten years to a yearly amortization of CHF -15.1 million. Additionally, in 2007 a goodwill impairment of CHF -3.4 million was recognized. As a consequence, these two items led for 2007 to an EBIT of CHF 32.9 million or 17.6% of gross sales as opposed to CHF 46.1 million and 28.1% in the prior year.

Finance Result

In 2007, the finance result amounted to CHF -26.9 million (2006: CHF -4.7 million). This cost increase in 2007 reflects the higher interest expense for the grown indebtedness of the Group through bank and shareholder loans after the acquisition by Hercules Holding Ltd until the going public. Shortly after the IPO a refinancing took place and consequently, CHF -7.5 million of costs directly related to the initial bank loans had to be booked as an expense over the income statement. Originally, these costs were capitalized and amortized over the duration of the bank loans.

Income Tax

As of December 31, 2007, tax expense as a percentage of earnings before tax amounted to 51.5% (2006: 27.6%). The main factors for this high tax rate are the following:

- The goodwill impairment is not tax deductible and therefore does not have any tax impact;
- Part of the interest on the shareholder loans given to Uster Technologies Ltd before the IPO is not fully deductible for tax purposes;
- Uster Technologies Ltd's share in the profit of the Uster Group was considerably lower than in 2006 due to the amortization of the intangible assets and the extraordinary high finance expenses. As the tax rate of the Swiss company is the lowest within the Group, this led to an increase in the tax rate at Group level.

Net Result

As a consequence of the above mentioned items, the net result for 2007 amounted to CHF 2.9 million (2006: CHF 30.0 million).

Without the above extraordinary and recurring expenses the net result for 2007 would have been around CHF 30.1 million and thus even above the previous year level. The reconciliation from the actual to the adjusted net result for 2007 is as follows:

in CHF 1,000

Net result 2007	2,932
Plus extraordinary items	
Extraordinary finance costs	7,457
Extraordinary high interest expense	5,500
IPO-Bonus	2,500
Goodwill impairment	3,360
Adjusted net result 2007 after extraordinary items	21,749
Plus recurring items not included in 2006	
Amortization intangible assets	15,066
Adjusted net result 2007 excluding recurring items	36,815
Tax effect	-6,715
Adjusted net result 2007	30,100

Balance Sheet

Total assets as of December 31, 2007, amounted to CHF 415.1 million, a decrease of CHF 22.0 million compared to December 31, 2006. At the end of 2007, non-current assets were CHF 18.8 million below the previous year level, mainly due to the amortization of intangibles and the impairment of goodwill. Current assets were only slightly below the prior year level. Due to gross proceeds of CHF 104.0 million derived from the going public in October 2007, shareholders' equity increased from CHF 44.7 million at the end of 2006 to CHF 145.3 million as of December 31, 2007. This represents an equity ratio of 35.0% (2006: 10.2%) and a return on equity of 2.0%. Due to the refinancing after the IPO, non-current liabilities declined to CHF 227.6 million or 54.8% of total assets (2006: CHF 342.1 million or 78.3% of total assets). Current liabilities dropped by CHF 8.1 million to CHF 42.2 million in 2007.

Cash Flow

The cash flow from operating activities amounted to CHF 39.2 million. The cash need for the working capital was CHF -7.0 million due to the increase in inventories and accounts receivables and the decrease in liabilities. The cash flow from investing activities stood at CHF -2.0 million, a level corresponding to previous years. The cash flow from financing activities closed at CHF -39.7 million with a considerable cash drain of CHF -19.3 million for interest payments. The free cash flow amounted to CHF 37.1 million.

Capital Expenditure for Intangible and Tangible Assets

Capital expenditure for intangible and tangible assets reached CHF -2.4 million or 1.3% of gross sales in 2007, slightly below the average level of around 2.0% in previous years. The following tables show the capital expenditure by asset type as well as by region. For 2006 the consolidated figures at Uster Group level are shown.

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Intangible assets	446	130
Land and buildings	54	287
Machinery and equipment	936	1,100
Furniture and fixtures	1,001	1,321
Total	2,437	2,838

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Europe	1,361	861
Asia	774	1,425
Americas	302	552
Total	2,437	2,838

Personnel

As of December 31, 2007, the Uster Group employed 529 full time equivalents (2006: 490) which is an increase of 8.0% compared to the prior year. Gross sales per employee amounted to CHF 352,866, the highest figure reached since Uster became independent in 2003 (2006: CHF 334,490).

in percent	Dec 31, 2007	Dec 31, 2006
Europe	41%	41%
Asia	35%	32%
Americas	24%	27%

in percent	Dec 31, 2007	Dec 31, 2006
Marketing and sales	46%	49%
Research and development	16%	14%
Order fulfillment	27%	25%
Management and administration	11%	12%

Dividend Proposal

The Board of Directors will propose a dividend of CHF 0.60 per share at the Shareholders' meeting. The dividend will be paid by way of a nominal value reduction.

Uster Group – Consolidated Financial Statements

Consolidated Balance Sheet

in CHF 1,000	Notes	Dec 31, 2007	Dec 31, 2006
Intangible assets	9	364,129	381,972 ¹⁾
Property, plant and equipment	11	6,957	7,122
Financial assets		182	372
Deferred tax assets	13	2,940	3,501
Non-current assets		374,208	392,967
Inventories	14	15,893	15,819
Receivables trade	15	16,203	13,743
Other receivables	16	2,615	5,174
Income tax receivables		774	994
Cash and cash equivalents	17	5,383	8,393
Current assets		40,868	44,123
Assets		415,076	437,090
Share capital		65,600	45,600
Share premium		78,647	0
Other reserves		4	0
Currency translation differences		-968	0
Retained earnings		2,066	-862
Shareholders' equity	18	145,349	44,738
Bank loans	19	168,795	212,581
Shareholder loans	20	0	64,500
Provisions	21	2,057	3,593
Deferred tax liabilities	13	56,721	61,447 ¹⁾
Non-current liabilities		227,573	342,121
Bank loans	19	10,000	11,800
Derivative financial instruments	36.6	218	0
Trade and other liabilities	22	12,705	16,573
Accrued liabilities	23	15,561	18,070
Provisions	21	2,200	2,173
Income tax liabilities		1,470	1,615
Current liabilities		42,154	50,231
Liabilities		269,727	392,352
Shareholders' equity and liabilities		415,076	437,090

¹⁾ The prior year figures have been restated. See note 7 Business Combinations for reference.

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

Consolidated Income Statement

in CHF 1,000	Notes	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Gross sales		186,666	0
Sales deductions	24	-3,087	0
Net sales		183,579	0
Cost of goods sold	25	-76,481	0
Gross profit		107,098	0
Marketing and sales expenses	26.1	-21,598	0
Research and development expenses	26.2	-18,897	0
Management and administrative expenses	26.3	-16,083	-40
Other income		864	0
Other expenses	27	-18,470	0
Earnings before interest and tax (EBIT)		32,914	-40
Finance income		1,706	10
Finance expenses		-28,571	-422
Finance result	28	-26,865	-412
Earnings before tax		6,049	-452
Income tax	29	-3,117	36
Net result		2,932	-416
Earnings per share (in CHF)			
Basic / Diluted earnings per share	30	0.59	-0.29

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF 1,000	Share Capital	Share Premium	Other Reserves	Currency Translation Differences	Retained Earnings	2006
Issue of share capital	45,600	0	0	0	0	45,600
Costs related to issue of share capital	0	0	0	0	-446	-446
Total income and expense for the period recognized directly in equity	0	0	0	0	-446	-446
Net result	0	0	0	0	-416	-416
Total income and expense for the period	0	0	0	0	-862	-862
Balance at December 31	45,600	0	0	0	-862	44,738

in CHF 1,000	Share Capital	Share Premium	Other Reserves	Currency Translation Differences	Retained Earnings	2007
Balance at January 1	45,600	0	0	0	-862	44,738
Currency translation differences	0	0	0	-968	0	-968
Total income and expense for the period recognized directly in equity	0	0	0	-968	0	-968
Net result	0	0	0	0	2,932	2,932
Total income and expense for the period	0	0	0	-968	2,932	1,964
Issue of share capital	20,000	84,000	0	0	0	104,000
Costs related to issue of share capital	0	-6,863	0	0	0	-6,863
Tax effect of costs related to the issue of share capital	0	1,510	0	0	0	1,510
Allocation to statutory reserves	0	0	4	0	-4	0
Balance at December 31	65,600	78,647	4	-968	2,066	145,349

For details to the shareholders' equity refer to note 18 Share Capital and Reserves.

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF 1,000	Notes	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Earnings before tax		6,049	-452
Adjustments for			
Depreciation property, plant and equipment	11	1,955	0
Amortization intangible assets	9	15,271	0
Impairment of goodwill	9	3,360	0
Provisions		-1,337	0
Financial result	28	26,865	412
Gain on sale of intangible assets and property, plant and equipment		-1	0
		52,162	-40
Change in			
Inventories		-491	0
Receivables trade		-2,774	0
Other receivables		2,716	-1,413
Trade and other liabilities		-3,769	1,135
Accrued liabilities		-2,668	4,151
Change in working capital		-6,986	3,873
Income taxes paid		-5,951	0
Cash flow from operating activities		39,225	3,833
Acquisition of subsidiaries, net of cash acquired	7	-353	-287,975
Purchase of intangible assets	9	-446	0
Purchase of property, plant and equipment	11	-1,991	0
Purchase of financial assets		-179	0
Disposal of property, plant and equipment		24	0
Disposal of financial assets		240	0
Proceeds on sale of derivative financial instruments		564	0
Interest received		125	10
Cash flow from investing activities		-2,016	-287,965
Proceeds from bank loans	19	180,000	183,293
Repayment of bank loans	19	-231,600	0
Arrangement fees on bank loans	19	-1,443	0
Proceeds from shareholder loans	20	0	64,500
Repayment of shareholder loans	20	-64,500	0
Proceeds from issue of share capital		104,000	45,600
Costs related to issue of share capital		-6,863	-446
Interest paid		-19,321	-422
Cash flow from financing activities		-39,727	292,525
Net change in cash and cash equivalents		-2,518	8,393
Cash and cash equivalents at beginning of period		8,393	0
Exchange differences on cash and cash equivalents		-492	0
Cash and cash equivalents at end of period	17	5,383	8,393

The notes on pages 11 to 53 are an integral part of these consolidated financial statements.

Uster Group – Notes to the Consolidated Financial Statements

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 Wilstrasse 11, CH-8610 Uster, Switzerland.

2 Changes in the Group Structure

On November 6, 2006, Hercules Holding Ltd, Zug, has been established and acquired 100% of the shares of Uster Technologies Ltd, Uster, on December 13, 2006 (for further details see note 35 Subsidiaries).

For practical reasons and due to the fact that the Group closed its operations down on December 20, 2006, for Christmas holidays, the first time consolidation at Hercules level was made as of December 31, 2006. Therefore, the consolidated income statement for November 6, 2006, to December 31, 2006, includes only the figures of Hercules Holding Ltd for this period, whereas the balance sheet contains the consolidated figures as of December 31, 2006. Accordingly, the prior year consolidated financial statements cover a 2-month period of Hercules Holding Ltd and therefore the comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

3 Initial Public Offering

With the initial public offering on October 19, 2007, the Uster Group opened itself to public investors. The shares of Uster Technologies Ltd are listed on the main segment of SWX Swiss Exchange.

4 Basis of Preparation of the Consolidated Financial Statements

4.1 Statement of Compliance

The consolidated financial statements of the Uster Group have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Uster Group for the year ended December 31, 2007, were authorized for issue in accordance with a resolution of the Board of Directors on February 14, 2008. The general meeting of shareholders will be held on March 18, 2008. According to the Swiss Code of Obligation, the general meeting of shareholders has the authority to approve the financial statements.

4.2 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for the derivative financial instruments mentioned in note 36.6 Derivative Financial Instruments that has been measured at fair value.

4.3 Functional and Presentation Currency

The consolidated financial statements are stated in Swiss Francs, which is the Company's functional currency. All values are rounded to the nearest thousand (CHF 1,000) except when otherwise indicated.

4.4 Significant Accounting Judgments and Estimates

In the process of preparing the consolidated financial statements, 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 key estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are mentioned below.

4.5 Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The Uster Group determines at least on an annual basis whether goodwill and intangible assets with indefinite useful lives are impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill and the intangible assets are allocated. Estimating the value in use requires to make an estimate of the future cash flows of the cash-generating units and to choose a suitable discount rate for the calculation of the present value of those cash flows (see note 10 Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives).

4.6 Pension Benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty (see note 12 Pension Benefits).

5 Summary of Significant Accounting Policies

5.1 Changes in Accounting Policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2006, except that the Uster Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. The principal effects of these changes in policies are discussed below.

Standards, Amendments and Interpretations Effective in 2007 and Relevant for the Group

Standard/ Interpretation	Title	Effective Date
IFRS 7	Financial Instruments: Disclosures	January 1, 2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	January 1, 2007

IFRS 7: Financial Instruments: Disclosures

This standard requires disclosures that allow the evaluation of the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. This standard led to more detailed disclosures but did not otherwise have any impact on the consolidated financial statements.

IAS 1: Amendment – Presentation of Financial Statements: Capital Disclosure

This amendment demands for new disclosures regarding the objectives, policies and processes for managing capital. This amendment led to more detailed disclosures but did not otherwise have any impact on the consolidated financial statements.

Standards, Amendments and Interpretations that are not yet Effective in 2007 and have not been Early Adopted by the Group

Standard/ Interpretation	Title	Effective Date
IAS 1	Presentation of Financial Statements – Revised	January 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IAS 23	Borrowing Costs – Revised	January 1, 2009
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1, 2008

IAS 1: Presentation of Financial Statements – Revised

This amendment requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyze changes in a company's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties). The entity has not undergone a detailed analysis and therefore no final assessment of the impact can presently be made.

IFRS 8: Operating Segments

This standard was published in November 2006, and replaces IAS 14 Segment Reporting. IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. This new requirement could have an impact on the segments presented, the items reported and their respective measurement. The entity has not undergone a detailed analysis and therefore no final assessment of the impact can presently be made.

IAS 23: Borrowing Costs – Revised

This amendment removes the option to expense borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset. This amendment is not expected to have any impact on the consolidated financial statements.

IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

This interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction even if the entity buys the equity instruments from another party or the shareholders provide the equity instruments needed. This interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 12: Service Concession Arrangements

This interpretation provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. It is not expected to have any impact on the consolidated financial statements.

IFRIC 13: Customer Loyalty Programmes

This interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. This interpretation is not expected to have any impact on the consolidated financial statements.

IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions

This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact on the minimum funding requirements on such assets. It also addresses when a minimum funding requirement might give rise to a liability. The Group is currently evaluating the impact of this interpretation on the consolidated financial statements.

5.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Uster Technologies Ltd and all its subsidiaries for the period ended December 31, 2007 and 2006, respectively. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are entities over which the Group has control, i.e. has the power to govern the financial and operating policies so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group balances, transactions, as well as any income and expenses arising from intra-group transactions are eliminated upon consolidation. Profits and losses arising from intra-group transactions are eliminated in full.

5.3 Foreign Currency

Foreign Currency Transactions

Each subsidiary determines its functional currency and items included in the financial statements of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency using the rates valid at that date. Exchange rate gains and losses arising from transactions and from the translation of balance sheet items denominated in foreign currencies are recognized in the income statement.

Foreign Subsidiaries

As at the reporting date, the financial statements of all subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate ruling at the reporting date.
- Income and expenses are translated at exchange rates at the dates of transactions.

The exchange differences resulting from the above translation are recognized directly in equity. Upon the disposal of a foreign subsidiary the deferred cumulative exchange differences stated in equity are recognized in the income statement. None of the subsidiaries has the currency of a hyper-inflationary economy.

Foreign exchange gains and losses resulting from intra-group loans of which the settlement is neither planned nor likely in the foreseeable future, are considered to be part of a net investment in a subsidiary and are recognized directly in equity. The deferred cumulative exchange differences stated in equity are recognized in the income statement on disposal of the foreign subsidiary or upon repayment of the intra-group loans.

The following rates were used for the translation of the financial statements of the foreign subsidiaries:

		Closing Rates		Average Rates
		Dec 31, 2007	Dec 31, 2006	Jan 1 – Dec 31, 2007
		CHF	CHF	CHF
USD	1	1.126	1.220	1.201
EUR	1	1.659	1.609	1.641
JPY	100	0.998	1.025	1.021
CNY	100	15.419	15.626	15.782
THB	100	3.771	3.378	3.709
INR	100	2.860	2.765	2.908
BRL	100	63.446	57.141	61.501
MXN	100	10.348	11.292	10.985
TRY	100	92.438	88.139	92.076

5.4 Intangible Assets

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Goodwill acquired in a business combination is initially measured at cost.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill is allocated from the date of acquisition to cash-generating units. The allocation is made to those cash-generating units or groups of cash generating-units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Uster Group at which the goodwill is monitored for internal management purposes. Impairment losses on goodwill are not reversed.

Research and Development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Given that the above mentioned criteria for the capitalization of the development costs are not met within the Group, these are currently not capitalized.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized using the straight-line method over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Intangible assets with an indefinite useful life are tested annually for impairment either individually or at the level of the cash-generating unit. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is made on a prospective basis.

Prior to the acquisition of the Uster Group by Hercules Holding Ltd the Group's intangible assets mainly comprised acquired software licenses. In the course of the acquisition, new intangible assets such as customer base, technology, USTER® STATISTICS and trademark were identified.

The useful lives of the intangible assets are as follows:

	Useful Life in Years
Software	5
Customer base	20
Technology	10
USTER® STATISTICS	25
Trademark	indefinite

5.5 Property, Plant and Equipment

Property, plant and equipment including land and buildings are stated at cost less accumulated depreciation and accumulated impairment. Such cost includes expenditures directly attributable to the acquisition of the property, plant and equipment.

The cost of replacing part of the property, plant and equipment is included in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The cost for all other repairs and maintenance is charged to the income statement as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Land is not depreciated.

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

	Useful Life in Years
Buildings	25
Plant and machinery	3–5
Office equipment	3–5
IT and communication equipment	2–6
Vehicles	4–5

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at the end of each financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses on disposals are recognized within "Other income" or "Other expenses" in the income statement.

5.6 Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings as well as trade and other payables.

Non-derivative financial instruments are classified in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

The classification depends on the purpose for which the financial assets or liabilities were acquired or entered into and is determined at initial recognition.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, they are measured as described below.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset falls under this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. The Group did not have financial instruments falling under this category on December 31, 2007 or 2006.

Subsequent to initial recognition financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss, without any deduction for transaction costs that may occur on sale or disposal.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise "receivables trade" (note 15 Receivables Trade), "other receivables" (note 16 Other Receivables), "cash and cash equivalents" (note 17 Cash and Cash Equivalents) as well as "financial assets" that include mainly deposits.

Loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial instruments which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. The Group did not have financial instruments falling under this category on December 31, 2007 or 2006.

Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial instruments that are designated as available-for-sale or are not classified in any of the three preceding categories. As of December 31, 2007 and 2006, no financial assets have been designated as available-for-sale financial assets.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. A financial liability falls under this category if entered into principally for the purpose of repayment in the short-term. Liabilities in this category are classified as current liabilities.

Subsequent to initial recognition financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

The Group's financial liabilities at fair value through profit or loss include as of December 31, 2007, the swap described in note 36.6 Derivative Financial Instruments. As of December 31, 2006, the Group did not have any financial liabilities falling under this category.

Financial Liabilities at Amortized Cost

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2007 and 2006, the Group had bank loans, shareholder loans and trade and other liabilities that qualified as financial liabilities at amortized cost (see notes 19 Bank Loans, 20 Shareholder Loans, 22 Trade and Other Liabilities).

Accounting for finance income and expense is discussed in note 5.14 Finance Income and Expense.

Derivative Financial Instruments and Hedging

As of December 31, 2007, the Group held one derivative financial instrument to hedge its interest rate risk exposure on the bank loans described in note 19 Bank Loans. This interest rate swap, however, does not qualify as a hedge accounting instrument according to IAS 39. It is recognized initially at fair value (as an asset or liability at fair value through profit or loss) and any gains or losses resulting from the valuation at market value are taken to the income statement as incurred (see note 36.6 Derivative Financial Instruments).

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Treasury Shares

When share capital recognized as equity is repurchased, the amount of the consideration paid is net of any tax effects and is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recorded in retained earnings. As of December 31, 2007 and 2006, the Group did not have any treasury shares.

5.7 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost for inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Manufactured inventories as well as work in progress cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling expenses.

5.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank account balances as well as short-term deposits with an original maturity of 90 days or less.

For the purpose of the consolidated cash flow statement, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. As of December 31, 2007 and 2006, the Group did not have any overdrafts drawn.

5.9 Provisions

Provisions are recognized when the following criteria are met:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the obligation can be reliably estimated.

The expense relating to any provision is presented in the income statement net of any reimbursement.

Warranty Provision

The Uster Group generally grants a 12-month warranty period for its products. During this period, products will be repaired or replaced free of charge. The provision is on the one hand based on gross sales and past experience with warranty claims. On the other hand it

also considers the Group's repairs and replacements made on a voluntary basis towards significant clients.

5.10 Impairment

Intangible Assets and Property, Plant and Equipment

Assets with an indefinite useful life are not subject to amortization and depreciation but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Assets that are subject to amortization and depreciation are reviewed for impairment whenever there is an indication that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment losses are recognized in the income statement. Intangible assets other than goodwill and intangible assets with indefinite useful lives and property, plant and equipment for which an impairment loss was recognized are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in the income statement.

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and its present value of the future estimated cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

5.11 Pension Benefits

Defined Benefit Pension Plan

Uster Technologies Ltd provides pension benefits for its employees in Switzerland in the event of retirement, disability and death. The pension scheme is organized as a separate legal entity and is funded in accordance with legal requirements.

Costs and liabilities related to the defined benefit pension plan are determined using the projected unit credit method with attribution of benefit by service pro rata.

The amount recognized in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at reporting

date, together with adjustments for unrecognized actuarial gains and losses and for unrecognized assets. As of December 31, 2007 and 2006, no asset was recognized, due to the limitations imposed by IAS 19, paragraph 58.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gain or loss exceeds 10.0% of the higher of the defined benefit obligation and the fair value of the plan assets. These gains or losses are recognized over the expected average remaining working life of the employees participating in the plan.

Defined Contribution Plans

For employees in other subsidiaries the company pays contributions to the separate legal entity as the plans' rules require. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in personnel expenses.

5.12 Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. As of December 31, 2007 and 2006, the Group did not have any finance leases.

All the Group's leases are operating leases and the leased assets are not recognized in the Group's balance sheet. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

5.13 Revenue Recognition

Revenue from the sale of products and spare parts is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates, sales taxes and duty. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits associated with the transaction will flow to the entity, the associated costs incurred or to be incurred can be estimated reliably, and the amount of revenue can be measured reliably.

The transfer of risks and rewards for products and spare parts sold usually occurs when they are received by the client at the port of entry. However, sometimes the risks and rewards are already transferred to the client as soon as the products and spare parts leave an entity of the Uster Group.

Revenue from service contracts is recognized on a pro rata basis over the contract period. The length of the service contracts usually varies between 3 and 12 months.

5.14 Finance Income and Expenses

Finance income includes interest income on funds invested as well as changes in the fair value of the interest rate swap described in note 36.6 Derivative Financial Instruments. Interest income is recognized as it accrues in profit or loss using the effective interest rate method.

Finance expenses comprise interest expense on loans, changes in the fair value of the interest rate swap described in note 36.6 Derivative Financial Instruments, and impairment losses recognized on non-derivative financial instruments with the exception of accounts receivable trade for which the valuation allowance is recorded under sales deductions. All interest expenses on loans are recognized in profit or loss using the effective interest rate method.

5.15 Income Tax

Income tax includes current and deferred tax. Income tax is recognized over the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax recognized for all taxable temporary differences except:

- if the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss;
- with respect to the taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- on taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets are recognized for all carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forwards of unused tax credits and losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

A provision is made for non-recoverable withholding taxes on undistributed earnings of foreign subsidiaries.

6 Financial Risk Management

The Uster Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Included in this note is information regarding the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risks, as well as information about the management of capital.

The Board of Directors has set up the Group's financial risk management framework. The Executive Committee agrees policies for managing each of the judge and monitors them on a regular basis. The Audit Committee is responsible to judge the risk assessment established by the Executive Committee and the proposed measures to reduce risks. It evaluates at regular intervals the financial risk management and monitoring procedures of the Executive Committee.

6.1 Credit Risk

Credit risk means the risk to suffer a financial loss if a customer or counterparty to a financial instrument does not meet the contractual obligations. It arises principally from the Group's accounts receivable trade.

The Uster Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group also often works with letters of credit and prepayments. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to losses is not considered significant.

With respect to credit risks arising from other financial assets, the Group's exposure to credit risks has a maximum exposure equal to the carrying amount of these financial assets (see note 36.1 Credit Risk). Since Uster maintains banking relations with first-class financial institutions, the risk is considered minimal.

6.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group tries to manage its liquidity in a way that it will always have sufficient liquidity to meet its obligations, even under stressed conditions (see note 36.2 Liquidity Risk).

The Group uses a recurring cash planning tool to monitor its risk to a shortage of funds. This tool considers the expected cash inflows and outflows in the Group for the coming six months. For temporary cash shortages, the Group currently has two revolving credit facilities of CHF 5.0 million and CHF 15.0 million respectively at its disposal (2006: CHF 15.0 million).

6.3 Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates affect the Group's income or the value of its holding of financial instruments.

Foreign Currency Risk

The Group is exposed to currency risks on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions are primarily denominated are CHF, USD and EUR. Since there is a natural hedge of the different currency exposures throughout the Group, the Uster Group does not enter into contracts to hedge these exposures.

The Group's investments in its foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Interest Rate Risk

According to the credit facility agreement for the bank loans described in note 19 Bank Loans, the Group has to hedge at least CHF 50.0 million of the bank loans at a fixed interest rate. Therefore, the Group enters into interest rate swap agreements. The interest situation and hedging possibilities are continuously monitored (see note 36.4 Interest Rate Risk).

6.4 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital with the ratios imposed by the credit facility agreement for the bank loans set out in note 19 Bank Loans. They are as follows:

- Net debt coverage
- Equity coverage

The net debt coverage is calculated as net debt divided by EBITDA (Earnings before interest, tax, depreciation and amortization). Net debt is defined as outstanding bank loans plus other financial indebtedness less cash and cash equivalents. As of December 31, 2007, this ratio has to be below 3.75 and this benchmark decreases to 2.75 by the end of 2012.

Equity coverage is defined as total shareholders' equity divided by total assets. The equity coverage has to amount to a minimum of 30.0% until the end of 2012 (see note 37 Capital Management).

After the initial public offering and the new contracts for the bank loans the policies for capital management have been revised in October 2007.

7 Business Combinations

On November 6, 2006, Hercules Holding Ltd, Zug, has been established and on December 13, 2006, acquired 100% of the shares of Uster Technologies Ltd, Uster. If the acquisition had occurred on January 1, 2006, the consolidated gross sales would have been CHF 163.9 million and the consolidated net result would have been CHF 17.7 million. The consolidated net result has been adjusted by the additional amortization resulting from the fair value adjustments to intangible assets assuming that it had been applied from January 1, 2007, together with the consequential tax effect.

The fair value of the identifiable assets and liabilities at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

in CHF 1,000	Carrying Amounts pre Acquisition	Fair Value Adjustments	Recognized Values on Acquisition
Intangible assets	89,205	228,559	317,764
Property, plant and equipment	7,122	0	7,122
Financial assets	372	0	372
Deferred tax assets	2,844	148	2,992
Inventories	15,819	0	15,819
Trade receivables	13,743	0	13,743
Other receivables	5,123	0	5,123
Income tax receivables	994	0	994
Cash and cash equivalents	3,973	0	3,973
Identifiable assets	139,195	228,707	367,902
Bank loans	41,088	0	41,088
Shareholder loans	1,349	0	1,349
Provisions	5,766	0	5,766
Deferred tax liabilities	8,462	52,512	60,974 ¹⁾
Trade liabilities	10,157	0	10,157
Other liabilities	19,213	0	19,213
Income tax liabilities	1,615	0	1,615
Identifiable liabilities	87,650	52,512	140,162
Net identifiable assets	51,545	176,195	227,740
Goodwill arising on acquisition			64,208 ¹⁾
Consideration paid, satisfied in cash			291,948
Subsequent payment in 2007			353
Total consideration paid, satisfied in cash			292,301

¹⁾ The prior year figures have been restated. Refer to section "Restatement of Prior Year Figures" at the end of this note.

The goodwill is attributable to the skills of the workforce and the sales network of the acquired business.

The consideration paid included the following components:

Cost			
in CHF 1,000			
Purchase price			288,182
Costs associated with the acquisition			3,766
Consideration paid, satisfied in cash			291,948
Subsequent payment in 2007			353
Total consideration paid, satisfied in cash			292,301

The cash outflow on acquisition was as stated below:

Cash outflow at acquisition			
in CHF 1,000			
Net cash acquired with the acquisition			3,973
Cash paid			-291,948
Net cash outflow			-287,975
Additional cash paid in 2007			-353
Total net cash outflow			-288,328

Restatement of Prior Year Figures

The comparative figures of goodwill and deferred tax liabilities have been restated by CHF 17.5 million to reverse a deferred tax liability calculated on goodwill. This adjustment has been done in accordance with paragraph 42 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (correction of an error). This correction did not require any restatement of the prior year comparatives of the consolidated income statement, the consolidated cash flow statement or the consolidated statement of changes in equity.

8 Segment Reporting

8.1 Primary Segment Information

Based on risks and rates of return the Management considers that the primary reporting format is by business segment. The Management considers that there is only one business segment as the origin and type of risks of the different product lines are practically identical. There are very few differences between production processes. Therefore the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis based on the location of assets.

8.2 Secondary Segment Information

The Group is active in three main geographical regions: Europe, Asia and Americas. Gross sales are shown by the geographical location of the clients, assets and capital expenditures are shown according to the legal entity to which they belong.

Gross Sales by Geographical Location of Clients

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Europe	53,009	0
Asia	111,485	0
Americas	22,172	0
Total	186,666	0

Assets by Geographical Location of Legal Entity

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Europe	400,625	417,287 ¹⁾
Asia	6,077	10,071
Americas	8,374	9,732
Total	415,076	437,090

¹⁾The prior year figures have been restated. Refer to section “Restatement of Prior Year Figures” at the end of this note.

Capital Expenditure by Geographical Location of Legal Entity

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Europe	1,361	0
Asia	774	0
Americas	302	0
Total	2,437	0

9 Intangible Assets

in CHF 1,000	Customer Base	Trademark	Technology	USTER® STATISTICS	Goodwill	Other Intangible Assets	2006
At Cost							
Acquisition of subsidiary	180,000	58,700	48,500	30,400	64,208 ¹⁾	164	381,972
Balance at December 31	180,000	58,700	48,500	30,400	64,208	164	381,972
Net book value at December 31							
	180,000	58,700	48,500	30,400	64,208	164	381,972
2007							
in CHF 1,000	Customer Base	Trademark	Technology	USTER® STATISTICS	Goodwill	Other Intangible Assets	2007
At Cost							
Balance at January 1	180,000	58,700	48,500	30,400	64,208	164	381,972
Subsequent payment in 2007	0	0	0	0	353	0	353
Additions	0	0	0	0	0	446	446
Currency translation differences	0	0	0	0	-12	2	-10
Balance at December 31	180,000	58,700	48,500	30,400	64,549	612	382,761
Accumulated Amortization / Impairment							
Balance at January 1	0	0	0	0	0	0	0
Amortization	-9,000	0	-4,850	-1,216	0	-205	-15,271
Impairment	0	0	0	0	-3,360	0	-3,360
Currency translation differences	0	0	0	0	0	-1	-1
Balance at December 31	-9,000	0	-4,850	-1,216	-3,360	-206	-18,632
Net book value at January 1	180,000	58,700	48,500	30,400	64,208	164	381,972
Net book value at December 31	171,000	58,700	43,650	29,184	61,189	406	364,129

¹⁾The prior year figure has been restated. See note 7 Business Combinations for reference.

Customer Base

The intangible asset “customer base” represents the estimated value of the customers of the Uster Group. The Group enjoys a strong customer loyalty and appreciation in approximately 75 countries. Technical training, product performance and trusted measurement as well as after-sales services produce high customer retention and attract new customers.

Trademark

The products of the Uster Group are used as standard references for quality control in the global textile industry. USTER® STATISTICS are used throughout the industry as the base benchmarks for the trading of textile products at assured levels of quality across global markets.

The USTERIZED® concept (as seal of quality for yarns tested and cleared with USTER® products) is increasingly used by well-known consumer companies to assure a consistent level of quality in support of their own branded products.

Due to the brand awareness and the good reputation of the brand “USTER®”, this intangible asset is considered to have an indefinite useful life.

Technology

The intangible asset “technology” summarizes the estimated value of the intellectual property of the Group, i.e. patents and designs. These intellectual property rights refer to all of the different processes, instruments and machines which have been developed by the Group through the course of the years. A well defined policy protects the intellectual property in the markets relevant to the business.

USTER® STATISTICS

Uster provides a service to the textile industry by collecting data from thousands of samples of fiber and yarn from its customers around the world. The Company produces a database, USTER® STATISTICS, of performance data against the historic population of quality metrics and makes the results freely available to the industry.

10 Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

The annual impairment test is performed as of June 30, each year.

Goodwill and intangible assets with indefinite useful lives acquired through business combinations have been allocated to the respective individual cash-generating units (CGUs), which correspond to the legal entities of the Uster Group.

The legal entities are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. For the impairment test of each cash-generating unit the recoverable amount has been defined based on the value in use.

The carrying amount of the goodwill allocated to each of the cash-generating units as of December 31, 2007 and 2006, was as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Uster Technologies Ltd	60,538	60,185 ¹⁾
Other CGUs	651	4,023
Total	61,189	64,208

¹⁾The prior year figure has been restated. See note 7 Business Combinations for reference.

The carrying amount of CHF 58.7 million of the intangible asset trademark, the only intangible asset with indefinite useful life, has been allocated to the cash-generating unit Uster Technologies Ltd.

10.1 Key Assumptions Used for the Value in Use Calculations

The following describes each key assumption on which the Group has based its cash flow projections to undertake the impairment testing of goodwill and intangible assets with indefinite useful lives.

Cash Flow Projections

The cash flow projections are based on financial budgets covering the period from 2007 to 2010 and are approved by the Board of Directors. This corresponds to 3.5 planning years from the date the impairment test was performed. Values assigned to these key assumptions reflect past experience.

Growth Rate

The growth rate used for the value in use calculation of the cash-generating units for the planning period is based on financial budgets approved by the Board of Directors. The cash flows beyond this period are extrapolated using the inflation of the Consumer Price Index of the corresponding country as the growth rate the cash-generating unit is situated in. Using the inflation rate as growth rate reflects past experience but also relies on external sources.

Discount Rate

The discount rate used is a pre-tax rate based on the capital asset pricing model. It consists of the country specific ten year bond rate at the date of the impairment testing, a country specific market risk premium as well as a debt interest rate. Further, a 4.0% mark-up on the cost of equity has been added to take into account the small cap size of the Uster Group. The values assigned to this key assumption are consistent with external sources of information.

The following data was used as a basis for the impairment test as of June 30, 2007:

in CHF 1,000	Jan 1 - Jun 30, 2007	
	Growth Rate	Discount Rate
Uster Technologies Ltd	1.5%	11.2%
Other CGUs	1.5% - 9.8%	13.4% - 20.3%

10.2 Impairment Loss

An impairment loss is recognized if the recoverable amount is below the carrying amount. For the year under review an impairment loss on goodwill of CHF 3.4 million has been recognized (2006: nil). This was a result of the unforeseen business development in certain CGUs for which the cash flow no longer supported the carrying amount.

10.3 Sensitivity Analysis

The Board of Directors and the Executive Committee of the Uster Group consider the underlying assumptions as accurate. Nevertheless, a sensitivity analysis on the growth rates as well as the discount rates has been performed where a perceptible deviation is assumed.

With regards to the assessment of the value-in-use of a cash-generating unit or a group of cash-generating units, Management believes that a reasonably possible change in the growth rate and the discount rate of +/- 1.0% would not cause the carrying amount of a cash-generating unit or a group of cash-generating units to materially exceed its recoverable amount.

11 Property, Plant and Equipment

in CHF 1,000	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	2006
At Cost				
Acquisition of subsidiaries	3,369	1,530	2,223	7,122
Balance at December 31	3,369	1,530	2,223	7,122
Net book value at December 31	3,369	1,530	2,223	7,122
Fire insurance values	6,554	9,165	13,592	29,311

in CHF 1,000	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	2007
At Cost				
Balance at January 1	3,369	1,530	2,223	7,122
Additions	54	936	1,001	1,991
Disposals	0	-23	0	-23
Reclassifications	0	454	-144	310
Currency translation differences	-262	-62	-22	-346
Balance at December 31	3,161	2,835	3,058	9,054

	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	
Accumulated Depreciation / Impairment				
Balance at January 1	0	0	0	0
Depreciation	-172	-859	-924	-1,955
Reclassification	0	-106	-83	-189
Currency translation differences	11	23	13	47
Balance at December 31	-161	-942	-994	-2,097
Net book value at January 1	3,369	1,530	2,223	7,122
Net book value at December 31	3,000	1,893	2,064	6,957
Fire insurance values	5,851	9,183	12,282	27,316

12 Pension Benefits

12.1 Defined Benefit Pension Plan

Uster Technologies Ltd provides pension benefits for its employees in Switzerland in the event of retirement, disability and death. The pension scheme is organized as a separate legal entity and is funded in accordance with legal requirements.

The following tables summarize the components of net benefit expense recognized in the income statement as well as the actual return on plan assets.

in CHF 1,000	Jan 1, - Dec 31, 2007
Amounts recognized in the income statement	
Current employer service cost	-1,945
Interest expense	-1,905
Expected return on plan assets	3,455
Recognition of unrecognized past service cost	-2,024
Supplemental cost under IAS 19, paragraph 58	790
Pension costs current year	-1,629
Actual return on plan assets	
Expected return	3,455
Actuarial gain / (loss) on plan assets	-3,988
Actual return on plan assets	-533

Uster Technologies Ltd expects to contribute CHF 1.7 million to the defined benefit pension plan in 2008.

The funded status of the pension plan and the amounts recognized in the balance sheet of Uster Technologies Ltd are as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Funded Status		
Fair value of plan assets	89,346	85,001
Defined benefit obligation	-70,979	-66,835
Surplus	18,367	18,166
Amounts recognized in the balance sheet		
Unrecognized actuarial gains / (losses)	992	0
Unrecognized asset at December 31	17,375	18,166
Pension (accrual) / prepaid in the balance sheet	0	0

The changes in the present value of the defined benefit obligation are as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Reconciliation of defined benefit obligation		
Defined benefit obligation at January 1	66,835	0
Acquisition of subsidiary	0	66,835
Recognition of unrecognized past service cost	2,024	0
Service cost net of employee contributions	1,945	0
Interest expense	1,905	0
Employee contribution	1,393	0
Benefit payments / net inflow	1,856	0
Actuarial (gain) / loss	-4,979	0
Defined benefit obligation at December 31	70,979	66,835

The changes in the fair value of the plan assets are as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Reconciliation of assets		
Assets at January 1	85,001	0
Acquisition of subsidiary	0	85,001
Expected return	3,455	0
Employer contribution	1,629	0
Employee contribution	1,393	0
Benefit payments / net inflow	1,856	0
Actuarial gain / (loss) on plan assets	-3,988	0
Assets at December 31	89,346	85,001

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Dec 31, 2007	Dec 31, 2006
Asset categories		
Equity securities	26%	26%
Debt securities	33%	33%
Property	28%	28%
Other	13%	13%

The overall expected rate of return is determined based on the plan's asset allocation strategy and current market rates.

The principal assumptions used in determining the defined benefit pension plan obligations are shown below:

	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Actuarial assumptions		
Discount rate	3.50%	2.85%
Expected return on plan assets	4.00%	4.00%
Salary increases	2.00%	2.00%
Pension increases	0.00%	0.00%

The history of experience gains and losses is summarized below:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
History of experience gains and losses		
Fair value of plan assets	89,346	85,001
Defined benefit obligation	-70,979	-66,835
Surplus	18,367	18,166
Experience (gain) / loss on plan assets	3,988	0
Experience (gain) / loss on plan liabilities	1,025	0

13 Deferred Tax Assets and Liabilities

Recognized Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following items:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Deferred tax assets by types of temporary difference		
Non-current assets	577	485
Inventories	1,429	1,363
Trade and other receivables	43	35
Provisions	27	61
Other non-current liabilities	0	46
Current liabilities and accruals	584	676
Tax on costs related to the issue of share capital booked to equity	1,510	0
Tax losses	288	1,000
Total	4,458	3,666

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Deferred tax liabilities by types of temporary difference		
Non-current assets	56,287	7,222 ¹⁾
Inventories	776	844
Trade and other receivables	550	413
Other non-current liabilities	265	763
Current liabilities and accruals	0	6
Non-recoverable withholding tax	361	0
Fair value adjustment at acquisition	0	52,364 ¹⁾
Total	58,239	61,612
Net tax assets / (liabilities)	-53,781	-57,946
Thereof recognized in the balance sheet as deferred tax assets	2,940	3,501
Thereof recognized in the balance sheet as deferred tax liabilities	56,721	61,447

¹⁾ The prior year figure has been restated. See note 7 Business Combinations for reference.

The tax losses expire between 2010 and 2017 and have been recognized based on the assumption that future taxable profits will be available against which the Group can offset these deferred tax assets.

Movements in Temporary Differences

The movements in temporary differences were as follows:

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Non-current assets	3,427	0
Inventories	193	0
Trade and other receivables	-129	0
Provisions	-31	0
Other non-current liabilities	451	-473
Current liabilities and accruals	-42	0
Non-recoverable withholding tax	-201	0
Tax losses	-711	509
Changes booked to income statement	2,957	36
Tax on costs attributable to the issue of share capital booked to equity	1,510	0
Changes booked to equity	1,510	0
Fair value adjustment at acquisition	0	-52,364
Currency differences	-142	0
Reclassification non-recoverable withholding tax	-160	0
Other changes	-302	0
Total changes of deferred taxes	4,165	-52,328

Unrecognized Deferred Tax Assets

As of December 31, 2007, deferred tax assets amounting to CHF 49,000 (2006: nil) have not been recognized. These relate to tax losses for which the Group does not expect to have any future taxable profit to offset them against.

14 Inventories

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Raw materials and supplies	2,367	5,906
Semifinished and finished goods	12,735	9,364
Work in progress	791	549
Total	15,893	15,819

The amount of write-down of inventories recognized as an expense in the income statement in 2007 amounted to CHF 0.6 million (2006: nil) and is included in cost of goods sold.

15 Receivables Trade

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Accounts receivable trade	15,487	12,803
Bills receivable trade	716	940
Total	16,203	13,743

Accounts receivable trade as well as bills receivable are non-interest bearing and are generally on 30–90 days' terms.

The carrying values of trade and bills receivable less the allowance for uncollectible amounts are assumed to approximate their fair values due to the short-term nature of trade receivables.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
CHF	12,451	9,340
USD	1,259	2,142
CNY	655	1,011
JPY	246	190
EUR	1,137	525
TRY	165	227
Other	290	308
Total	16,203	13,743

The ageing of these receivables is as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Not overdue	11,479	9,344
Overdue 1 to 60 days	4,589	3,907
Overdue 61 to 90 days	67	314
Overdue 91 to 120 days	40	108
Overdue 121 to 150 days	13	4
Overdue more than 150 days	15	66
Total	16,203	13,743

Provisions for uncollectible amounts are established based upon the difference between the receivable value and the estimated net collectible amount. Uster establishes its provision for doubtful accounts receivable trade based on historical loss experiences.

The impairment losses recognized in 2007 amount to CHF 44,000 (2006: nil).

The following table summarizes the movements in the allowance for uncollectible amounts:

in CHF 1,000	Dec 31, 2007
Balance at January 1	-849
Amounts used	44
Reversals	42
Increases	-164
Translation adjustments	9
Balance at December 31	-918

The creation and release of the valuation allowance is included in sales deductions in the income statement.

16 Other Receivables

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Other receivables	2,304	4,211
Prepaid expenses	311	963
Total	2,615	5,174

Other receivables mainly comprise balances related to VAT. They do hardly bear any risk and therefore no provision for impairment has been recognized on these balances.

17 Cash and Cash Equivalents

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Cash on hand	36	27
Time deposits	55	115
Bank accounts	5,292	8,251
Total	5,383	8,393

Cash on bank accounts earns interest at floating rates based on bank deposit rates. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Uster Group and earn interest at the respective short-term deposit rates.

As of December 31, 2007, the Group had CHF 20.0 million of committed revolving facilities available (2006: CHF 15.0 million). These revolving facilities have neither been drawn on December 31, 2007, nor on December 31, 2006.

18 Share Capital and Reserves

18.1 Share Capital

Ordinary Share Capital

The ordinary share capital of Uster Technologies Ltd as of December 31, 2007, amounted to CHF 65.6 million and was fully paid up. It consisted of 6,560,000 registered shares with a nominal value of CHF 10 each (2006: share capital of CHF 45.6 million and 45,600,000 shares with a nominal value of CHF 1 each). In preparation of the initial public offering in October 2007, the nominal value of each share was increased from CHF 1 to CHF 10 by issuing one new share in exchange of ten old shares.

Authorized Share Capital Increase

As of December 31, 2007, the authorized share capital increase amounted to CHF 9.5 million. According to the articles of association of Uster Technologies Ltd, the Board of Directors is authorized, at any time until October 4, 2009, to increase the share capital in an amount not to exceed CHF 9.5 million through the issuance of up to 950,000 fully paid registered shares with a nominal value of CHF 10 each. An increase in partial amounts is permitted.

Conditional Share Capital Increase

As of December 31, 2007, Uster Technologies Ltd had a conditional share capital increase available, pursuant to which the share capital may be increased by a maximum aggregate amount of CHF 3.2 million through the issuance of a maximum of 320,000 fully paid registered shares with a nominal value of CHF 10 each by the exercise of option rights which the employees, the Management or Directors of Uster Technologies Ltd or another Group company are granted according to the respective regulations of the Board of Directors.

Development of Ordinary Shares

in 1,000 of shares	Dec 31, 2007	Dec 31, 2006
Balance at January 1	45,600	
Balance after reverse share split	4,560	
Capital increase	2,000	45,600
Balance at December 31	6,560	45,600

18.2 Reserves

Other Reserves

Other reserves include the statutory reserves that have to be allocated from retained earnings based on the regulations in the jurisdictions of the subsidiaries.

Currency Translation Differences

This reserve contains all currency differences arising from the translation of the financial statements of foreign subsidiaries as well as from the translation of the intra-group loans that are considered as part of the net investment in foreign subsidiaries.

18.3 Dividends

The holders of ordinary registered shares are entitled to dividends and to one vote per share at the Shareholders' meetings of Uster Technologies Ltd. No dividends have been paid in 2007 or in 2006.

19 Bank Loans

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Facility A	129,063	68,211
Facility B	39,732	69,761
Facility C	0	50,403
Mezzanine Facility	0	24,206
Total non-current	168,795	212,581

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Short-term portion Facility A	10,000	11,800
Total current	10,000	11,800
Total	178,795	224,381

Shortly after the initial public offering in October 2007 described in note 3 Initial Public Offering, the existing bank loans as of December 31, 2006, resulting from the acquisition described in note 2 Changes in the Group Structure, were repaid. The Group entered into the following new loan agreements:

Facility A

The initial fair value of Facility A amounts to CHF 140.0 million and has been reduced by the directly attributable transaction costs that are amortized using the effective interest method. Facility A is unsecured. After yearly repayments of CHF 10.0 million in December, the remaining amount of CHF 100.0 million has to be repaid in full in December 2012.

Facility B

The initial fair value of Facility B amounts to CHF 40.0 million and has been reduced by the directly attributable transaction costs that are amortized using the effective interest method. Facility B is unsecured. It is repayable in one installment in December 2012.

The effective interest rate and the maturity of the bank loans are as follows:

	Effective Interest Rate	Maturity
Facility A	Libor + 1.63%	Dec 31, 2012
Facility B	Libor + 1.60%	Dec 31, 2012

The margin applicable to the basic Libor interest rate on the bank loans ranges depending on the covenants described in note 6.4 Capital Management from 0.55% to 1.4%.

20 Shareholder Loans

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Shareholder loans	0	64,500
Accrued interest	0	0
Total	0	64,500

At the occasion of the acquisition described in note 2 Changes in the Group Structure the new shareholders of the group granted the loans outstanding as of December 31, 2006. After the initial public offering mentioned in note 3 Initial Public Offering the shareholder loans and the accrued interest were repaid in October 2007.

The annual interest rate on the shareholder loans for 2007 amounted to 8.0% (2006: 8.0%).

21 Provisions

in CHF 1,000	Warranty Provisions	Other Provisions	2006
Acquisition of subsidiary	3,963	1,803	5,766
Balance at December 31	3,963	1,803	5,766
Thereof			
Non-current	2,655	938	3,593
Current	1,308	865	2,173
in CHF 1,000	Warranty Provisions	Other Provisions	2007
Balance at January 1	3,963	1,803	5,766
Amounts used	-1,758	-33	-1,791
Reclassification	0	-160	-160
Reversals	0	-509	-509
Increases	963	0	963
Currency translation differences	-11	-1	-12
Balance at December 31	3,157	1,100	4,257
Thereof			
Non-current	1,357	700	2,057
Current	1,800	400	2,200

Warranty Provisions

The Uster Group generally grants a 12-month warranty period for its products. During this period, products will be repaired or replaced free of charge. The provision is on the one hand based on gross sales and past experience with warranty claims. On the other hand it also considers the Group's repairs and replacements made on a voluntary basis towards significant clients. It is expected that the warranty costs provided for will be incurred within the next three years.

Other Provisions

Other provisions include a provision for non-income tax related tax exposures that has been established based on a review carried out by an external consulting firm. The amount provided for is supported by an according quantification of the risk. It is expected that due to the lapse of time part of this provision can be released in 2008.

Additionally, it contains a provision with respect to an agent contract. In 2006, the Group cancelled a contract with one of its agents and paid the open commissions due. The agent, however, refused to sign a confirmation that all the outstanding balances are settled. Therefore, the estimated possible risks for additional claims from the agent have been provided for.

22 Trade and Other Liabilities

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Accounts payable trade	6,621	7,833
Advance payments from customers	2,920	2,324
Other liabilities	3,164	6,416
Total	12,705	16,573

Accounts payable trade and other liabilities are non-interest bearing and are generally on 30–60 days' terms. Other liabilities include mostly payables to third parties that are not related to trade activities such as payables for marketing, consulting activities or IT costs as well as social cost payments.

23 Accrued Liabilities

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Compensation related liabilities	8,595	6,977
Sales related liabilities	2,364	1,999
Liabilities from other operating activities	4,408	4,943
Financial liabilities	194	4,151
Total	15,561	18,070

Compensation Related Liabilities

This accrual includes liabilities for bonus payments to the employees and the management, overtime, vacation, social costs and a length of service compensation.

Sales Related Liabilities

Sales related liabilities include accruals for sales commission or discounts to be paid to agents and clients.

Liabilities from Other Operating Activities

Comprised in this accrual are various liabilities with regards to the operating business such as liabilities related to consulting, marketing, IT as well as research and development services.

Financial Liabilities

The accrued financial liabilities are mainly related to accrued interest due on bank loans.

24 Sales Deductions

Sales deductions include items that are directly related to revenue from sales such as discounts, currency differences, shipping expenses and the change in the allowance for uncollectible receivables (see note 15 Receivables Trade).

25 Cost of Goods Sold

Cost of goods sold comprises direct production costs such as material expense and personnel costs as well as a proportion of overhead costs. The material expense for 2007 amounted to CHF -52.2 million (2006: nil).

Additionally, warranty costs and the depreciation on the production equipment are included in this expense category.

26 Overhead

26.1 Marketing and Sales Expenses

This position contains expenses for marketing and sales activities such as wages, amortization, depreciation and other overhead costs.

26.2 Research and Development Expenses

The expenditure for research and development includes wages, amortization, depreciation and other overhead costs related to research and development projects.

26.3 Management and Administrative Expenses

Management and administrative expenses consist of wages, amortization, depreciation and other overhead costs of the support process.

26.4 Personnel Expense

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Wages and salaries	41,134	3
Social security costs	4,533	0
Pension costs	2,458	0
Other personnel expense	3,168	0
Total	51,293	3

26.5 Amortization, Impairment and Depreciation

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Amortization of technology, customer base, USTER® STATISTICS	15,066	0
Amortization of other intangible assets	205	0
Impairment of goodwill	3,360	0
Depreciation of property, plant and equipment	1,955	0
Total	20,586	0

27 Other Expenses

Other expenses consist mainly of the amortization of technology, customer base, and USTER® STATISTICS as well as the impairment on goodwill (see note 26.5 Amortization, Impairment and Depreciation).

28 Finance Result

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Finance income	184	10
Gain on interest rate swap	564	0
Exchange gain	958	0
Finance income	1,706	10
Finance expense bank loans	-22,074	-412
Interest on shareholder loans	-4,532	0
Loss on interest rate swap	-218	0
Other finance expense	-172	-10
Exchange loss	-1,575	0
Finance expense	-28,571	-422
Finance result	-26,865	-412

Total interest income for 2007 amounted to CHF 0.1 million (2006: CHF 1,000) and total interest expense was CHF -11.8 million (2006: CHF -0.4 million). Apart from interest expense, the recognition of previously capitalized transaction costs related to the bank loans after the refinancing (see note 19 Bank Loans) is also included in finance expense for bank loans. These expenses amounted to CHF -7.5 million.

The exchange gains and losses included in the finance result related mainly to other receivables and other liabilities. The net foreign exchange differences charged to the income statement are included in the following lines:

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Sales deductions	-555	0
Cost of goods sold	26	0
Finance income	958	0
Finance expense	-1,575	0
Total	-1,146	0

Sales deductions include mainly the currency differences related to accounts receivables trade and cost of goods sold includes those related to accounts payable trade.

29 Income Tax

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Current income taxes	-6,168	0
Current income taxes previous years	94	0
Non-recoverable withholding taxes	-201	0
Deferred income taxes	3,158	36
Total	-3,117	36

A reconciliation of the tax expense based on each subsidiary's theoretical tax rate is as follows: based on each subsidiary's theoretical tax rate is as follows:

in CHF 1,000		Jan 1 – Dec 31, 2007		Nov 6 – Dec 31, 2006
Earnings before tax	6,049		-452	
Tax at the theoretical domestic rates applicable to individual subsidiaries	-2,933	-48.5%	36	-8.0%
Tax effect of non-deductible or non-taxable items	-419	-6.9%	0	0.0%
Change in tax rates	391	6.5%	0	0.0%
Unrecognized tax losses	-49	-0.8%	0	0.0%
Non-recoverable withholding tax	-201	-3.3%		
Current income taxes previous years	94	1.5%	0	0.0%
Total	-3,117	-51.5%	36	-8.0%

The following table shows the deferred income tax related to items charged or credited directly to equity:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Tax effect of costs related to the issue of share capital	1,510	0
Total	1,510	0

30 Earnings per Share

Basic earnings per share amounts are calculated by dividing the net result for the period by the weighted average number of shares outstanding during the year. Since there are no dilutive potential shares, the calculation of the diluted earnings per share is the same as the calculation of the basic earnings per share. The reverse share split that took place in 2007 has been considered in the calculation of the weighted average number of shares outstanding for both periods 2006 and 2007.

in CHF	Jan 1 - Dec 31, 2007	Nov 6 - Dec 31, 2006
Net result	2,932,000	-416,000
Weighted average number of shares outstanding (net of treasury shares)	4,966,593	1,426,364
Earnings / (loss) per share	0.59	-0.29

31 Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

in CHF 1,000	Jan 1 - Dec 31, 2007	Nov 6 - Dec 31, 2006
Up to 1 year	3,885	3,678
2 to 5 years	12,423	12,053
Over 5 years	62	3,000
Total	16,370	18,731

The Group usually leases its premises. The only exception is the facility of Uster Technologies, Inc. in Knoxville which is owned by the Group. CHF 14.1 million (2006: CHF 16.9 million) of the leasing expense above is attributable to the non-cancellable rental agreement for the facilities of Uster Technologies Ltd in Switzerland.

During the year ended December 31, 2007, CHF -4.1 million was recognized in the income statement as an expense with respect to operating leases (2006: nil).

32 Pledged Assets

As of December 31, 2007, none of the assets of the Uster Group have been pledged (2006: CHF 20.8 million).

33 Guarantee

As of December 31, 2006, Uster Technologies Ltd, Uster Technologies Holdings, Inc. and Uster Technologies, Inc. guaranteed to pay for the obligations of each other under or in connection with the credit facility agreement for the bank loans in case one of the companies fails to meet its obligations. As of December 31, 2007, this obligation does not exist anymore.

34 Related Parties

34.1 Parent and Ultimate Controlling Party

As of December 13, 2006, Hercules Holding Ltd, domiciled in Zug, acquired 100% of the 154,500 shares of Uster Technologies Ltd with a nominal value of CHF 100 each.

On June 19, 2007, Uster Technologies Ltd was merged with Hercules Holding Ltd (retroactively as of January 1, 2007). At the same time, Hercules Holding Ltd changed its name to Uster Technologies Ltd and moved its registered office from Zug to Uster.

With the initial public offering on October 19, 2007, the Uster Group opened itself to public investors. The shares of Uster Technologies Ltd are since then listed on the main segment of SWX Swiss Exchange.

780 shareholders were entered in the share register of Uster Technologies Ltd as of December 31, 2007. Of those the following held more than 5.0% of the total voting rights:

Alcide Ltd	36.0%
Chase Nominees Ltd	8.7%

34.2 Transactions with the Board of Directors and the Executive Committee

Shareholder Loans

In October 2007, the existing shareholder loans have been repaid. See note 20 Shareholder Loans for details.

Compensation of the Members of the Board of Directors and the Executive Committee

The compensation of the Board of Directors and the Executive Committee comprised the following:

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Short-term employee benefits	5,596	0
Post-employment benefits	601	0
Total	6,197	0

In addition to their salaries, the Members of the Executive Committee have a company car at their disposition.

For further information regarding the compensation of the Board of Directors and the Executive Committee, please refer to note 10 Compensation of the Members of the Board of Directors and the Executive Committee of the statutory financial statements of Uster Technologies Ltd.

Other Transactions with Members of the Board of Directors

In his function of a Managing Partner of a consulting company, a Member of the Board of Director advises the Company on certain business issues related to China. Also another Board Member delivers consulting services to the Company from time to time. 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.

35 Subsidiaries

Company	Country of Incorporation	% Capital Shareholdings	
		Dec 31, 2007	Dec 31, 2006 ¹⁾
Uster Technologies de Mexico S.A. de C.V.	Mexico	100%	100%
Uster Technologies GmbH	Germany	100%	100%
Uster Technologies (India) Pvt. Ltd.	India	100%	100%
Uster Technologies K.K.	Japan	100%	100%
Uster Technologies (Shanghai) Co. Ltd.	China	100%	100%
Uster Technologies (Suzhou) Co. Ltd.	China	100%	100%
Uster Technologies Sulamericana Ltda.	Brazil	100%	100%
Uster Technologies (Thailand) Ltd.	Thailand	100%	100%
Uster Technologies, Inc.	USA	100%	100%
Uster Technologies Holdings, Inc.	USA	n/a ²⁾	100%
Uster Teknoloji Ticaret A.S.	Turkey	100%	100%
Uster Technologies Finance Ltd	Switzerland	n/a ³⁾	100%

¹⁾ As of December 31, 2006, Hercules Holding Ltd owned 100% of the shares of Uster Technologies Ltd and the subsidiaries mentioned above were held by Uster Technologies Ltd. On June 19, 2007, Uster Technologies Ltd was merged with Hercules Holding Ltd. At the same time, Hercules Holding Ltd changed its name to Uster Technologies Ltd.

²⁾ As of October 1, 2007, Uster Technologies Holdings, Inc. was merged with Uster Technologies, Inc.

³⁾ On June 4, 2007, Uster Technologies Finance Ltd was merged with Uster Technologies Ltd.

36 Financial Instruments

36.1 Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Financial assets	182	372
Receivables trade	16,203	13,743
Other receivables	674	709
Cash and cash equivalents	5,383	8,393
Total	22,442	23,217

36.2 Liquidity Risk

The following table shows the contractual maturities of the financial liabilities:

Dec 31, 2007	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
in CHF 1,000					
Bank loans	16,948	16,562	177,370	0	210,880
Interest rate swap	218	0	0	0	218
Trade and other liabilities	12,705	0	0	0	12,705
Accrued liabilities	6,966	0	0	0	6,966
Total	36,837	16,562	177,370	0	230,769
Dec 31, 2006	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
in CHF 1,000					
Bank loans	22,611	22,131	63,520	215,343	323,605
Shareholder loans	0	0	0	64,500	64,500
Trade and other liabilities	16,573	0	0	0	16,573
Accrued liabilities	11,093	0	0	0	11,093
Total	50,277	22,131	63,520	279,843	415,771

36.3 Currency Risk

The Group is exposed to currency risks on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions are primarily denominated are CHF, USD and EUR. Since there is a natural hedge of the different currency exposures throughout the Group, the Uster Group does not enter into contracts to hedge these exposures.

For the Group's exposure to foreign currency risk on accounts receivable and bills trade please refer to note 15 Receivables Trade. As all the bank loans set out in note 19 Bank Loans are denominated in Swiss Francs, there is no exposure to currency risk on the bank loans.

Due to the small foreign currency exposure of the Group, the carrying out of a sensitivity analysis was not deemed necessary.

36.4 Interest Rate Risk

The table below sets out the carrying amount of the Group's interest bearing financial instruments exposed to interest rate risk:

Dec 31, 2007	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
in CHF 1,000					
Variable rate					
Cash and cash equivalents	5,383	0	0	0	5,383
Bank loans	9,746	9,752	159,297	0	178,795
Interest rate swap	218	0	0	0	218
Dec 31, 2006	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
in CHF 1,000					
Variable rate					
Cash and cash equivalents	8,393	0	0	0	8,393
Bank loans	11,168	11,248	34,267	167,698	224,381
Fixed rate					
Shareholder loans	64,500	0	0	0	64,500

The Group's bank loans at variable rate are analyzed on a dynamic basis with regards to the interest rate exposure. On a regular basis, the sensitivity of the Group's result before tax to a reasonably possible change in interest rates, with all other variables held constant, is tested.

The result of the sensitivity testing mentioned above is as follows:

Change in Base Points	Effect on Result Before Tax in CHF 1,000	
	Dec 31, 2007	Dec 31, 2006
+ 5	-58	-5
+ 20	-233	-19
- 10	117	10
-15	175	14

36.5 Fair Values

The fair value of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
in CHF 1,000		Dec 31, 2007		Dec 31, 2006
Financial assets	182	182	372	372
Receivables trade	16,203	16,203	13,743	13,743
Other receivables	674	674	709	709
Cash and cash equivalents	5,383	5,383	8,393	8,393
Bank loans	178,795	180,000	224,381	231,600
Shareholder loans	0	0	64,500	64,500
Interest rate swap	218	218	0	0
Trade and other liabilities	12,705	12,705	16,573	16,573
Accrued liabilities	6,966	6,966	11,093	11,093
Total	-176,242	-177,447	-293,330	-300,549

The fair value of the bank loans has been determined using market interest rates.

36.6 Derivative Financial Instruments

Interest Rate Swap

On April 2, 2007, the Group entered into an interest rate swap contract which did not qualify as a hedge accounting instrument according to IAS 39. Its contract volume amounted to CHF 120.0 million and it exchanged the floating Libor with a fixed interest rate of 2.73%. With the refinancing after the initial public offering, this interest rate swap has been cancelled.

On October 29, 2007, the Group entered into an interest rate swap contract to fix part of the variable interest on the bank loans set out in note 19 Bank Loans. The interest rate swap does not qualify as a hedge accounting instrument according to IAS 39. Its contract volume as of December 31, 2007, amounted to CHF 50.0 million. It fixes the Libor at a floor of 2.4% and a cap of 3.65%. It expires on October 29, 2011.

As of December 31, 2006, the Group had no derivative instruments to disclose.

37 Capital Management

As described in note 6 Financial Risk Management, the Group monitors net debt coverage and equity coverage as those are imposed by the credit facility agreement for the bank loans set out in note 19 Bank Loans. As of December 31, 2007, these ratios were as follows:

Net debt coverage	
in CHF 1,000	Dec 31, 2007
Bank loans	178,795
Cash and cash equivalents	-5,383
Net debt	173,412
EBITDA	53,500
Net debt coverage	3.24
Benchmark	< 3.75
Equity coverage	
in CHF 1,000	Dec 31, 2007
Shareholders' equity	145,349
Total assets	415,076
Equity coverage	35.0%
Benchmark	> 30.0%

As the credit facility agreement is only valid since October 2007, no prior year figures are available.

Report of the Group Auditors

To the General Meeting of Uster Technologies Ltd, Uster

Zurich, February 20, 2008

As group auditors, we have audited the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes, on pages 7 to 53) of Uster Technologies Ltd for the year ended December 31, 2007.

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 audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards of Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from 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 provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Swiss Certified Accountant
(Auditor in charge)

Thomas Stenz
Swiss Certified Accountant

Uster Technologies Ltd – Financial Statements

Balance Sheet

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Organizational costs	13,140	3,766
Other intangible assets	307,885	0
Property, plant and equipment	2,296	0
Financial assets	9	0
Investments in subsidiaries	5,232	288,182
Loans to group companies	8,104	0
Non-current assets	336,666	291,948
Inventories	7,051	0
Receivables trade third parties	10,819	0
Receivables trade group companies	7,739	0
Other receivables third parties	1,714	16
Other receivables group companies	653	1,349
Prepaid expenses third parties	184	13
Prepaid expenses group companies	81	0
Cash and cash equivalents	1,742	4,420
Current assets	29,983	5,798
Assets	366,649	297,746
Share capital	65,600	45,600
Share premium	84,000	0
Retained earnings	-6,805	0
Net result	8,770	-6,805
Shareholders' equity	151,565	38,795
Bank loans	170,000	177,400
Shareholder loans	0	64,500
Provisions	2,550	0
Non-current liabilities	172,550	241,900
Bank loans	10,000	11,800
Derivative financial instruments	218	0
Payables trade third parties	7,864	0
Payables trade group companies	1,927	0
Other liabilities third parties	1,970	1,087
Other liabilities group companies	6,913	13
Accrued liabilities third parties	11,857	1,147
Accrued liabilities related parties	0	3,004
Accrued liabilities group companies	235	0
Provisions	1,550	0
Current liabilities	42,534	17,051
Liabilities	215,084	258,951
Shareholders' equity and liabilities	366,649	297,746

Income Statement

in CHF 1,000	Jan 1 – Dec 31, 2007	Nov 6 – Dec 31, 2006
Gross sales	161,229	0
Sales deductions	-3,042	0
Net sales	158,187	0
Other operating income	2,244	364
Operating income	160,431	364
Material expense	-54,895	0
Personnel expense	-31,592	-3
Depreciation and amortization	-13,903	0
Other operating expense	-27,561	-2,024
Operating expense	-127,951	-2,027
Earnings before interest and tax (EBIT)	32,480	-1,663
Finance income	1,699	10
Finance expense	-21,777	-4,706
Finance result	-20,078	-4,696
Earnings before tax	12,402	-6,359
Taxes	-3,632	-446
Net result	8,770	-6,805

Uster Technologies Ltd – Notes to the Financial Statements

1 Statement of Compliance

The financial statements of Uster Technologies Ltd (formerly Hercules Holding Ltd) are prepared in compliance with the Swiss Code of Obligations.

2 Company Information

The former Hercules Holding Ltd, Zug, has been established as of November 6, 2006. On December 13, 2006, the company acquired 100% of the shares of the former Uster Technologies Ltd, Uster.

On June 19, 2007, the former Uster Technologies Ltd was merged with Hercules Holding Ltd (retroactively as of January 1, 2007). At the same time, Hercules Holding Ltd changed its name to Uster Technologies Ltd and moved its registered office from Zug to Uster.

Since the initial public offering on October 19, 2007, the shares of Uster Technologies Ltd are listed on the main segment of SWX Swiss Exchange.

3 Shareholders' Equity

in CHF 1,000	Share Capital	Share Premium	Retained Earnings	Total
Issue of share capital	45,600	0	0	45,600
Net result	0	0	-6,805	-6,805
Balance at December 31, 2006	45,600	0	-6,805	38,795
Balance at January 1, 2007	45,600	0	-6,805	38,795
Issue of share capital	20,000	84,000	0	104,000
Net result	0	0	8,770	8,770
Balance at December 31, 2007	65,600	84,000	1,965	151,565

Ordinary Share Capital

The ordinary share capital of Uster Technologies Ltd as of December 31, 2007, amounted to CHF 65.6 million and was fully paid up. It consisted of 6,560,000 registered shares with a nominal value of CHF 10 each (2006: share capital of CHF 45.6 million and 45,600,000 shares with a nominal value of CHF 1 each). In preparation of the initial public offering in October 2007, the nominal value of each share was increased from CHF 1 to CHF 10 by issuing one new share in exchange of 10 old shares.

Authorized Share Capital Increase

As of December 31, 2007, the authorized share capital increase amounted to CHF 9.5 million. According to the articles of association of Uster Technologies Ltd, the Board of Directors is authorized, at any time until October 4, 2009, to increase the share capital in an amount not to exceed CHF 9.5 million through the issuance of up to 950,000 fully paid registered shares with a nominal value of CHF 10 each. An increase in partial amounts is permitted.

Conditional Share Capital Increase

As of December 31, 2007, Uster Technologies Ltd had a conditional share capital increase available, pursuant to which the share capital may be increased by a maximum aggregate amount of CHF 3.2 Mio through the issuance of a maximum of 320,000 fully paid registered shares with a nominal value of CHF 10 each by the exercise of option rights which the employees, the Management or Directors of Uster Technologies Ltd or another Group company are granted according to the respective regulations of the Board of Directors.

4 Shareholder Loans

in CHF 1,000	Dec 31, 2007	Dec 31, 2006
Shareholder loans	0	64,500
Total	0	64,500

At the occasion of the acquisition described in note 2 Company Information the new shareholders of the Group granted the loans outstanding as of December 31, 2006. After the initial public offering mentioned in note 2 Company Information, the shareholder loans and the accrued interest were repaid in October 2007.

5 Pledged Assets

As of December 31, 2007, none of the assets of Uster Technologies Ltd were pledged (2006: CHF 292.6 million).

6 Guarantee

As of December 31, 2007, Uster Technologies Ltd did not have any guarantees outstanding. As of December 31, 2006, Uster Technologies Ltd guaranteed to pay for the obligations of Uster Technologies Holdings, Inc. and Uster Technologies, Inc. in connection with the credit facility agreement for the bank loans in case one of the companies would fail to meet its obligations.

7 Fire Insurance Values of Property, Plant and Equipment

The fire insurance values of property, plant and equipment as of December 31, 2007 amounted to CHF 13.5 Mio (2006: nil).

8 Significant Shareholders

780 shareholders were registered in the share register of Uster Technologies Ltd as of December 31, 2007. According to the share register, the following shareholders held more than 5.0% of the total voting rights:

Alcide Ltd	36.0%
Chase Nominees Ltd	8.7%

9 Investments in Subsidiaries

As of December 31, 2006, the former Hercules Holding Ltd held the following investment:

Company	% Capital Shareholdings		Share Capital
	Dec 31, 2006		in 1,000
Uster Technologies Ltd (Uster, CH)	100%	CHF	15,450

As of December 31, 2007, Uster Technologies Ltd held the following investments:

Company	% Capital Shareholdings		Share Capital
	Dec 31, 2007		in 1,000
Uster Technologies de Mexico S.A. de C.V. (Tlalnepantla, MX)	100%	MXN	6,250
Uster Technologies GmbH (Neuss, DE)	100%	EUR	26
Uster Technologies (India) Pvt. Ltd. (Bangalore, IN)	100%	INR	4,950
Uster Technologies K.K. (Osaka-fu, JP)	100%	JPY	10,000
Uster Technologies (Shanghai) Co. Ltd. (Shanghai, CN)	100%	CNY	1,660
Uster Technologies (Suzhou) Co. Ltd. (Suzhou, CN)	100%	CNY	1,461
Uster Technologies Sulamericana Ltda. (Alphaville-Barueri SP, BR)	100%	BRL	650
Uster Technologies (Thailand) Ltd. (Bangkok, TH)	100%	THB	6,000
Uster Technologies Holdings, Inc. ¹⁾ (Wilmington, US)	n/a	USD	0.03
Uster Technologies, Inc. ¹⁾ (Knoxville, US)	100%	USD	100
Uster Teknoloji Ticaret A.S. (Istanbul, TR)	100%	TRY	50
Uster Technologies Finance Ltd ²⁾ (Uster, CH)	n/a	CHF	n/a

¹⁾ As of October 1, 2007, Uster Technologies Holdings, Inc. was merged with Uster Technologies, Inc.

²⁾ On June 4, 2007, Uster Technologies Finance Ltd was merged with Uster Technologies Ltd, effective as of January 1, 2007.

10 Compensation of the Members of the Board of Directors and the Executive Committee

10.1 Loans and Other Payments

No loans to present or former Members of the Board of Directors or Executive Committee were granted or outstanding as of December 31, 2007.

During 2007, payments for consulting services amounting to CHF 35,000 and CHF 24,000 respectively have been made to Max-Ulrich Zellweger and Barry James Mulady.

10.2 Compensation

The compensation of the Board of Directors and the Executive Committee for the year ending December 31, 2007, was as follows:

Board of Directors

in CHF				
Name	Function	Base Compensation (Cash)	Other Social Costs	Total
Max-Ulrich Zellweger	Chairman	24,593	0	24,593
Ulrich Geilinger	Vice-Chairman	22,496	757	23,253
Barry James Mulady	Member	18,510	3,954	22,464
Harald Rönn	Member	10,139	0	10,139
Geoffrey Scott ¹⁾	Member			
Total		75,738	4,711	80,449

¹⁾The compensation of the Executive Member of the Board of Directors is shown under the compensation of the Executive Committee.

Executive Committee

in CHF						
Name	Function	Base Compensation (Cash)	Bonus (Cash)	Pension Benefits	Other Social Costs	Total
Geoffrey Scott	CEO	500,109	841,916	77,863	59,956	1,479,844
Other members		2,028,456	2,226,155	263,287	199,618	4,717,516
Total		2,528,565	3,068,071	341,150	259,574	6,197,360

10.3 Ownership of Uster Shares by the Board of Directors and the Executive Committee
As of December 31, 2007, the Members of the Board of Directors and the Executive Committee held the following number of shares of Uster Technologies Ltd:

Board of Directors

Name	Function	Number of Shares owned
Max-Ulrich Zellweger	Chairman	10,148
Ulrich Geilinger	Vice-Chairman	0
Barry James Mulady	Member	10,148
Harald Rönn	Member	0
Geoffrey Scott ¹⁾	Member	
Total		20,296

¹⁾ The ownership of shares of the Executive Member of the Board of Directors is shown under the ownership of shares of the Executive Committee.

Executive Committee

Name	Function	Number of Shares owned
Geoffrey Scott	CEO	188,000
Barbara Müller-Junker	CFO	92,000
Harold Hoke	Sales and Service	92,000
Naiming Wei	Asian Operations	92,000
Hossein Ghorashi	U.S. Operations	72,000
Renato Murk	Order Fulfillment	72,000
Rafael Storz	Research and Innovation	32,000
Richard Furter	Textile Technology	5,000
Deniz Bütüner	Marketing and Business Development	5,000
Total		650,000

11 Proposal for the Appropriation of Available Earnings

The Board of Directors proposes to appropriate the available earnings as follows:

in CHF	Dec 31, 2007	Dec 31, 2006
Available unappropriated retained earnings		
Balance brought forward	-6,805,286	0
Net result of the year	8,769,781	-6,805,286
Total available earnings	1,964,495	-6,805,286
Appropriation retained earnings		
Transfer to legal reserve	-98,225	0
Balance to be carried forward	1,866,270	-6,805,286

Report of the Statutory Auditors

To the General Meeting of Uster Technologies Ltd, Uster

Zurich, February 20, 2008

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes on pages 55 to 61) of Uster Technologies Ltd for the year ended December 31, 2007.

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

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

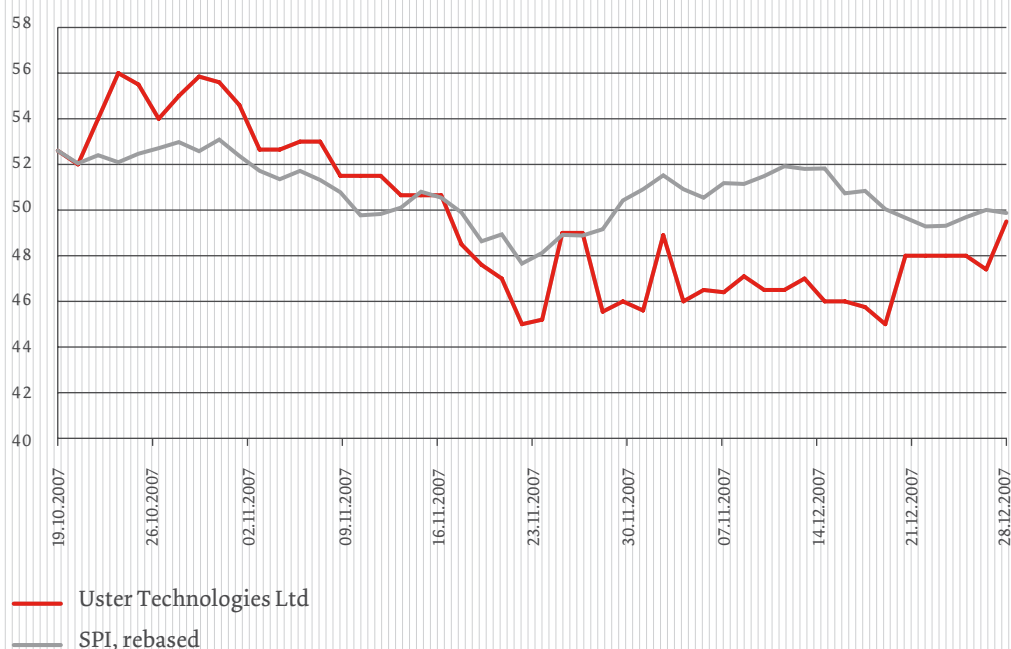
Willy Hofstetter
Swiss Certified Accountant
(Auditor in charge)

Thomas Stenz
Swiss Certified Accountant

Information for Investors

Share Information

Development of Share Price in CHF



Share Information and Key Figures

The table below shows the most important information regarding the shares of Uster Technologies Ltd. As the Company is only listed on the SWX Swiss Exchange since October 19, 2007, no prior year information is shown.

	2007	
Share capital		
Nominal value per share	CHF	10.00
Shares issued	number	6,560,000
Issued share capital	CHF 1,000	65,600
Free float		54.0%
Market capitalization and dividend		
Market capitalization	CHF 1,000	324,720
as % of gross sales		174.0%
as % of shareholders' equity		223.4%
Dividend per share, gross	CHF	0.60 ¹⁾
Total dividend paid, gross	CHF 1,000	3,936
Payout ratio		134.2%

¹⁾ Proposal of Board of Directors to the Shareholders' meeting. The dividend will be paid by way of a nominal value reduction.

Key figures per share

Share price at the end of the year	CHF	49.50
Highest share price	CHF	58.00
Lowest share price	CHF	41.00
Dividend yield		1.2%
Basic/Diluted earnings per share	CHF	0.59
P/E ratio		83.9

Stock Exchange Information

SWX Swiss Exchange Ticker Symbol	USTN
Swiss Security Number	3433153
ISIN	CH0034331535

Shareholding Structure

The structure of the shareholders entered in the share register is as follows:

Shares		Shareholders		Shares	
1 – 100	288	36.9%	19,685	0.3%	
101 – 1,000	399	51.2%	133,804	2.0%	
1,001 – 10,000	60	7.7%	179,896	2.7%	
10,001 – 100,000	29	3.7%	1,203,637	18.3%	
100,001 – 1,000,000	3	0.4%	915,696	14.0%	
> 1,000,000	1	0.1%	2,358,377	36.0%	
Not registered			1,748,905	26.7%	
Total	780	100.0%	6,560,000	100.0%	

Important Dates

Publication of annual results 2007	February 25, 2008
Media and analyst conference	February 25, 2008
Last day for inscription into the share register before the Shareholders' meeting 2008	March 12, 2008
Shareholders' meeting 2008	March 18, 2008
Dividend payment	June 13, 2008
Semi-annual results 2008	July 17, 2008

Contact for Media, Investors and Analysts

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Key Figures

in CHF 1,000	2007	2006 ¹⁾	2006 ²⁾	2005	2004
Balance sheet					
Assets	415,076	437,090	139,195	157,842	162,410
Non-current assets	374,208	392,967	99,543	109,884	108,162
as % of total assets	90.2%	89.9%	71.5%	69.6%	66.6%
Current assets	40,868	44,123	39,652	47,958	54,248
as % of total assets	9.8%	10.1%	28.5%	30.4%	33.4%
Equity	145,349	44,738	51,545	21,930	-892
as % of total assets	35.0%	10.2%	37.0%	13.9%	-0.5%
Liabilities	269,727	392,352	87,650	135,912	163,302
Non-current liabilities	227,573	342,121	53,143	97,424	123,163
as % of total assets	54.8%	78.3%	38.2%	61.7%	75.8%
Current liabilities	42,154	50,231	34,507	38,488	40,139
as % of total assets	10.2%	11.5%	24.8%	24.4%	24.7%
Net debt	173,412	280,488	37,115	79,634	109,275
AR collection period	31	n/a	39	61	71
AP collection period	52	n/a	69	61	68
Income statement					
Gross sales	186,666	0	163,900	143,651	140,961
Gross profit	107,098	0	99,086	82,383	78,211
as % of gross sales	57.4%	n/a	60.5%	57.3%	55.5%
Marketing and sales expenses	-21,598	0	-21,390	-22,404	-18,679
as % of gross sales	-11.6%	n/a	-13.1%	-15.6%	-13.3%
Research and development expenses	-18,897	0	-15,313	-16,006	-18,964
as % of gross sales	-10.1%	n/a	-9.3%	-11.1%	-13.5%
Management and administrative expenses	-16,083	-40	-16,699	-13,450	-12,410
as % of gross sales	-8.6%	n/a	-10.2%	-9.4%	-8.8%
EBITDA	53,500	-40	48,305	32,804	31,212
as % of gross sales	28.7%	n/a	29.5%	22.8%	22.1%
EBITA	51,545	-40	46,193	30,729	29,205
as % of gross sales	27.6%	n/a	28.2%	21.4%	20.7%
EBIT	32,914	-40	46,084	29,168	2,126
as % of gross sales	17.6%	n/a	28.1%	20.3%	1.5%
Finance result	-26,865	-412	-4,715	-3,750	-2,928
as % of gross sales	-14.4%	n/a	-2.9%	-2.6%	-2.1%
Income tax	-3,117	36	-11,412	-7,027	25
as % of EBT	-51.5%	-8.0%	-27.6%	-27.6%	-3.1%
Net result	2,932	-416	29,957	18,391	-777
as % of gross sales	1.6%	n/a	18.3%	12.8%	-0.6%
as % of equity	2.0%	-0.9%	58.1%	83.9%	87.1%

¹⁾ Consolidated figures of Uster Technologies Ltd (formerly Hercules Holding Ltd) after the secondary buyout by the Management and funds advised by Alpha Beteiligungsberatung GmbH & Co. KG.

²⁾ Consolidated figures of Uster Technologies Ltd before the secondary buyout by the Management and funds advised by Alpha Beteiligungsberatung GmbH & Co. KG.

in CHF 1,000	2007	2006 ¹⁾	2006 ²⁾	2005	2004
Cash flow statement					
Cash flow from operating activities	39,225	3,833	48,288	35,224	27,154
Cash flow from investing activities	-2,016	-287,965	-2,644	-1,941	-1,352
Cash flow from financing activities	-39,727	292,525	-54,801	-36,598	-18,369
Net cash flow	-3,010	8,393	-9,512	-2,897	7,263
Free cash flow ³⁾	37,084	-284,142	45,348	32,997	25,724
Capital expenditure					
Intangible assets	-446	0	-130	-8	-196
Property, plant and equipment	-1,991	0	-2,708	-2,788	-992
Total	-2,437	0	-2,838	-2,796	-1,188
Employees					
Number of employees (FTE)	529	490	490	468	451
Gross sales per employee	352,866	n/a	334,490	306,947	312,552

¹⁾ Consolidated figures of Uster Technologies Ltd (formerly Hercules Holding Ltd) after the secondary buyout by the Management and funds advised by Alpha Beteiligungsberatung GmbH & Co. KG.

²⁾ Consolidated figures of Uster Technologies Ltd before the secondary buyout by the Management and funds advised by Alpha Beteiligungsberatung GmbH & Co. KG.

³⁾ Defined as cash flow from operating activities plus cash flow from investing activities excl. interest received.

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The English annual report is the governing text.

A German version of the report is also available.