The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Group's consolidated financial information for the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and accompanying notes, as set out in the accountant's report of our Company set out in Appendix IA to this prospectus. The financial information presented in the accountant's report has been prepared in accordance with IFRS.

OVERVIEW

Our Group is principally engaged in the development, production and sale of automotive and general industry coatings, coil coatings and electrical insulation paints and varnishes.

Our Company was incorporated in Germany as a limited partnership on 24 October 1985 under the name of "Grebe GmbH & Co. KG". On 26 June 2000, our Company was converted from a limited partnership to a limited company (GmbH) and changed our name to "Schramm Coatings GmbH". On 21 November 2008, our Company was further converted to a joint stock company (AG) and changed our name to "Schramm Holding AG".

Our Group has developed and established ourselves as an innovative global manufacturer and supplier of a targeted range of state-of-the-art, technical and custom-tailored coatings solutions. We supply our coatings globally, to manufacturers of a range of goods marketed by many household brands and other international leaders in their respective fields. During the Track Record Period, our sales for the years ended 31 December 2006, 2007 and 2008 was €60.2 million, €70.5 million and €93.6 million, respectively, representing a CAGR of approximately 24.7%, while profit attributable to our Shareholders for the same periods was €3.0 million, €2.9 million and €5.8 million, respectively, representing a CAGR of approximately 39.5%. Our sales and profit attributable to equity holders for the six months ended 30 June 2009 were €37.5 million and €0.5 million, respectively.

BASIS OF PRESENTATION

The financial information of our Group contained in the accountant's report of our Company set out in Appendix IA and elsewhere in this Prospectus has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The consolidated financial information of our Group includes the financial position, results and cash flows of the companies comprising our Group as if the group structure as at 30 June 2009 had been in existence since 17 November 2007, or since their respective dates of incorporation/establishment.

All intragroup transactions, balances and unrealised gains on transactions are eliminated on consolidation.

COMPARABILITY OF OUR RESULTS OF OPERATIONS OVER THE TRACK RECORD PERIOD

Our results of operations for any period may not be comparable with other periods within the Track Record Period primarily due to the reason that Schramm Shanghai, Schramm Huizhou, Schramm Spain and Schramm Korea were consolidated into our Group since in November 2007 under merger accounting, accordingly only their financial results for the period from 17 November 2007 to 31 December 2007 were consolidated into our Group's financial results for the year ended 31 December 2007. Their financial results were consolidated into our Group for the full year ended 31 December 2008.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Potential investors should be aware of the following factors which may affect our business, results of operations, financial condition and the period-to-period comparability of our results of operations and financial condition, many of which may be beyond our control. Significant factors include, among others, the following:

Expansion strategy and integration of acquired subsidiaries

As part of our strategy to expand our business into new geographical areas, we are in the process of integrating Schramm Shanghai and Schramm Huizhou since we acquired them from SSCP at the end of 2008, which have already contributed a significant portion of our Group's aggregate sales since their consolidation into our Group's financial results since November 2007. At the same time, we inherited a substantial amount of trade payables when we consolidated Schramm Shanghai and Schramm Huizhou which was reflected on our financial position. Further, while the financial information in relation to Schramm Tianjin and Schramm Thailand, which were acquired from SSCP in September 2009, has not been consolidated into our Group's consolidated financial information during the Track Record Period, their respective contributions will also affect the overall performance and financial condition of our Group in future.

In addition, we also seek to further expand our business either organically or through pursuing selective strategic acquisitions if suitable opportunities arise. Our ability to realise this expansion strategy and the integration of the current and future acquisitions, as well as the individual financial conditions of such acquisitions which we may inherit, may affect our performance and financial condition.

Seasonal and cyclical fluctuations in market demand for our products

Seasonal fluctuations occur in the coatings industry. Corresponding to the product development cycles of our customers, orders generally peak in the third quarter of the year and generally decline during the Christmas and Chinese Lunar New Year periods.

Further, the mobile electronics, home appliances, consumer electronics and communication industries have historically been characterised by rapidly changing customer patterns, rapid technological advances, short time-to-market schedule and short life cycles. As a result, the demand for our coating products correlates with the corresponding demand of the mobile electronics, home appliances, consumer electronics and communication industries.

Volatility in the cost of certain raw materials

Certain raw materials used in our solvent borne products are petrochemical products. The prices of these materials are, among others, affected by the price of crude oil quoted on the international market. Our water-borne products are also influenced by global ethanol prices. These materials are mainly resins and diluents. Based on the Directors' best estimates, the costs of resins and diluents account for approximately 45% of our Group's total cost of materials during the Track Record Period. Accordingly, any significant increase in the costs of these materials or significant fluctuations in the cost of any other raw materials will have an adverse impact on the operating profit margin and profitability of our Group if we are unable to pass such increase in costs to our customers. For this reason, our procurement personnel closely monitors the price of oil daily to manage the impact this may have on our business. Due to the technical and niche nature of our products, we have been able to pass on substantially any cost increases to our customers in the past.

In addition, there has been a continued trend of industry consolidation amongst raw material suppliers. There is a risk that such consolidation may affect the cost of our raw materials or the relationship which we have with our existing suppliers, which may have an adverse impact on our business and financial position if we are unable to pass on increased costs of raw materials to our customers or source from alternative suppliers on comparable terms.

Sales on credit

For the year ended 31 December 2008, sales made on a credit basis (with credit terms ranging from 30 days to 90 days or longer) accounted for most of our Group's sales. Our Group's financial position and profitability are affected by the creditworthiness of our customers. Bad debts experienced by our Group for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009 were insignificant in relation to our Group's sales and represented approximately 0.07%, 0.16%, 0.47%, 0.07% and 0.15% respectively of our Group's sales.

Product mix

Our Directors believe that our results of operations, particularly our operating profit margins, are affected by changes to our product mix. The principal business segment accounting for the majority of our sales is automotive and general industry coatings, which have traditionally commanded higher profit margins than our next largest business segment, coil coatings. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, sales of automotive and general industry coatings accounted for approximately 57.27%, 58.23%, 69.84%, 70.53% and 70.48% respectively, of our total sales.

In particular, since the consolidation of Schramm Shanghai and Schramm Huizhou in November 2007, both of whom predominantly produce and sell automotive and general industry coatings, our sales in this business segment grew significantly, leading to an increase in overall operating profit margins from approximately 7.8% for the year ended 31 December 2007 to approximately 9.8% for the year ended 31 December 2008.

As a result, our results of operations and financial condition have been affected by the changes in the product mix. As detailed in the section headed "Business — Business Strategies — Product diversification to develop new markets and expand customer base" in this prospectus, we intend to develop and diversify our product mix to capture emerging profitable markets.

Taxation

Since the majority of our sales are in Germany and the PRC, our financial results are significantly affected by the applicable taxation regimes particularly in those jurisdictions, and the relevant regions in which our operations are based.

Our Germany subsidiaries were subject to corporate income tax at the following rates:

Year ended 31 December			Six months ended 30 June
2006	**2007**	**2008**	**2009**
39%	39%	31%	31%

This encompasses the German corporate income tax, the solidarity surcharge as well as trade tax. The lower tax rate for the year ended 31 December 2008 was the result of the reduction of the German corporate income tax under the German Corporate Tax Reform Act 2008 (Unternehmensteuerreformgesetz 2008).

Subsidiaries established in the PRC were subject to enterprise income tax at the following rates:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
Schramm Huizhou	—	—	—	12.5%
Schramm Shanghai	13.5%	12%	25%	25%

Schramm Huizhou was entitled to foreign enterprise income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year which was 2007. Schramm Huizhou was entitled to tax exemption for both 2007 and 2008. Starting from 1 January 2009 to 31 December 2011, it will be enjoying a 50% reduction of the statutory tax rate of 25%, which is 12.5%.

Schramm Shanghai is located in Shanghai Qingpu Industrial Zone which was subject to foreign enterprise income tax rate of 27%. It was also entitled to the income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year which was 2003. In addition, Schramm Shanghai was entitled to a further exemption of 1.5% of tax from the local municipal government in 2006. Accordingly, it was subject to a tax rate of 13.5% in 2006, 12% in 2007 and a full tax rate of 25% in 2008 and years onward.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our Group did not have any taxable profits derived from Hong Kong. Accordingly we were not subject to Hong Kong profits tax.

CRITICAL ACCOUNTING POLICIES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. For further discussion of the application of these and other accounting policies, please refer to Notes 2 and 4 in Section II of the accountant's report of our Company set out in Appendix IA to this prospectus.

(a) **Useful lives of property, plant and equipment and intangible assets**

Our Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(b) **Impairment of non-financial assets**

Our Group tests annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect our Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) **Estimated provision for inventories**

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(d) **Estimated impairment of receivables**

Our Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the years in which such estimates have been changed.

(e) **Income taxes and deferred income tax**

Our Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

(f) **Research and development costs**

Critical judgment by our Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new products is continuously monitored by our Group's management.

(g) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) ***Sales of goods***

Our Group manufactures and sells specialty coating products. Sales of goods are recognised when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, our Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iii) ***License fees income***

Income from license fees is recognised on an accrual basis over time and in accordance with the substance of the relevant agreement.

RESULTS OF OPERATIONS

The following selected consolidated financial information for each of the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009, are derived from, and should be read in conjunction with, the consolidated financial information set forth in the accountant's report of our Company included in Appendix IA to this prospectus. As more fully described in the accountant's report of our Company included as Appendix IA to this prospectus, the financial information was prepared in accordance with IFRS.

The table below sets outs selected financial information for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Sales	60,211	70,510	93,605	49,234	37,507
Other operating income	1,721	1,153	480	584	351
Changes in inventories of finished goods and work in progress	829	555	(350)	221	(1,776)
Cost of materials	(33,593)	(39,369)	(51,427)	(26,850)	(18,269)
Employee benefit expenses	(12,881)	(13,637)	(17,047)	(8,601)	(8,521)
Depreciation, amortisation and impairment charges	(1,725)	(1,938)	(2,638)	(1,224)	(1,444)
Other operating expenses	(9,707)	(11,892)	(14,787)	(7,387)	(5,958)
Other (losses)/gains, net	(19)	118	1,304	289	(157)
Operating profit	4,836	5,500	9,140	6,266	1,733
Finance income	3	45	37	7	73
Finance costs	(1,091)	(1,288)	(1,404)	(607)	(709)
Share of profit from jointly controlled entities	215	185	42	32	—
Profit before income tax	3,963	4,442	7,815	5,698	1,097
Income tax expense	(996)	(1,538)	(2,043)	(1,312)	(579)
Profit attributable to equity holders of our Company	2,967	2,904	5,772	4,386	518
Profit distributions	2,827	2,549	—	—	—

Description of principal income statement components

Sales

We derive our sales principally from the sales of our coatings products in our three main business segments: (i) automotive and general industry coatings; (ii) coil coatings; and (iii) electrical insulation paints and varnishes. The following table sets out the breakdown of our turnover as a percentage of total sales for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2006		2007		2008		2008 (unaudited)		2009	
Sales from	*€'000*	*% of total*	*€'000*	*% of total*	*€'000*	*% of total*	*€'000*	*% of total*	*€'000*	*% of total*
Automotive and General Industry	34,482	57.27%	41,057	58.23%	65,371	69.84%	34,727	70.54%	26,436	70.48%
Coil Coating	17,784	29.54%	21,952	31.13%	21,426	22.89%	10,602	21.53%	8,941	23.84%
Electrical Insulation	7,945	13.19%	7,501	10.64%	6,808	7.27%	3,905	7.93%	2,130	5.68%
Total Sales	60,211	100.0%	70,510	100.0%	93,605	100.0%	49,234	100.0%	37,507	100.0%

Other operating income

Our other operating income mainly consists of write-back of accruals and other payables, write-back of provision for impairment of accounts receivables, and other miscellaneous income such as cost allocations relating to management fees from Grebe (our former parent company), services for prototypes, licence fees and remuneration in kind.

Changes in inventories of finished goods and work in progress

Changes in our inventories of finished goods and work in progress are attributable to the movement of inventories of finished goods and work in progress under our ordinary trading operations, and is an accounting item only as a component of cost of goods sold.

Cost of materials

Our cost of materials primarily consists of costs of raw materials, supplies and purchased services such as waste management contractors.

Employee benefit expenses

Our employee benefit expenses primarily consist of wages and salaries, social security contributions, pension costs and other personnel costs. Set out below is a breakdown of these expenses for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009:

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Wages and salaries	10,716	11,276	14,901	7,557	7,606
Social security contributions	1,988	2,108	2,765	1,436	1,261
Pension costs	77	150	358	3	35
Other personnel costs	100	103	—	93	129
	12,881	13,637	18,024	9,089	9,031
Less:					
Wages and salaries capitalised as development costs	—	—	(977)	(488)	(510)
	12,881	13,637	17,047	8,601	8,521

Depreciation, amortisation, impairment charges and other operating expenses

Our other operating expenses primarily consist of depreciation, amortisation and impairment charges, freight charges, legal and consulting expenses, energy, travel costs, water costs, maintenance and repairs and other miscellaneous costs.

Other net gains/losses

Our other net gains/losses primarily consist of gains or losses from foreign exchange transactions, disposal of property, plant or equipment, and disposal of a jointly controlled entity.

Finance income

Our finance income primarily consists of bank deposit interest income.

Finance costs

Our finance costs primarily consist of interest expenses from bank borrowings, finance leases and pension contributions and other similar obligations.

Share of profit from jointly controlled entities

Our share of profits from jointly controlled entities primarily consists of our share of income and expenses of our Company's jointly controlled entities, the details of which are disclosed in Note 34 in Section II of the accountant's report of our Company set out in Appendix IA to this prospectus.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the taxation regimes applicable to our Company and subsidiaries.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended 30 June 2009 Compared To Six Months Ended 30 June 2008

Sales

Sales for the six months ended 30 June 2009 was €37.5 million, a decrease of €11.7 million, or approximately 23.8%, compared to €49.2 million for the six months ended 30 June 2008. The decrease in sales was primarily due to a heavy decrease in customer demand for all of our operations outside of the PRC, as a result of the impact of the global economic crisis which took hold towards the end of 2008. The customers of our Germany and Spain operations are predominantly manufacturers in the European automotive industry, which was particularly hard hit by the global economic crisis. Many of these customers significantly reduced production, which directly led to a significant decrease in orders for our automotive coatings products. These economic conditions also noticeably and adversely affected the demand for our other product streams.

In the PRC, our Huizhou operations also suffered a decline in sales due to the economic crisis, however, this was mostly offset by our Shanghai operations which managed to achieve sales growth due to obtaining significant new business from new customers, as well as establishing an automotive coatings business for the PRC automotive market, which was less affected by the economic crisis than in Europe and elsewhere.

We set forth in the table below our sales by business segments for the six months ended 30 June 2008 and 2009 respectively.

	Six months ended 30 June			
	2008		**2009**	
	(unaudited)			
Sales from	*€'000*	*% of total*	*€'000*	*% of total*
Automotive and General Industry	34,727	70.54%	26,436	70.48%
Coil Coating	10,602	21.53%	8,941	23.84%
Electrical Insulation	3,905	7.93%	2,130	5.68%
Total Sales	49,234	100.0%	37,507	100.0%

Other operating income

Other operating income for the six months ended 30 June 2009 was €0.4 million, a decrease of €0.2 million, or approximately 39.9%, compared with €0.6 million for the six months ended 30 June 2008. The decrease was primarily due to significantly less write-back of accruals and other payables.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress for the six months ended 30 June 2009 were negative €1.8 million, compared with positive €0.2 million for the six months ended 30 June 2008. This is an accounting item only used to show the change between opening and closing inventories of finished goods and work in progress for a given period as a component of cost of goods sold.

Cost of materials

Cost of materials for the six months ended 30 June 2009 were €18.3 million, a decrease of €8.6 million, or approximately 32.0%, compared with €26.9 million for the six months ended 30 June 2008. The decrease was primarily due to the significant overall decrease in sales due to the global economic crisis. In addition, we achieved higher product margins as we sold a higher proportion of higher-margin products, mainly in Asia. Due to this, cost of materials as a percentage of sales for the six months ended 30 June 2009 was 48.7% compared with 54.5% for the six months ended 30 June 2008.

Employee benefit expenses

Employee benefit expenses for the six months ended 30 June 2009 were €8.5 million, a decrease of €0.08 million, or approximately 0.9%, compared with €8.6 million for the six months ended 30 June 2008. While the overall employee benefit expenses on a consolidated basis remained substantially unchanged, during the six months ended 30 June 2009, there was a significant increase in employee benefit expenses in our PRC operations due to a substantial increase in our workforce, however this increase was mostly offset by employee cost reductions in our Spain and Germany operations, affecting mainly our pool of part-time production personnel, in response to the decrease in sales demand experienced by those operations.

Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment charges for the six months ended 30 June 2009 were €1.4 million, an increase of €0.2 million, or approximately 18.0%, compared with €1.2 million for the six months ended 30 June 2008. The increase was primarily due to our Group's policy to amortise capitalised R&D expenses commencing from 2009.

Other operating expenses

Other operating expenses for the six months ended 30 June 2009 were €6.0 million, a decrease of €1.4 million, or approximately 19.3%, compared with €7.4 million for the six months ended 30 June 2008. The decrease was primarily due to lower expenses relating to operations as a result of lower sales and production levels in the six months ended 30 June 2009.

Other net gains/losses

Other net losses for the six months ended 30 June 2009 were €0.16 million, a decrease of €0.45 million, compared with other net gains of €0.29 million for the six months ended 30 June 2008. The decrease was primarily due to a significant decrease in gains from foreign exchange transactions and recognising a larger fair value loss from derivatives.

Operating profit

Operating profit for the six months ended 30 June 2009 was €1.7 million, a decrease of €4.5 million, or approximately 72.3%, as compared with €6.3 million for the six months ended 30 June 2008. The decrease in operating profit was primarily due to the significant decrease in operating income from our Spain and Germany operations. While sales from our PRC operations remained stable, operating profit decreased significantly due to higher employee expenses resulting from an expanded workforce. In addition, our Group made a substantial foreign exchange gain in the six months ended 30 June 2008 which was not present in the corresponding period in 2009.

For primarily these same reasons, our operating profit margin for the six months ended 30 June 2009 was 4.6%, compared with 12.7% for the six months ended 30 June 2008.

Finance income

Finance income for the six months ended 30 June 2009 were €0.073 million, an increase of €0.066 million, compared with €0.007 million for the six months ended 30 June 2008. The increase was primarily due to higher interest income from holding higher cash deposits.

Finance costs

Finance costs for the six months ended 30 June 2009 were €0.7 million, an increase of €0.1 million, or approximately 16.8%, compared with €0.6 million for the six months ended 30 June 2008. The increase was primarily due to increased bank borrowings by our PRC operations

Share of profit from jointly controlled entities

For the six months ended 30 June 2009, we had no share of profit from jointly controlled entities, compared with €0.032 million for the six months ended 30 June 2008. This was primarily due to the fact that our previous jointly controlled entities have either been divested or consolidated as subsidiaries, further details of which are as set out in the section headed "History and Corporate Structure" in this prospectus.

Income tax expense

Income tax expense for the six months ended 30 June 2009 were €0.6 million, a decrease of €0.7 million, or approximately 55.9%, compared with €1.3 million for the six months ended 30 June 2008. The decrease was primarily due to lower overall profitability resulting from the decrease in sales in 2009. However, as a proportion of profit before income tax, our income tax expense for the six months ended 30 June 2009 was higher than for the corresponding period in 2008 primarily due to (i) losses were made by Schramm Spain and at our Company level, which had a negative impact on our consolidated profit figure; (ii) the tax holiday enjoyed by Schramm Huizhou came to an end in 2008, and stating from 1 January 2009 a tax rate of 12.5% applied; and (iii) the expenses not deductible for tax purposes amounting to €138,000 representing mainly the professional fees and management fee expenses incurred by our Group's investment holding companies incorporated in Hong Kong, which have been loss making since incorporation and therefore the expenses of which have not been claimed for tax deduction.

Profit attributable to equity holders of our Company

As a result of the factors discussed above, driven significantly by the adverse impact on our sales by the global economic crisis which substantially took hold towards the end of 2008, for the six months ended 30 June 2009, the profit attributable to equity holders of our Company was €0.5 million, a decrease of €3.9 million, or approximately 88.2%, from €4.4 million for the six months ended 30 June 2008.

Year Ended 31 December 2008 Compared To Year Ended 31 December 2007

Sales

Sales for the year ended 31 December 2008 was €93.6 million, an increase of €23.1 million, or approximately 32.8%, compared to €70.5 million for the year ended 31 December 2007. The significant increase in sales was primarily due to full year consolidation of the sales contributions from Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the year ended 31 December 2008 following the SSCP Acquisition in November 2007. These increases were offset partially by a decrease in the net sales of Schramm Coatings.

We set forth in the table below our sales by business segments for the year ended 31 December 2007 and 2008 respectively.

	Year ended 31 December			
	2007		**2008**	
Sales from	*€'000*	*% of total*	*€'000*	*% of total*
Automotive and General Industry	41,057	58.23%	65,371	69.84%
Coil Coating	21,952	31.13%	21,426	22.89%
Electrical Insulation	7,501	10.64%	6,808	7.27%
Total sales	70,510	100.0%	93,605	100.0%

Other operating income

Other operating income for the year ended 31 December 2008 was €0.5 million, a decrease of €0.7 million, or approximately 58.4%, compared with €1.2 million for the year ended 31 December 2007. The decrease was primarily due to significant lower cost allocations to our former parent company, Grebe, and decrease in the services rendered for prototypes.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress for the year ended 31 December 2008 were negative €-0.35 million, compared with positive €0.56 million for the year ended 31 December 2007. This is an accounting item only used to show the change between opening and closing inventories of finished goods and work in progress for a given period as a component of cost of goods sold.

Cost of materials

Cost of materials for the year ended 31 December 2008 were €51.4 million, an increase of €12.0 million, or approximately 30.6%, compared with €39.4 million for the year ended 31 December 2007. The increase was primarily due to consolidation of the cost of materials from Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the full year ended 31 December 2008 following the SSCP Acquisition in November 2007. These increases were offset partially by a decrease in the cost of materials of Schramm Coatings. Accordingly, the percentage increase in cost of materials of 30.6% is generally in line with the corresponding percentage increase in sales of 32.8%, as mentioned above, resulting from such consolidation.

Employee benefit expenses

Employee benefit expenses for the year ended 31 December 2008 were €17.0 million, an increase of €3.4 million, or approximately 25.0%, compared with €13.6 million for the year ended 31 December 2007. The increase was primarily due to consolidation of the employee benefit expenses from Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the full year ended 31 December 2008 following the SSCP Acquisition in November 2007. In addition, Schramm Coatings incurred a slight increase in employee benefit expenses.

Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment charges for the year ended 31 December 2008 were €2.6 million, an increase of €0.7 million, or approximately 36.1%, compared with €1.9 million for the year ended 31 December 2007. The increase was primarily due to consolidation of the depreciation, amortisation and impairment charges of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the full year ended 31 December 2008 following the SSCP Acquisition in November 2007.

Other operating expenses

Other operating expenses for the year ended 31 December 2008 were €14.8 million, an increase of €2.9 million, or approximately 24.4%, compared with €11.9 million for the year ended 31 December 2007. The increase was primarily due to consolidation of the depreciation, amortisation and impairment charges of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the full year ended 31 December 2008 following the SSCP Acquisition in November 2007. In addition, freight charges increased due to an increase in sales, legal and consulting expenses increased due to the restructuring and reorganisation of our Group, and travelling expenses as well as operating lease expenses increased mainly due to the acquisition of Schramm Shanghai and Schramm Huizhou.

Other net gains/losses

Other net gains for the year ended 31 December 2008 were €1.3 million, an increase of €1.2 million, compared with other net gains of €0.1 million for the year ended 31 December 2007. The increase was primarily due to a one-off net foreign exchange gain of €1.3 million in relation to an intra-Group loan from Schramm Coatings to Schramm Hong Kong for the purpose of completing the acquisitions of Schramm Shanghai and Schramm Huizhou. That net gain resulted from the relative appreciation in RMB and USD relative to the Euro between the time the intra-Group loan was made and the time it was repaid.

Operating profit

Operating profit for the year ended 31 December 2008 was €9.1 million, an increase of €3.6 million, or approximately 66.2%, as compared with €5.5 million for the year ended 31 December 2007. The increase in operating profit was primarily due to the increase in sales under consolidation of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain being higher than the corresponding increase in cost of materials, the one-off foreign exchange gain as mentioned above, and the fact that these four new subsidiaries predominantly focus on automotive and general industry products, which have traditionally higher profit margins than the other product sectors of our Group, thereby increasing our overall profit margin.

Our operating profit margin for the year ended 31 December 2008 was 9.8%, compared with 7.8% for the year ended 31 December 2007. The increase in operating profit margin was primarily caused by the relatively smaller increase in cost of materials compared to the corresponding increase in sales upon the consolidation of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain, and the effect of the one-off foreign exchange gain, as mentioned above.

Finance income

Finance income for the year ended 31 December 2008 were €0.037 million, a decrease of €0.008 million, or approximately 17.8% compared with €0.045 million for the year ended 31 December 2007. The decrease was primarily due to less interest income received from our short-term bank deposits.

Finance costs

Finance costs for the year ended 31 December 2008 were €1.4 million, an increase of €0.1 million, or approximately 9%, compared with €1.3 million for the year ended 31 December 2007. The increase was primarily due to consolidation of bank loan interest of Schramm Shanghai and Schramm Huizhou for the full year ended 31 December 2008 following the SSCP Acquisition in November 2007.

Share of profit from jointly controlled entities

Share of profit from jointly controlled entities for the year ended 31 December 2008 were €0.042 million, a decrease of €0.143 million, or approximately 77.3%, compared with €0.185 million for the year ended 31 December 2007. The decrease was primarily due to the divestment of Schramm Cashew in August 2008 and the consolidation of Schramm Korea, which was a jointly controlled entity prior to the SSCP Acquisition in November 2007, as set out in the section headed "History and Corporate Structure" in this prospectus.

Income tax expense

Income tax expense for the year ended 31 December 2008 were €2.0 million, an increase of €0.5 million, or approximately 32.8%, compared with €1.5 million for the year ended 31 December 2007. The increase was primarily due to consolidation of income tax expenses from Schramm Shanghai, Schramm Huizhou and Schramm Korea. Upon consolidation, this increase was partially offset by a decrease in the income tax expense for our Germany operations as a result of a reduction in the relevant corporate income tax rate in Germany from 25% to 15%, leading to a reduction of the overall tax burden from German taxation from approximately 39% in 2007 to approximately 31% in 2008.

Profit attributable to equity holders of our Company

As a result of the factors discussed above, for the year ended 31 December 2008, the profit attributable to equity holders of our Company was €5.8 million, an increase of €2.9 million, or approximately 98.8%, from €2.9 million for the year ended 31 December 2007.

Year Ended 31 December 2007 Compared To Year Ended 31 December 2006

Sales

Sales for the year ended 31 December 2007 was €70.5 million, an increase of €10.3 million, or approximately 17.1%, compared to €60.2 million for the year ended 31 December 2006. The increase in sales was primarily due to a significant increase in sales from Germany by Schramm Coatings, combined with the consolidation of sales contributions from Schramm Shanghai, Schramm Huizhou and Schramm Korea for the short period following the SSCP Acquisition in November 2007.

We set forth in the table below our sales by business segments for the year ended 31 December 2006 and 2007 respectively.

	Year ended 31 December			
	2006		2007	
Sales from	*€'000*	*% of total*	*€'000*	*% of total*
Automotive and General Industry	34,482	57.27%	41,057	58.23%
Coil Coating	17,784	29.54%	21,952	31.13%
Electrical Insulation	7,945	13.19%	7,501	10.64%
Total sales	60,211	100.0%	70,510	100.0%

Other operating income

Other operating income for the year ended 31 December 2007 was €1.2 million, a decrease of €0.5 million, or approximately 33.0%, compared with €1.7 million for the year ended 31 December 2006. The decrease was primarily due to a significant reduction in cost allocations to Grebe and reduced licence fees, partially offset by an increase in income from services rendered for prototypes.

Changes in inventories of finished goods and work-in-progress

Changes in inventories of finished goods and work-in-progress for the year ended 31 December 2007 were €0.6 million, a decrease of €0.2 million, or approximately 33.1%, compared with €0.8 million for the year ended 31 December 2006. This is an accounting item only used to show the change between opening and closing inventories of finished goods and work in progress for a given period as a component of cost of goods sold.

Cost of materials

Cost of materials for the year ended 31 December 2007 were €39.4 million, an increase of €5.8 million, or approximately 17.2%, compared with €33.6 million for the year ended 31 December 2006. The increase was primarily due to our increased raw materials demand driven by the significant increase of sales from Germany by Schramm Coatings. Accordingly, the percentage increase of cost of materials of 17.2% is generally in line with the corresponding percentage increase in sales of 17.1%, as mentioned above.

Employee benefit expenses

Employee benefit expenses for the year ended 31 December 2007 were €13.6 million, an increase of €0.7 million, or approximately 5.9%, compared with €12.9 million for the year ended 31 December 2006. The increase was primarily due to an increase in short-term staffing of production personnel in our Germany Facility to handle the increased production as a result of the significant increase in sales mentioned above. In addition, there was some ancillary inflationary issues in Germany as well as contribution from the consolidation of employee benefit expenses of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain for the short period following the SSCP Acquisition in November 2007.

Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment charges for the year ended 31 December 2007 were €1.9 million, an increase of €0.2 million, or approximately 12.3%, compared with €1.7 million for the year ended 31 December 2006. The increase was not significant and depreciation, amortisation and impairment levels remained at what we considered to be within the ordinary range for our Germany Facility of approximately €1.7 million to €2.0 million per year.

Other operating expenses

Other operating expenses for the year ended 31 December 2007 were €11.9 million, an increase of €2.2 million, or approximately 22.5%, compared with €9.7 million for the year ended 31 December 2006. The increase was primarily due to higher repair and maintenance costs, freight charges, leases for technical equipment and other miscellaneous expenses such as claims settlements and wages for temporary staff.

Other net gains/losses

Other net gains for the year ended 31 December 2007 were €0.118 million, an increase of €0.137 million, compared with other net losses of €0.019 million for the year ended 31 December 2006. The increase was primarily due to net foreign exchange gain and gain on disposal of property, plant and equipment.

Operating profit

Operating profit for the year ended 31 December 2007 was €5.5 million, an increase of €0.7 million, or approximately 13.7%, as compared with €4.8 million for the year ended 31 December 2006. The increase in operating profit was primarily due to the significant increase in sales in Germany as mentioned above, as well as some contribution from the net exchange gain. However, a significant increase in other operating expenses adversely impacted to some degree on the overall increase in operating profit of 13.7% compared to the increase in sales of 17.1%.

Our operating profit margin for the year ended 31 December 2007 was 7.8%, compared with 8.0% for the year ended 31 December 2006. The slight increase in operating profit margin was primarily caused by the net foreign exchange gain. If this effect was disregarded, our operating profit margin remained steady.

Finance income

Finance income for the year ended 31 December 2007 were €0.045 million, an increase of €0.042 million, or approximately 15 times, compared with €0.003 million for the year ended 31 December 2006. The increase was primarily due to more interest income received from our short-term bank deposits.

Finance costs

Finance costs for the year ended 31 December 2007 were €1.3 million, an increase of €0.2 million, or approximately 18.1%, compared with €1.1 million for the year ended 31 December 2006. The increase was primarily due to an increase in finance costs in Germany due to higher financial liabilities.

Share of profit from jointly controlled entities

Share of profit from jointly controlled entities for the year ended 31 December 2007 were €0.185 million, a decrease of €0.03 million, or approximately 14.0%, compared with €0.215 million for the year ended 31 December 2006. The decrease was primarily due to the change of accounting treatment for Schramm Korea from a jointly controlled entity to a subsidiary since the SSCP Acquisition in November 2007, as well as depreciation in the value of the KRW relative to the Euro in 2007.

Income tax expense

Income tax expense for the year ended 31 December 2007 were €1.5 million, an increase of €0.5 million, or approximately 54.4%, compared with €1.0 million for the year ended 31 December 2006. The increase was primarily due to the increase of profit before income tax from €4.0 million in 2006 to €4.4 million in 2007. In addition, fiscal year 2006 included a tax gain from the recognition of corporate tax credits from prior years. which was not applicable in 2007.

Profit attributable to equity holders of our Company

As a result of the factors discussed above, for the year ended 31 December 2007, our profit for the year was €2.9 million, a decrease of €0.1 million, or approximately 2.1%, from €3.0 million in year ended 31 December 2006.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements principally through a combination of equity capital injections from existing shareholders and other investors, cash flow from operations, internal resources and bank borrowings. For details of our Company's capital increases and bank borrowings, please refer to the accountant's report of our Company set out in Appendix IA to this Prospectus.

As at the Latest Practicable Date, save as disclosed in the section headed "Future plan and use of proceeds" in this prospectus, our Directors are not aware any material change to the sources of cash of our Group and the use of cash by our Group. Our Directors are of the view that as at the Latest Practicable Date, the recent global economic downturn had no material adverse effect on the liquidity position of our Group.

Our principal uses of cash have been, and are expected to continue to be operational costs, acquisitions of subsidiaries, capital expenditures for the purchase of equipment and investment properties. After the Listing, we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financings, including the proceeds of the Global Offering.

Cash flow

	Year ended 31 December			**Six months ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net cash generated from/(used in) operating activities	1,025	1,747	(1,516)	(3,593)	4,702
Net cash (used in)/generated from investing activities	(2,710)	(3,930)	(20,958)	1,995	(963)
Net cash generated from/(used in) financing activities	1,696	3,298	22,775	2,760	(2,648)
Net increase in cash and cash equivalents	11	1,115	301	1,162	1,091
Cash and cash equivalents at beginning of year/period	5	16	1,131	1,131	1,432
Cash and cash equivalents at end of year/period	16	1,131	1,432	2,293	2,523

Cash flow from operating activities

We derive our cash generated from operating activities principally from the receipt of payments for the sale of our products. Our cash used in operating activities is principally for purchases of raw materials, payment of salary and other operating expenses.

For the six months ended 30 June 2009, we had an operating profit of €1.7 million and net cash generated from operating activities of €4.7 million. The difference of €3.0 million was primarily due to our Group freeing up our inventories of finished goods and work in progress.

Due to this reason, coupled with the one-off paying down of trade payables in 2008 as mentioned below, net cash generated from operating activities for the six months ended 30 June 2009 of €4.7 million was an increase of €8.3 million from net cash used in operating activities for the year ended 30 June 2008 of €3.6 million.

For the six months ended 30 June 2008, we had an operating profit of €6.3 million and net cash of €3.6 million used in operating activities. The difference of €9.9 million was primarily due to the one-off paying down of relatively large trade payables and other miscellaneous liabilities accumulated by Schramm Shanghai and Schramm Huizhou over past years which our Group inherited as a result of the SSCP Acquisition in November 2007.

For the year ended 31 December 2008, we had an operating profit of €9.1 million and net cash used in operating activities of €1.5 million. The difference of €10.6 million was primarily due to the one-off paying down of relatively large trade payables and other miscellaneous liabilities accumulated by Schramm Shanghai and Schramm Huizhou as mentioned above, as well as a decrease in trade receivables mainly due to better collections, and an increase in inventories due to increased production and sales.

Due to these same factors, net cash used in operating activities for the year ended 31 December 2008 of €1.5 million was a decrease of €3.2 million from net cash generated from operating activities for the year ended 31 December 2007 of €1.7 million.

For the year ended 31 December 2007, we had an operating profit of €5.5 million and net cash of €1.7 million generated from operating activities. The difference of €3.8 million was mainly attributable to an increase in inventories due to ongoing improvement in sales and an increase in trade receivables.

The increase of €0.7 million from net cash generated from operating activities for the year ended 31 December 2006 of €1.0 million was principally due to the deferral of payment of trade payables for supplies purchased by Schramm Shanghai and Schramm Huizhou sourced ultimately from SSCP of €4.0 million, as well as the increase in inventories as mentioned above.

For the year ended 31 December 2006, we had an operating profit of €4.8 million and net cash of €1.0 million generated from operating activities. The difference of €3.8 million was primarily due to finance costs of €1.1 million, income tax expense of €1.0 million, higher trade receivables and inventories.

Cash flow from investing activities

Our cash used in investing activities is principally for purchasing fixed assets and for the acquisitions of subsidiaries during the track record period.

For the six months ended 30 June 2009, our net cash used in investing activities of €1.0 million, was primarily due to the construction of a separate office block on our Germany Facility as corporate head office of our Company, as distinct from the production operations of Schramm Coatings.

For primarily the same reasons, our net cash used in investing activities decreased by €3.0 million from net cash generated from investing activities for the six months ended 30 June 2008 of €2.0 million.

For the six months ended 30 June 2008, our net cash generated from investing activities of €2.0 million, was primarily due to a capital injection into Schramm Shanghai and Schramm Huizhou by their then shareholder SBHK.

For the year ended 31 December 2008, our net cash used in investing activities of €21.0 million, was primarily due to the payment of consideration for the acquisitions of Schramm Shanghai, Schramm Huizhou and the remaining 50% of Schramm Korea totalling €18.0 million, as well as small investments in technical, factory and office equipment and machineries, and payments for intangible assets.

For primarily the same reasons, our net cash used in investing activities increased by €17.1 million from net cash used in investing activities for the year ended 31 December 2007 of €3.9 million.

For the year ended 31 December 2007, our net cash used in investing activities of €3.9 million, was primarily due to the acquisition of Schramm Spain for €1.5 million and the investment of €0.5 million in Schramm Cashew Limited, as well as €2.4 million in payments for the acquisition of plant and equipment.

For primarily the same reasons, our net cash used in investing activities increased by €1.2 million from net cash used in investing activities for the year ended 31 December 2006 of €2.7 million.

For the year ended 31 December 2006, our net cash used in investing activities of €2.7 million, was primarily due to purchases of plant and equipment.

Cash flow from financing activities

We derive our cash generated from financing activities principally from proceeds from new bank loans and proceeds from capital injection. Our cash used in financing activities is principally for repayment of bank loans and interest payments.

For the six months ended 30 June 2009, our net cash used in financing activities of €2.6 million, was primarily due to the repayment of borrowings. For the same reason, our net cash generated from financing activities decreased by €5.4 million from net cash generated from financing activities for the six months ended 30 June 2008 of €2.8 million.

For the six months ended 30 June 2008, our net cash generated from financing activities of €2.8 million, was primarily due to increased borrowings in Germany and the PRC.

For the year ended 31 December 2008, our net cash generated from financing activities of €22.8 million, was primarily due to €16.1 million in equity financing from Humble Humanity and other third party investors, and €6.8 million from bank loans. For the same reason, our net cash generated from financing activities increased by €19.5 million from net cash generated from financing activities for the year ended 31 December 2007 of €3.3 million.

For the year ended 31 December 2007, our net cash generated from financing activities of €3.3 million, was primarily due to the capital injection from SSCP and a net increase in borrowings, offset partially by the profit appropriation to our former parent company, Grebe. For the same reason, our net cash generated from financing activities increased by €1.6 million from net cash generated from financing activities for the year ended 31 December 2006 of €1.7 million.

For the year ended 31 December 2006, our net cash generated from financing activities of €1.696 million, was primarily due to the increase of loans from our former parent company, Grebe, which were partly offset by the transfer of profit and loss arrangements with it.

CAPITAL EXPENDITURES

Our capital expenditure requirements primarily relate to investments in land, buildings and leasehold improvements equivalent to land and buildings, technical equipment and machinery, motor vehicles, furniture and other office equipment and prepayment and assets under construction. We have funded our historical capital expenditures through internally generated cash, bank and other borrowings and equity financing. The following table sets out our capital expenditures for the year indicated.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Land, buildings and leasehold improvements	34	273	105	28
Technical equipment and machinery	1,359	512	935	171
Motor vehicles, furniture and other office equipment	896	1,070	879	110
Prepayments and assets under construction	479	548	591	440
Total capital expenditure	2,768	2,403	2,510	749

COMMITMENTS

Capital commitments

Our Company had no capital commitments, either contracted but not provided for or authorised but not contracted for, during the Track Record Period.

Operating lease commitments

We lease certain land, plant and buildings under non-cancellable operating lease agreements, and represent rentals payable by our Group for certain of its office premises. Leases and rentals are negotiated and fixed for an average of two years. As at the dates presented, our Group's future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Within 1 year	54	345	429	613
Later than 1 year and not later than 5 years	60	450	234	250
	114	795	663	863

SELECTED CONSOLIDATED BALANCE SHEET DATA

The following selected consolidated financial information for each of the three years ended December 31, 2008, are derived from, and should be read in conjunction with, the consolidated financial information set forth in the accountant's report of our Company included in Appendix IA to this prospectus. As more fully described in the accountant's report of our Company included as Appendix IA to this prospectus, the financial information was prepared in accordance with IFRS.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Non-current assets	18,591	25,172	25,991	25,487
Current assets	19,849	36,394	41,314	39,883
Current liabilities	9,383	34,349	35,603	30,135
Net current assets	10,466	2,045	5,711	9,748
Total assets less current liabilities	29,057	27,217	31,702	35,235
Non-current liabilities	18,410	5,566	5,471	8,562
Net assets	10,647	21,651	26,231	26,673

NET CURRENT ASSETS

	As at 31 December			As at 30 June	As at 31 October
	2006	**2007**	**2008**	**2009**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
Current assets					
Inventories	10,895	15,000	18,735	14,176	14,688
Trade and bill receivables	8,689	19,468	18,206	21,031	31,841
Other financial assets	247	795	2,356	2,153	4,422
Income tax recoverable	2	—	585	—	—
Cash and cash equivalents	16	1,131	1,432	2,523	3,890
	19,849	36,394	41,314	39,883	54,841
Current liabilities					
Other provisions	1,655	2,165	1,496	2,107	2,882
Financial liabilities	4,938	19,869	26,690	21,091	25,347
Trade and other payables	2,790	12,056	6,997	6,492	10,512
Income tax liabilities	—	259	420	445	306
	9,383	34,349	35,603	30,135	39,047
Net current assets	10,466	2,045	5,711	9,748	15,794

As of 31 October 2009, our current assets consisted primarily of inventories, cash and cash equivalents, trade and bill receivables and other financial assets, and our current liabilities consist primarily of financial liabilities, trade and other payables, income tax liabilities and other provisions,

Our net current assets decreased from €10.5 million as at 31 December 2006 to €2.0 million as at 31 December 2007 and then increased to €5.7 million as at 31 December 2008.

The significant decrease as at 31 December 2007 compared to 31 December 2006 primarily reflected a refinancing of approximately €17 million of long-term financing to short-term borrowings as a result of the SSCP Acquisition, which reclassified a large part of our non-current liabilities into current liabilities and thereby reducing our net current assets. However, the effect of this was partially offset by the significant increase in trade receivables contributed by the consolidation of Schramm Shanghai and Schramm Huizhou.

The increase as at 31 December 2008 compared to 31 December 2007 primarily reflected share capital increases in Schramm Shanghai and Schramm Huizhou, which were used in, among other things, increasing inventories and a one-off paying down of relatively large trade payables and other miscellaneous liabilities accumulated by Schramm Shanghai and Schramm Huizhou over past years which our Group inherited as a result of the SSCP Acquisition in November 2007.

As of 30 June 2009, our net current assets were €9.7 million. Our current assets of €39.9 million decreased slightly from €41.3 million as at 31 December 2008 primarily due to the freeing up of inventories and increase in trade receivables and as well as cash. Our current liabilities of €30.1 million decreased from €35.6 million as at 31 December 2008 primarily due to a number of short term borrowings having been converted into long term loans.

As of 31 October 2009, our net current assets were €15.8 million. Our current assets of €54.8 million increased substantially from €39.9 million as at 30 June 2009 primarily due to the consolidation of the financial positions of Schramm Tianjin and Schramm Thailand under merger accounting subsequent to their acquisitions in August 2009. Further, our consolidated trade and bill receivables were substantially higher due to improved sales in the third quarter of 2009. Meanwhile, our current liabilities of €39.0 million reflected a relatively modest increase from €30.1 million as at 30 June 2009, primarily due to higher trade and other payables arising from increase in purchases as a result of an improvement in sales and consolidation of Schramm Tianjin and Schramm Thailand as mentioned above.

We have not encountered difficulties in obtaining short term bank financing over the Track Record Period.

Inventory analysis

The following table sets out a summary of our average inventory turnover for the periods indicated.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
Turnover of inventory (days)(1)	66	78	73	68

Note:

(1) Turnover of inventory (days) is calculated as the balance of inventory as at the period end, divided by sales for the period, and multiplied by 365 days for each of the years ended 31 December 2006, 2007 and 2008 or 181 days for the six months ended 30 June 2009.

Turnover days of inventory increased from 66 days for the year ended 31 December 2006 to 78 days for the year ended 31 December 2007 primarily as a result of the consolidation of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain following the SSCP Acquisition in November 2007.

Due to the above calculation method, turnover days of inventory of 78 days for the year ended 31 December 2007 took into account the full closing inventories of those acquired subsidiaries (except for Schramm Korea, as it did not carry inventories), however the consolidated sales of our Group only included the contribution from those subsidiaries since the SSCP Acquisition in November, which resulted in an extraordinary apparent increase in the figure.

In the absence of this extraordinary impact, the turnover days of inventory for the year ended 31 December 2008 decreased to 73 days, which we considered to be the result of normal business activities.

Turnover days of inventory for the six months ended 30 June 2009 decreased to 68 days from 73 days for the year ended 31 December 2008. This decrease was primarily a consequence of the freeing up of our inventory levels during this period.

ANALYSIS OF TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables, deposits, prepayment and other receivables

Our trade receivables represent trade receivable for sales of coating products. The majority of our Group's customers are granted with credit terms of 30 to 90 days or longer.

An ageing analysis of the trade receivables as at the dates specified, based on due date, is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Within 3 months	8,652	16,302	13,189	16,493
3 months to 6 months	40	1,684	3,147	2,406
6 months to 9 months	25	707	609	1,284
9 months to 1 year	16	410	478	38
More than 1 year	42	188	303	14
Total	8,775	19,291	17,726	20,235

The following table sets out a summary of our average turnover of trade receivables for the years indicated.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
Turnover of trade receivables (days)[(1)]	53	101	71	101

Note:

(1) Turnover of trade receivables (days) is calculated as the balance of trade and bills receivables as at the period end, divided by sales for the period, and multiplied by 365 days for each of the years ended 31 December 2006, 2007 and 2008 or 181 days for the six months ended 30 June 2009.

Turnover of trade receivables days increased from 53 days for the year ended 31 December 2006 to 101 days for the year ended 31 December 2007, primarily as a result of the consolidation of the Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain following the SSCP Acquisition in November 2007, as well as a significant increase in trade receivables in our Germany operations.

Due to the calculation method above, turnover of trade receivables days of 101 days for the year ended 31 December 2007 took into account the full closing trade receivables of the above acquired subsidiaries, however the consolidated sales of our Group only included the contribution from those subsidiaries since the SSCP Acquisition in November, which resulted in an extraordinary apparent increase in the figure.

In the absence of this extraordinary impact, the turnover of trade receivables days decreased to 71 days for the year ended 31 December 2008, which was brought higher primarily due to the customer base of our acquired subsidiaries having longer credit terms than our Germany operations, resulting in larger trade receivables at period end.

Turnover days of trade receivables for the six months ended 30 June 2009 increased to 101 days from 71 days for the year ended 31 December 2008. This increase was primarily due to the negative impact of the global economic crisis on sales levels during the first half of 2009, as well as a weighting of higher receivables levels towards the latter part of that period.

Our prepayments, deposits and other receivables primarily include prepayment for purchase of inventories, prepaid expenses and deposits, advances to staff, and advances to third parties.

Trade payables

Our trade payables represent trade payables to third parties. An ageing analysis of the trade payable as at the balance sheet date indicated, based on due date, is as follows.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Within 3 months	1,854	5,330	3,355	4,157
3 months to 6 months	—	379	438	19
6 months to 9 months	—	3,852	297	26
9 months to 1 year	—	—	—	44
More than 1 year	—	17	605	—
Total	1,854	9,578	4,695	4,246

The following table sets out a summary of our average turnover of trade payables for the years indicated.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
Turnover of trade payables (days)[(1)]	20	89	33	42

Note:

(1) Turnover of trade payables (days) is calculated as the balance of trade payables as at the period end, divided by cost of materials for the period, and multiplied by 365 days for each of the years ended 31 December 2006, 2007 and 2008 or 181 days for the six months ended 30 June 2009.

Turnover of trade payable days increased from 20 days for the year ended 31 December 2006 to 89 days for the year ended 31 December 2007, primarily as a result of the consolidation of Schramm Shanghai, Schramm Huizhou, Schramm Korea and Schramm Spain following the SSCP Acquisition in November 2007.

Due to the calculation method above, turnover of trade payable days of 89 days for the year ended 31 December 2007 took into account the full closing trade payables of the above acquired subsidiaries, however the consolidated cost of materials of our Group only included the contribution from those subsidiaries since the SSCP Acquisition in November, which resulted in an extraordinary apparent increase in the figure.

In the absence of this extraordinary impact, the turnover of trade payables days decreased to 33 days for the year ended 31 December 2008, which was brought higher than 2006 levels primarily due to higher trade payables balance at period end for our Germany operations.

Turnover days of trade payables for the six months ended 30 June 2009 increased to 42 days from 33 days for the year ended 31 December 2008. This increase was primarily the function of the heavily decreased cost of materials, corresponding to the decreased sales as a result of the global economic crisis.

Accrued expenses and other payables

Accrued expenses and other payables consist of payables for construction and purchase of property, plant and equipment, payables for staff related costs, payables for other taxes and others.

The following table sets forth the balance of our accrued expenses and other payables as of the specified dates.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Payables due to affiliated companies	—	961	9	—
Payables for energy supplies	32	39	70	—
Payables for personnel services	58	60	67	52
Debtors with credit balances	369	270	280	84
Sales rebate payable	—	108	98	—
Other taxes payable	357	708	1,050	936
Derivatives liabilities	—	—	—	246
Others	120	332	728	928
Total	936	2,478	2,302	2,246

Payables due to affiliated companies in 2007 are the result of the acquisition of Schramm Shanghai and Schramm Huizhou. Other taxes payable mainly represent liabilities for tax on wages and value-added tax. The amount of the value-added tax is highly depending on the development of sales and purchases in November and December of each year.

INDEBTEDNESS

Borrowings

The following table sets forth our Group's bank borrowings for the specified periods:

	As at 31 December			As at 30 June	As at 31 October
	2006	2007	2008	2009	2009
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Bank borrowings	621	18,734	26,892	24,295	29,580
Amounts due to Shareholders	12,927	—	—	—	—

The effective annual interest rates of our Group's bank borrowings loan are 4.2%, 5.3%, 5.0% and 3.9% per annum as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. As at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively, certain of our Group's bank borrowings were secured by pledge of certain property, plant and equipment of our Group of approximately €4.7 million, €4.7 million, €0.4 million and €0.4 million.

As at the Latest Practicable Date, €10 million of our previously short term borrowings had been substituted with an equivalent long term borrowing at an interest rate of 5.70% per annum.

Gearing Ratio

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Gearing ratio[1]	35%	30%	40%	37%

Notes:

1. The gearing ratio is calculated by dividing total borrowings (including amounts due to shareholders (exclude profit distribution payable to shareholders) of our Group) with total assets as at the end of respective periods multiplied by 100%.

Gearing ratio decreased from 40% as at 31 December 2008 to 37% as at 30 June 2009 primarily because of lower overall borrowings and the repayment of loans, which resulted in a larger decrease in borrowings than the more modest decrease in total assets.

Gearing ratio increased from 30% as at 31 December 2007 to 40% as at 31 December 2008 primarily because of an increase in loans by our German entities to fund the acquisitions of Schramm Shanghai and Schramm Huizhou, as well as an increase in borrowings by Schramm Shanghai and Schramm Huizhou for working capital, together with a proportionately smaller increase in total assets.

Gearing ratio decreased from 35% as at 31 December 2006 to 30% as at 31 December 2007 primarily because of an increase in our total assets due to a capital injection by SSCP.

Contingent liabilities

The following table sets out contingent liabilities, being guarantees provided by our Company in respect of banking facilities of our Group's subsidiaries, not provided for in the consolidated financial statements as at the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Joint and several liability for banking facilities	21,500	2,000	28,000	28,000

Except as otherwise disclosed in the above table and the accountant's report of our Company set out in Appendix IA to this prospectus, as at the Latest Practicable Date, we did not have any material contingent liability or guarantees. Save as disclosed above, as at 31 October 2009, being the latest practicable date for determining indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Forecast consolidated profit attributable to equity holders of our Company(1)&(2) . . . . Not less than €4.3 million (HK$50.0 million)

Forecast earnings per Share

- Pro forma fully diluted(3) . . . . Not less than €0.23 (HK$2.72)
- Weighted average(4) . . . . Not less than €0.32 (HK$3.72)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 have been prepared are set out in the section headed "Bases and Assumptions" in Appendix III of this prospectus.

(2) The forecast consolidated profit attributable to equity holders of our Company for the financial year ending 31 December 2009 prepared by our Directors is based on, in the absence of unforeseen circumstances, the audited consolidated results of our Group for the six months ended 30 June 2009, the unaudited management accounts of our Group for the four months ended 31 October 2009 and a forecast of the consolidated results of our Group for the two months ending 31 December 2009. The profit forecast has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by our Group as set out in note 2 "Summary of significant accounting policies" under section II of the accountant's report of our Company set out in Appendix IA to this prospectus.

(3) The calculation of the pro forma forecast earnings per Share on a fully diluted basis is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2009, assuming that the Global Offering was completed on 1 January 2009 and a total of 18,394,726 Shares were issued and outstanding during the entire year.

(4) The calculation of forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2009 and a weighted average number of 13,435,822 Shares expected to be in issue during the year, assuming that the Shares issued pursuant to the Global Offering will be issued on 29 December 2009.

(5) For illustrative purpose, forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2009 and forecast earnings per Share are converted into Hong Kong dollars at the exchange rate of €1.00 to HK$11.61.

DIVIDENDS

In a German stock corporation (Aktiengesellschaft, AG), resolutions concerning the distribution of dividends for a given financial year, and the amount and payment date thereof, are adopted by the general meeting of the subsequent financial year upon a joint proposal by the management board and the supervisory board.

Taking into account our present financial position, we currently intend to distribute to our Shareholders not less than 25% of our Group's annual consolidated IFRS net income in respect of the financial year ending 31 December 2010 and each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividends in such manner or declare or pay dividends at all. We cannot assure you that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

Dividends may therefore only be distributed from the distributable profit of our Company calculated pursuant to the German Commercial Code (Handelsgesetzbuch, HGB) based on our Company's net income, adjusted for profit/loss carryforwards from the prior year and release of or allocations to reserves. Certain reserves are required to be set up by law and must be deducted when calculating the profit available for distribution. The management board must prepare the financial statements (balance sheet, income statement and notes to the financial statements) and the management report for the previous financial year by the statutory deadline, and present these to the supervisory board and the auditors immediately after preparation.

Our Group had not paid any dividends during the Track Record Period. However, pursuant to the relevant profit and loss transfer agreement entered into between Grebe in 2006 and SSCP in 2007, we made profit distributions representing the amounts respectively made to Grebe and SSCP for the period before and after the acquisitions on 17 November 2007. This profit and loss transfer agreement was one of the provisions in the sale and purchase agreement between, inter alia, Grebe and SSCP in respect of SSCP's takeover of our Group in November 2007, which provided that SSCP was entitled to our Group's profits arising from the entire year ended 31 December 2007 as well as any undistributed profits from previous periods.

For subsequent years, subject to the factors described above, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, our Directors and Supervisors may recommend dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on German GAAP and IFRS, applicable laws and regulations and other factors that our Directors and Supervisors deem relevant. The distributable reserves are calculated in accordance with German GAAP. As we understand, the most significant accounting differences between IFRS and German GAAP which affect the distributable reserves of our Company are the accounting treatment of IPO costs and development costs. Under IFRS, IPO costs are directly deductible from equity while under German GAAP these costs are recognised as expenses when incurred. Development costs are recognised as intangible assets where certain criteria are met under IFRS, and are wholly expensed under German GAAP.

Under German law and the German taxation system, distributable reserves are solely calculated under German GAAP, and the effect to distributable reserves under IFRS as illustrated above is applicable to our Company and for reference only, and should not be construed as a general statement on relevant accounting treatments nor be applied to any other circumstances. The distribution of dividends for any financial year shall be subject to Shareholders' approval.

The proposal to distribute dividends of a company is at the discretion of the management board and supervisory board and is decided upon at the general meeting including the amount to be distributed. Our Directors and Supervisors may consider factors such as the liquidity of our Company, the current economic situation or any factual situation that may influence the management board and supervisory board when proposing the amount of dividends to be distributed.

There can be no assurance that dividends of such amount or any amount will either be recommended, approved by the Shareholders or distributed each year or in any year.

DISTRIBUTABLE RESERVES

As at 31 December 2008, our Company had a reserve available for distribution to its Shareholders in the amount of €7.9 million.

WORKING CAPITAL

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

OFF BALANCE SHEET TRANSACTIONS

Except for the commitments and contingent liabilities set forth above we have not entered into any material off-balance sheet transactions or arrangements.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since 30 June 2009 (being the date of our latest audited consolidated financial results as set out in "Appendix IA — accountant's report of our Company" to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2009 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as at 30 June 2009 or at any future date.

The unaudited pro forma adjusted net tangible assets is based on our audited consolidated net assets attributable to the equity holders of our Company as at 30 June 2009 as shown in the accountant's report of our Company, the text of which is set out in Appendix IA to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to our equity holders as at 30 June 2009(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted net tangible assets attributable to our equity holders(3)(4)**	**Unaudited pro forma adjusted net tangible assets per Share(5)**	
	€ '000	*€ '000*	*€ '000*	*€*	*HK$*
Based on an Offer Price of HK$29.00 per share	24,163	10,194	34,357	1.89	21.97
Based on an Offer Price of HK$45.00 per share	24,163	16,847	41,010	2.26	26.23

Notes:

(1) Our consolidated net tangible assets of our Group attributable to our equity holders as at 30 June 2009 is extracted from the accountant's report of our Company as set out in Appendix IA to this prospectus, which is based on the audited consolidated net assets of our Group attributable to our equity holders as at 30 June 2009 of €26,673,000 with an adjustment for the intangible assets as at 30 June 2009 of €2,510,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$29.00 and HK$45.00 per Share, respectively, after deduction of estimated related fees and expenses. For illustrative purpose, the estimated net proceeds are converted into Euros at the exchange rate of €1.00 to HK$11.61.

(3) Details of valuation of our properties as at 30 November 2009 are set out in Appendix IV to this prospectus. With reference to such valuation, there is a revaluation surplus of approximately €4.2 million compared to the carrying values of our properties as at 30 June 2009. We will not incorporate the revaluation surplus in our financial statements for the six months ended 30 June 2009 or the above unaudited pro forma adjusted net tangible assets because it is our accounting policies to state our property interests classified under the caption "Property, plant and equipment" in the accountant's report of our Company set out in Appendix IA to this prospectus at cost less accumulated depreciation and impairment rather than at revalued amounts. Had these property interests been stated at such valuation, an additional depreciation of €173,000 per annum would have been incurred.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2009.

(5) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustment as described in note 2 above and on the basis that 18,155,000 Shares are issued and outstanding. For illustrative purpose, the unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong Dollars at the exchange rate of €1.00 to HK$11.61.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks and foreign exchange risks in the normal course of business.

Foreign exchange risk

Exchange rate risk arises from future commercial transactions both on the purchase side from the purchase of raw materials as well as on the sales side from the sale of goods, recognised assets and liabilities.

Majority of our Group's subsidiaries conduct their transactions in their functional currencies. Our Group's operations in Europe are located in the Euro zone and majority of the sales and purchases transactions are denominated in Euros. Our Group's sales and purchases in China are mainly denominated in Renminbi while certain purchases from overseas suppliers are denominated in US dollars and Hong Kong dollars. Our Group's subsidiaries in China borrowed short-term bank loans denominated in US dollars amounted to USD 5,500,000 as at 31 December 2008 for settlement of certain account payables.

Our Group does not use foreign exchange contracts to hedge foreign exchange risk arising from sales and purchases transactions as management considers the present exposure to foreign exchange risk is not significant. Accordingly, no sensitivity analysis is presented.

Interest rate risk

As our Group has no significant interest-bearing assets, our Group's income and operating cash flows are substantially independent of changes in market interest rates.

Our Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk. Borrowings issued at fixed rates expose our Group to fair value interest rate risk. The details of our Group's borrowings are set out in note 25 under section II of the accountant's report of our Company set out in Appendix IA to this prospectus.

Majority of our Group's short-term borrowings were taken out at variable interest rate. As at 31 December 2008, our Group's borrowings at variable interest rate amounted €21,088,000. Our Group manages our cash flow interest rate risk by using variable to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Having identified our Group's exposure to interest rate fluctuations in respect of these short-term borrowings, we adopted a risk management policy to hedge against such exposure by entering into several interest rate swap contracts in respect of nominal amounts of €3 million, €5 million and €2 million, respectively, to convert our exposure from Euribor-linked variable rates to specified fixed rates of interest. The maturity periods of the current swap contracts will expire in November 2010. These interest rate swap contracts are not qualified to be classified as "effective hedge contracts" under IAS 39 as these contracts do not have the same maturity periods to the underlying bank borrowings. The fair value gain/loss on these contracts, which by theory will minimize the loss/gain on the fluctuation of the floating bank borrowing interest rates, will be charged to the income statement. It is our Group's policy to continue to consider the use of swap contracts to manage our interest rate risk where appropriate. The details of the interest rate swap contracts and the accounting treatment are set out in Note 32 and Note 2.10 under section II of the accountant's report of our Company set out in Appendix IA to this prospectus.

If interest rates had been 200 basis points higher/lower with other variables held constant, post tax profit for the years ended 31 December 2006, 2007 and 2008 and periods ended 30 June 2008 and 2009 would have been lower/higher by €209,000, €249,000, €341,000, €175,000 and €165,000 respectively, mainly as a result of interest expenses on variable rate borrowings.

The above sensitivity does not take into consideration of the effect of a higher/lower interest rate on the fair value of the derivatives designed to manage the cash flow interest risk floating to fixed interest rate swaps. The fair value of these derivatives at period end is not material.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties'' failure to perform their obligations as at the period end dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets.

Credit risk is managed by reviewing the credit worthiness of customers before entering into transactions. Our Group makes references to credit ratings from external credit agencies, if available. Payment terms and conditions are modified appropriately in response to any deterioration of the credit ratings of the customers.

Our Group has established different credit terms for customers. The average credit period granted to trade debtors was 30 to 90 days. Occasionally, certain debtors enjoy a longer credit period. Our Group reviews the recoverable amount of each individual debt at each balance sheet date, taking into account its financial position, past experience and other factors to ensure that adequate impairment loss are made for irrecoverable amounts.

Cash transactions are limited to financial institutions with high credit quality.

Our Group does not have significant exposure to any individual debtors or counterparties.

Occasionally, customers will settle after the credit period given. Management will consider various ways to handle the situation including suspension of supplies until settlement is made, taking legal action or requesting security.

Liquidity risk

Liquidity risk is managed on the basis of cash flow planning and forecast. As part of liquidity risk management, our Group monitors our liquidity requirements arising from operating activities, from investing activities and from financing activities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, our Group aims to maintain flexibility in funding by keeping committed credit lines available.

Capital risk

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a 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.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, our Group monitors capital on the basis of the gearing ratio.