SCHRAMM HOLDING AG
星亮控股股份公司*

(A joint stock company incorporated under the laws of Germany)

(Stock Code: 955)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

KEY FINANCIAL HIGHLIGHTS

- **Revenue increased by 17% to a historical high of €115.3 million (2009: €98.5 million);**
- **Core operating profit increased by 31.2% to a historical high of €9.9 million (2009: €7.6 million);**
- Profit for the year attributable to owners of the Company increased by 7.2% year on year to €4.8 million (2009: €4.5 million). The recurring net income was €6.1 million, an increase of 36% year on year based on operations without taking into account non-recurring costs associated with restructuring and expansionary investments;
- Strong financial position — current ratio and quick ratio improved to 3.88 times and 2.56 times in 2010, from 2.51 times and 1.89 times in 2009 respectively;
- Low gearing — net gearing ratio maintained at 22.0% (2009: 20.7%)

We are pleased to announce the audited consolidated results of the Group, prepared under IFRS, for the year ended 31 December 2010 together with the comparative figures in 2009. The annual results have been reviewed and approved by the Management Board and the Supervisory Board, including the audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** **€'000**	2009 €'000
Revenue	2	**115,304**	98,526
Other operating income		**643**	591
Changes in inventories of finished goods and work-in-progress		**3,361**	(823)
Cost of materials	3	**(67,964)**	(53,061)
Employee benefit expenses		**(21,940)**	(19,965)
Depreciation and amortization	4	**(3,363)**	(3,337)
Other operating expenses	4	**(17,165)**	(14,627)
Other gains, net		**1,040**	253
Core operating profit		**9,916**	7,557
Non-core operating expenses		**(950)**	—
Earnings before interests and taxes		**8,966**	7,557
Finance income		**53**	30
Finance costs		**(1,521)**	(1,587)
Profit before income tax		**7,498**	6,000
Income tax expense	5	**(2,712)**	(1,537)
Profit for year attributable to owners of the Company		**4,786**	4,463
Earnings per share			
— basic and diluted (€ per share)	6	**€0.24**	€0.33
Dividend			
— proposed final	7	**—**	1,393

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	€'000	*€'000*
Profit for the year attributable to owners of the Company	**4,786**	4,463
Exchange differences arising on the translation of the Company's foreign operations	**2,930**	(492)
Other comprehensive income for the year	**2,930**	(492)
Total comprehensive income attributable to owners of the Company	**7,716**	3,971

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current assets			
Intangible assets		**4,039**	2,829
Property, plant and equipment		**24,598**	24,831
Land use rights		**1,079**	548
Other receivables and prepayments		**43**	343
Deferred tax assets		**1,827**	2,393
		31,586	30,944
Current assets			
Inventories		**19,931**	15,689
Trade and bills receivables	8	**30,532**	30,075
Other receivables and prepayments		**2,035**	3,694
Income tax recoverable		**—**	137
Cash and cash equivalents		**4,782**	14,226
		57,280	63,821
Asset held for sale	9	**1,176**	—
		58,456	63,821
Total assets		**90,042**	94,765
EQUITY			
Capital and reserves			
Issued capital		**19,905**	19,905
Additional paid-in capital		**24,921**	24,921
Other reserves		**(12,561)**	(15,491)
Retained earnings		**22,064**	18,671
		54,329	48,006
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations		**1,110**	1,140
Provisions		**225**	721
Financial liabilities	10	**17,292**	17,406
Deferred tax liabilities		**2,037**	2,028
		20,664	21,295

	Notes	2010 *€'000*	2009 *€'000*
Current liabilities			
Trade and other payables	11	**8,084**	13,109
Provisions		**2,331**	1,342
Financial liabilities	10	**3,746**	10,393
Income tax liabilities		**888**	620
		15,049	25,464
Total liabilities		**35,713**	46,759
Total equity and liabilities		**90,042**	94,765
Net current assets		**43,407**	38,357
Total assets less current liabilities		**74,993**	69,301

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Capital and reserves attributable to owners of the Company				
	Issued capital	Additional paid-in capital	Retained earnings	Other reserves	Total equity
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
As at 1 January 2009	13,155	12,284	14,208	(7,694)	31,953
Profit for the year	—	—	4,463	—	4,463
Other comprehensive income for the year	—	—	—	(492)	(492)
Total comprehensive income for the year	—	—	4,463	(492)	3,971
Distribution to previous shareholders of subsidiaries	—	—	—	(7,305)	(7,305)
Issuance of shares for acquisition of a subsidiary	1,750	5,940	—	—	7,690
Issuance of shares for cash	5,000	11,450	—	—	16,450
Share issuance costs charged to equity	—	(4,753)	—	—	(4,753)
As at 31 December 2009	**19,905**	**24,921**	**18,671**	**(15,491)**	**48,006**
Profit for the year	**—**	**—**	**4,786**	**—**	**4,786**
Other comprehensive income for the year	**—**	**—**	**—**	**2,930**	**2,930**
Total comprehensive income for the year	**—**	**—**	**4,786**	**2,930**	**7,716**
Dividend paid	**—**	**—**	**(1,393)**	**—**	**(1,393)**
As at 31 December 2010	**19,905**	**24,921**	**22,064**	**(12,561)**	**54,329**

Notes

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. They have also been prepared in accordance with IFRS as adopted by the EU as all Standards and Interpretations that have been effective in 2010 have been endorsed by the EU and the Group has not early adopted any standards or interpretations that are not yet effective and have not yet been endorsed by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Reorganization

As mentioned in the Prospectus and the annual financial statements for the year ended 31 December 2009, the Group had undergone certain reorganizations in preparation of the listing of the shares of the Company.

As part of these reorganizations, Schramm Hong Kong acquired Schramm Tianjin and Schramm Thailand from SHHK in August 2009. These acquisitions were considered as transactions under common control.

The same basis was used in the preparation of the annual financial statements for the year ended 31 December 2009. For further details on the reorganizations, please refer to the Prospectus and the annual financial statements for the year ended 31 December 2009.

(b) Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those financial statements.

The following new standards and amendments are mandatory for the first time for the financial year beginning 1 January 2010. The adoptions of these standards do not have material impact on the results and financial position of the Group.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRSs (Amendments)	Amendments to IFRS 5, IAS 1 and IAS 7 as part of the Improvements to IFRSs issued in 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

Amendments to IAS 17 "Leases"

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The Group does not have any leasehold land that qualifies for finance lease classification.

The Group has not early applied the following new and revised Standards, Amendments to Standards and Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs issued in May 2010[1]
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
IAS 24 (Revised)	Related Party Disclosures[2]
IAS 32 (Amendments)	Classification of Rights Issues[3]
IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[7]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate, not yet endorsed by EU

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010, not yet endorsed by EU

5 Effective for annual periods beginning on or after 1 January 2013, not yet endorsed by EU

6 Effective for annual periods beginning on or after 1 January 2012

7 Effective for annual periods beginning on or after 1 July 2011

The impact on the adoptions of the above new standards, revisions and interpretations is being reviewed. The impact is anticipated to be immaterial on both the results and the financial position of the Group except for IFRS 9, for which the Company needs time to evaluate the potential impact.

2 SEGMENT REPORTING

The Group is principally engaged in the development, production and sales of automotive, coil, mobile and consumer electronics coatings and electrical paints and varnishes.

	Year ended 31 December 2009			
	Automotive and General Industry	Coil Coating	Electrical Insulations	Total
	€'000	*€'000*	*€'000*	*€'000*
SEGMENT REVENUE				
External sales	75,611	18,526	4,389	98,526
Inter-segment sales	2,553	—	—	2,553
	78,164	18,526	4,389	101,079
Elimination	(2,553)	—	—	(2,553)
Group's revenue	75,611	18,526	4,389	98,526
Segment result	6,558	949	(217)	7,290
Other unallocated expenses				(1,290)
Profit before income tax				6,000
Income tax expense				(1,537)
Profit for the year attributable to owners of the Company				4,463
Segment assets	55,120	6,902	2,005	64,027
Unallocated assets				30,738
Total assets				94,765
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment, land use rights and intangible assets	2,138	12	16	2,166
Depreciation and amortization	3,291	11	33	3,335
Finance income	21	7	2	30
Finance costs	(987)	(357)	(85)	(1,429)

	Year ended 31 December 2010			
	Automotive and General Industry	**Coil Coating**	**Electrical Insulations**	**Total**
	€'000	***€'000***	***€'000***	***€'000***
SEGMENT REVENUE				
External sales	**88,938**	**21,244**	**5,122**	**115,304**
Inter-segment sales	**4,821**	**—**	**—**	**4,821**
	93,759	**21,244**	**5,122**	**120,125**
Elimination	**(4,821)**	**—**	**—**	**(4,821)**
Group's revenue	**88,938**	**21,244**	**5,122**	**115,304**
Segment result	**11,219**	**456**	**(13)**	**11,662**
Other unallocated expenses				**(4,164)**
Profit before income tax				**7,498**
Income tax expense				**(2,712)**
Profit for the year attributable to owners of the Company				**4,786**
Segment assets	**57,626**	**6,098**	**1,816**	**65,540**
Unallocated assets				**24,502**
Total assets				**90,042**
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment, land use rights and intangible assets	**3,602**	**436**	**104**	**4,142**
Depreciation and amortization	**2,356**	**761**	**184**	**3,301**
Finance income	**50**	**—**	**—**	**50**
Finance costs	**(758)**	**(421)**	**(101)**	**(1,280)**

The Company is domiciled in Germany. Revenue by geographical area is analyzed as follows:

	2010	2009
	€'000	*€'000*
Germany	**41,505**	33,376
EU countries other than Germany	**21,267**	19,972
PRC	**36,606**	36,015
Korea	**13,376**	7,090
Other Asian countries	**2,550**	2,073
Revenue	**115,304**	98,526

No individual customer accounted for more than 10% of total sales volume.

Non-current assets by geographical area are analyzed as follows:

	2010	2009
	€'000	*€'000*
Germany	**18,365**	19,381
EU countries other than Germany	**2,413**	2,541
PRC	**7,838**	5,772
Korea	**62**	3
Other Asian countries	**1,038**	511
	29,716	28,208
Other receivables and prepayments	**43**	343
Deferred tax assets	**1,827**	2,393
Total non-current assets	**31,586**	30,944

3 COST OF MATERIALS

	2010	2009
	€'000	*€'000*
Purchase of raw materials, supplies and goods	**67,354**	52,475
Other services	**610**	586
	67,964	53,061

For the year ended 31 December 2010, the cost of materials included write-down of inventories to their net realizable values of €245,000 (2009: €976,000).

4 DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES

	2010	2009
	€'000	*€'000*
Auditors' remuneration	**256**	241
Depreciation and amortization	**3,363**	3,337
Freight charges	**3,389**	2,952
Legal and consulting expenses	**1,445**	972
Energy and water costs	**1,529**	1,561
Repair and maintenance costs	**1,780**	1,258
Travelling expenses	**1,628**	1,337
Operating lease rental in respect of buildings, equipments and motor vehicles	**1,125**	1,220
Others	**6,013**	5,086
Total depreciation, amortization and other operating expenses	**20,528**	17,964

5 INCOME TAX EXPENSE

The Company and Schramm Coatings GmbH are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate for the year ended 31 December 2010 is 31% (2009: 31%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing on the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2010	2009
	€'000	*€'000*
Current income tax	**2,079**	1,746
Deferred tax	**633**	(209)
	2,712	1,537

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit for the year attributable to owners of the Company *(€'000)*	**4,786**	4,463
Weighted average number of shares in issue *(thousand of shares)*	**19,905**	13,682
Basic earnings per share *(€)*	**0.24**	0.33

Diluted earnings per share equals to basic earnings per share as there was no outstanding share options or warranties on other instruments that would have a dilutive impact during both years.

7 DIVIDEND

	2010	2009
	€'000	*€'000*
Proposed final cash dividend of nil (2009: €0.07) per share	**—**	1,393

During the Supervisory Board meeting held on 17 March 2011, the Supervisory Board resolved not to propose any dividend for the year ended 31 December 2010.

8 TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables are analyzed as follows:

	2010	2009
	€'000	*€'000*
Trade receivables — related parties	**495**	5,117
Trade receivables — third parties	**28,728**	24,278
Trade receivables, gross	**29,223**	29,395
Bills receivables	**2,111**	1,213
Total trade and bills receivables, gross	**31,334**	30,608
Less: provision for impairment of receivables	**(802)**	(533)
	30,532	30,075

The carrying amounts of the Group's trade and bills receivables approximate their fair value at the reporting date. There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers dispersed internationally. The maximum exposure to credit risk at the reporting date is the fair value of receivables set out above.

The majority of the Group's customers are granted with credit terms of 30 to 90 days. Occasionally, certain customers enjoy a longer credit period. Ageing analysis of trade and bills receivables presented based on the invoice date at the reporting date is as follows:

	2010	2009
	€'000	*€'000*
Within 3 months	**21,694**	19,278
3 to 6 months	**6,929**	10,313
6 to 9 months	**822**	445
9 to 12 months	**715**	16
Over 12 months	**1,174**	556
	31,334	30,608

9 ASSET HELD FOR SALE

On 21 June 2010, Schramm Hong Kong, a subsidiary of the Company, entered into Series B Preferred Stock Purchase Agreement acquiring 3,571,428 Series B Preferred Stock in Inlustra for US$1,500,000. Investment in Inlustra was expected to allow the Group to leverage its electrical insulation product-related client base to gain access and approvals to market Inlustra's product. Accordingly, investment in Inlustra was classified as an associate because the Group has significant influence in Inlustra. The management considered that the financial result of Inlustra was insignificant; therefore, the Group did not equity account for the result of Inlustra after the investment.

Thereafter, through discussions with the management of Inlustra post investment, the Company found that Inlustra development plans and schedule had changed and would require much more time and resources than originally expected. Thus, the Company subsequently identified an interested third party buyer who wants to acquire such investment from Schramm Hong Kong at a consideration of US$1,500,000. The sales of Inlustra is being processed up to the reporting date, and as a result, investment in Inlustra was reclassified as asset held for sale at 31 December 2010. No gain or loss is expected from such disposal.

10 FINANCIAL LIABILITIES

The Group's financial liabilities are analyzed as follows:

	2010	2009
	€'000	*€'000*
Bank borrowings	**20,091**	26,739
Finance leases liabilities	**947**	1,060
	21,038	27,799
Less: current portion of bank borrowings	**(3,639)**	(10,286)
current portion of finance leases liabilities	**(107)**	(107)
Current portion of financial liabilities	**(3,746)**	(10,393)
Non-current financial liabilities	**17,292**	17,406

11 TRADE AND OTHER PAYABLES

The Group's trade and other payables are analyzed as follows:

	2010	2009
	€'000	*€'000*
Trade payables — third parties	**5,760**	4,623
Trade payables — related parties	**219**	2,504
	5,979	7,127
Other payables	**2,105**	5,982
	8,084	13,109

The credit terms granted by the suppliers of the Group are usually 30 days. Ageing analysis of the Group's trade payables presented based on the invoice date at the reporting date is as follows:

	2010	2009
	€'000	*€'000*
Within 3 months	**5,058**	6,761
3 to 6 months	**760**	251
6 to 9 months	**1**	10
9 to 12 months	**21**	3
Over 12 months	**139**	102
	5,979	7,127

The fairs values of the Group's trade and other payables are approximately the same as their carrying values.

REVIEW OF MARKET SITUATION AND OPERATIONS

With the global economic recovery of 2010, Schramm achieved historical highs in both revenue and core operating profit of €115.3 million (2009: €98.5 million) and €9.9 million (2009: €7.6 million) respectively. Schramm's revenue increased by 17% with all of our business segments enjoying double digit growth. The strongest contributors to this growth comprised our global revenue from the automotive business along with our waterborne revenue in China. Total material costs as a percentage of revenue was relatively stable as most of the increase of 1.3% in excess of the increase of revenue was due to a change in Schramm's regional sales mix. Personnel costs and other operating expenses were higher than expected as Schramm recorded much restructuring costs and expansionary investments that had not been present in the previous year. Without such costs, Schramm's recurring net income was €6.1 million (2009: €4.5 million), a 36% increase over the previous year's.

Schramm's financial position continued to be and remains healthy as liquidity ratios improved with current and quick ratios of 3.88 times and 2.56 times respectively (2009: 2.51 times and 1.89 times respectively). The net gearing of Schramm remains relatively low at 22.0% (2009: 20.7%).

Remarks:

Schramm underwent certain internal restructuring and incurred expansionary investments. In the opinion of the management, these costs were an added burden for Schramm in 2010 not present in the previous year. The following is an analysis on the consolidated income statement differentiating the costs associated with restructuring and expansionary investments from the Group's recurring operation.

	2010			2009
	Audited	**Recurring**	**Non-recurring**	Audited
	€'000	***€'000***	***€'000***	*€'000*
Revenue	**115,304**	**115,304**	—	98,526
Other operating income	**643**	**643**	—	591
Change in inventories of finished goods and work-in-progress	**3,361**	**3,361**	—	(823)
Costs of materials	**(67,964)**	**(67,964)**	—	(53,061)
Employee benefit expenses	**(21,940)**	**(21,607)**	**(333)**	(19,965)
Depreciation and amortization	**(3,363)**	**(3,363)**	—	(3,337)
Other operating expenses	**(17,165)**	**(16,916)**	**(249)**	(14,627)
Other gains, net	**1,040**	**1,040**	—	253
Core operating profit	**9,916**	**10,498**	**(582)**	7,557
Non-core operating expenses	**(950)**	**—**	**(950)**	—
Earnings/(losses) before interests and taxes	**8,966**	**10,498**	**(1,532)**	7,557
Finance income	**53**	**53**	—	30
Finance costs	**(1,521)**	**(1,521)**	—	(1,587)
Profit before income tax	**7,498**	**9,030**	**(1,532)**	6,000
Income tax expense	**(2,712)**	**(2,950)**	**238**	(1,537)
Net profits/(losses)	**4,786**	**6,080**	**(1,294)**	4,463

Based on the above pro-forma figures, which exclude costs not related to Schramm's 2010 core operations:

- employee benefit expenses would have been €21.6 million (2009: €20.0 million), an increase of 8.2% year on year;
- other operating expenses would have been €16.9 million (2009: €14.6 million), an increase of 15.6% year on year;
- no non-core operating expenses would have been incurred; but
- tax expenses would have been €238,000 higher, which represents the tax impact associated with the above costs not related to Schramm's 2010 recurring operations.

REVENUE

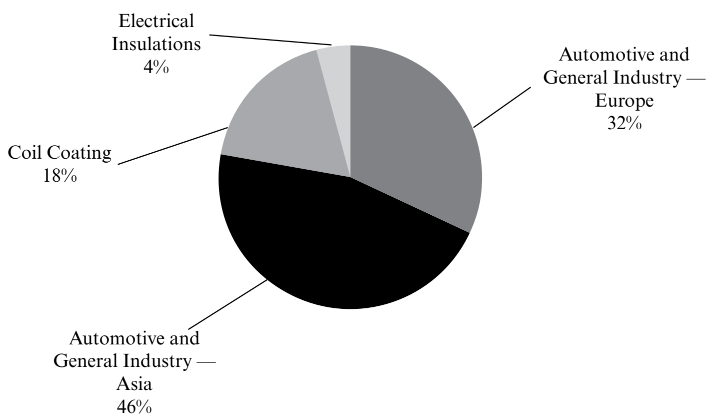
Revenue of 2010 reached €115.3 million (2009: €98.5 million), which represents an increase of 17.0% versus 2009. All operating segments from both our European and Asian operations contributed to the increase in revenue. Revenue by our European operation improved by 17.6% to €62.8 million (2009: €53.3 million) and revenue by our Asian operation increased by 16.3% to €52.5 million (2009: €45.2 million).

Schramm's revenue growth was highlighted by two key trends.

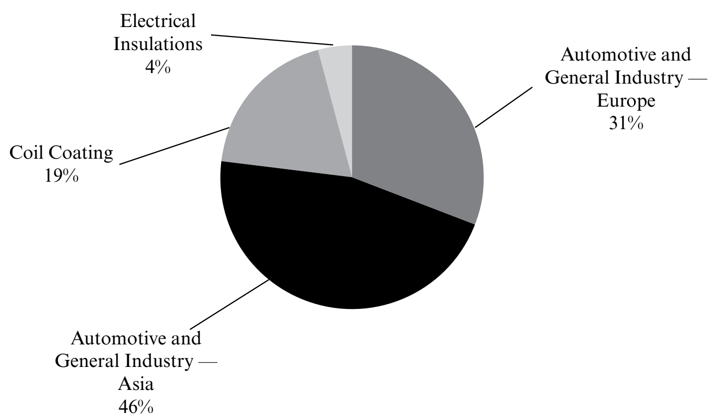
The automotive industry, one of the hardest hit industries during the downturn, flourished in 2010. The majority of Schramm's revenue is automotive related and this industrial trend, in addition to additional projects won by Schramm, paved the way for Schramm's record year in revenue.

Our waterborne revenue in China grew by 90% which is in line with our strategy and view that China's demand for environmentally friendly coatings will continue to increase.

For the year ended 31 December 2010



For the year ended 31 December 2009



Automotive and general industry

In the automotive and general industry segment, our coatings are used in automotive, mobile phones, notebooks, and consumer electronic products which provide decorative, protective and functional value to the end products.

Europe

The automotive and general segment for our European operation mainly consists of coatings for the automotive industry in Europe.

Revenue of the automotive and general segment from our European operation grew to €36.4 million (2009: €30.4 million), a 19.6% increase year on year.

This high growth rate was mainly due to the recovery of the global economy, especially of the European automotive industry which was one of the hardest hit during the 2008 and 2009 downturn. Germany, where our main operation is located, has led Europe in the strong recovery and, as such, our European revenue recorded growth rates well above historical levels. In addition, we did not release any key R&D employees during the downturn which in turn strategically placed Schramm in a strong position to capture new projects during the 2010 recovery.

Asia

The automotive and general segment for our Asian operation mainly consists of coatings for the mobile phone, notebook, consumer electronic, and automotive industries in China, Korea, and Southeast Asia.

Revenue of the automotive and general segment from our Asian operation grew to €52.5 million (2009: €45.2 million), a 16.3% increase year on year.

The growth in Asia was highlighted by a strong performance of 88.7% growth in our Korean operation and an increase of 90% in revenue of our waterborne products in China. Relative to the recovery in the global automotive industry, we witnessed a stronger growth in demand and production of Korean automotives. As a result, our Korean operations flourished in the year 2010. In China, demand for waterborne coatings continued to grow and our China automotive business benefited from this increase in demand.

Coil coating

Our coil coating business is predominantly in Europe where we supply coatings for large steel and aluminum coil manufacturers. Our customers use our coatings to produce "pre-coated" metals which can be coated with several layers to increase product performance through high surface conductivity, corrosion protection and wear resistance. Our coil coating products are mainly found in pre-coated metals, which are mainly used in the construction sector such as road signs, roofs, elevators/lifts and buildings.

Revenue from the coil coatings segment increased by 14.7% to €21.2 million (2009: €18.5 million). The improvement came from both additional projects won and the recovery of the general economy.

Electrical insulations

Revenue from the electrical insulations segment increased by 16.7% to €5.1 million (2009: €4.4 million). This increase was mainly due to the general recovery of the economy.

COSTS

The year 2010 was also a year where Schramm underwent certain internal restructuring along with expansionary investments for the future. Without much contribution in revenue, these costs were an added burden for Schramm in 2010 which were not present in 2009. We believe that the restructuring was onetime event and are confident that such changes have not, and will not, materially affect our long term day to day operations.

Excluding the above added costs, 2010 also marked a record year in profits. Recurring core-operating profit reached €10.5 million (2009: €7.6 million), an increase of 38.9% year on year respectively. Not having to release key personnel during the downturn, Schramm enjoyed higher profitability as productivity increased and reaped benefits from economies of scale.

MATERIAL COSTS

	2010	2009
	€'000	*€'000*
Changes in inventories of finished goods and work-in-progress	**(3,361)**	823
Costs of materials	**67,964**	53,061
Total materials costs	**64,603**	53,884
As a percentage of revenue	**56.0%**	54.7%

Total material costs increased by 19.9%, compared to the 17.0% increase in revenue. The increase was largely in line with the revenue growth after taking into account the higher material costs due to the change in regional sales mix outweighing the lower material costs due to the change in product sales mix. In 2010, the automotive and general industry segment, which is generally associated with lower material costs, grew more than the other segments in revenue lowering Schramm's overall material costs. Schramm's revenue in Korea has higher material costs compared to our other regional operations as our Korean operation is a sales and distribution business with outsourced production. The relatively higher revenue contribution from our Korean operation resulted in a slight increase in Schramm's total material costs as a percentage of revenue.

EMPLOYEE BENEFIT EXPENSES

	2010	2009
	€'000	*€'000*
Employee benefit expenses	**21,940**	19,965
As a percentage of revenue	**19.0%**	20.3%

Employee benefit expenses increased by 9.9% in 2010 versus 2009, predominately due to increased sales and production, Schramm made additional hirings for the compliance, finance and controlling departments, and personnel were hired in preparation for Schramm's expansion into Vietnam, China R&D centre, and expansion into other geographical locations.

Employee benefit expenses did not increase as much as revenue; as these expenses as a percentage of revenue decreased by 1.3% due to increased productivity outweighing the costs from additional hiring.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization in 2010 remained fairly stable, €3.4 million in 2010 compared to €3.3 million in 2009. There was no significant change in depreciable assets of Schramm in 2010.

OTHER OPERATING EXPENSES

	2010	2009
	€'000	*€'000*
Other operating expenses	**17,165**	14,627
As a percentage of revenue	**14.9%**	14.8%

Other operating expenses increased by 17.4%, approximately the same as the 17.0% increase in revenue. The increase was mainly due to increased revenue and production, Schramm's additional cost of strengthening its compliance, finance and controlling departments, and costs related to the preparation for Schramm's expansion into Vietnam, China R&D centre, and expansion into other geographical locations.

NON-CORE OPERATING EXPENSES

In 2010, Schramm underwent certain internal restructuring. These costs were mainly the result of compensation payments made to a former director and the legal costs in relation to the advice provided to the Supervisory Board on this matter.

Other than the restructuring related costs, we incurred costs for an extraordinary general meeting to approve the revised cap on the connected transactions with our major shareholder, SSCP.

These costs are not part of the core operation and are non-recurring costs.

FINANCE COSTS

	2010	2009
	€'000	*€'000*
Finance costs	**1,521**	1,587
Earnings before interests and taxes	**8,966**	7,557
Interest coverage (i.e. Earnings before interests and taxes/ finance costs)	**5.89x**	4.76x

The finance costs in 2010 decreased slightly compared to 2009. This was due to the net impact of (i) the reduction in bank borrowings and (ii) a higher average interest rate from converting a majority of our short-term borrowings to long term.

The management evaluates the health of its debt financing by the interest coverage ratio. The interest coverage ratio increased by 1.13 times to 5.89 times. It is considered that the existing interest coverage ratio is at healthy level and will be monitored continuously.

TAX EXPENSES

Tax expenses increased by 76.4% to €2.7 million (2009: €1.5 million) due to a higher taxable income and significant additional costs in relations to non-core operating expenses and expansionary investments without tax benefits.

BUSINESS OUTLOOK

Schramm has set ambitious goals and targets for 2011. By the end of the first half of 2011, Schramm will start manufacturing and servicing to clients in Vietnam, a country dubbed as many as the next China, and will start operating our central R&D centre in Tianjin, Schramm's R&D capabilities expected to assist and increase our China market positioning long term towards levels that Schramm enjoys in Europe.

While a strong global and automotive recovery, especially in our developed markets, drove Schramm's growth in 2010, we expect that growth rates from our operations in developed markets will come down to reasonable levels and that continued double digit growth rates from operations in developing markets, mainly China, will be the key growth driver for 2011.

Although no one can accurately predict the future, especially now with volatile commodity markets, inflation, political unrest, and an unstable global recovery, Schramm will grow successfully and persevere as it has for the last 200 years as this is embedded into our corporate culture.

LIQUIDITY AND FINANCIAL RESOURCES

Schramm continued to be in a strong financial position as at 31 December 2010. Net asset value of the Group as at 31 December 2010 was €54.3 million, compared to €48.0 million as at 31 December 2009.

(a) Gearing ratio

	2010	2009
	€'000	*€'000*
Total bank borrowings	**20,091**	26,739
Less: cash and cash equivalents	**(4,782)**	(14,226)
Net borrowings	**15,309**	12,513
Total equity	**54,329**	48,006
Total capital employed	**69,638**	60,519
Gearing ratio (i.e. net borrowings/total capital employed)	**22.0%**	20.7%

Gearing ratio is being maintained at a low level, at 22.0% as at 31 December 2010, compared to that as at 31 December 2009, at 20.7%. The slight increase in the gearing ratio was due to the additional investments made in the 2010, which reduced the cash and cash equivalents thus increased the net borrowings.

(b) Current ratio and quick ratio

In managing the Group's liquidity, we generally evaluate the current ratio and the quick ratio.

	2010	2009
	€'000	*€'000*
Current assets	**58,456**	63,821
Current liabilities	**15,049**	25,464
Current ratio (i.e. current assets/current liabilities)	**3.88x**	2.51x

In addition to repaying a net amount of €6.6 million bank borrowings in 2010, we changed most of the short-term bank borrowings to long term in order to provide financial stability. As a result, the current ratio improved from 2.51 times to 3.88 times.

	2010	2009
	€'000	*€'000*
Current assets excluding inventories	**38,525**	48,132
Current liabilities	**15,049**	25,464
Quick ratio (i.e. current assets excluding inventories/current liabilities)	**2.56x**	1.89x

The quick ratio improved from 1.89 times in 2009 to 2.56 times in 2010. Both the current ratio and the quick ratio are at healthy levels and again, the improvement in quick ratio was mainly due to the short-term bank borrowings having been converted into long term.

Profitability

The core operating profit margin, earnings before interests and taxes margin and net profit margin:

	2010	2009
	€'000	*€'000*
Core operating profit margin	**8.6%**	7.7%
Earnings before interests and taxes margin	**7.8%**	7.7%
Net profit margin	**4.2%**	4.5%

The core operating profit margin improved in 2010 mainly due to the improvement in revenue and higher utilization of our fixed costs. However, non-core operating expenses distorted the earnings before interests and taxes margin and net profit margin resulting in 2010 margin rates similar to the ones in 2009.

FOREIGN EXCHANGE RISK MANAGEMENT

Schramm reports its results based on its presentation currency — the Euro. Our European operation has minimal exposure to foreign exchange risk as most transactions are settled in Euro currency. Schramm's exposure on foreign exchange risk is mainly in our Asian operation where multiple currencies are handled such as the RMB, Korean Won, US Dollar, and Thai Baht.

Within our Asian operations, most transactions are independent of our European operations and have minimal transactions settled in the Euro. Thus, fluctuations in the Euro do not have significant direct impact in the regional operations. With the foreign currency exposure that they do have, part of the foreign exchange risk is minimized through "natural hedge".

Other than those being naturally hedged, Schramm has a dedicated team to monitor the open exposure. When necessary, Schramm will enter into straight currency forward contracts to hedge the open positions.

As at 31 December 2010, Schramm did not enter into any financial derivatives and it is Schramm's policies not to enter into financial derivatives for speculation.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2010, the Group had capital commitments amounting to €2.2 million (2009: nil), of which €307,000 was contracted but not provided for and €1.9 million was authorized but not contracted for.

In addition, Schramm also has entered into certain operating lease contracts for which the future aggregate minimum lease payments equaled to €2.0 million and can be analyzed as follows:

	2010	2009
	€'000	*€'000*
Within one year	**581**	618
In the second to fifth year inclusive	**840**	167
Over five years	**588**	—
	2,009	785

Saved as disclosed above, there are no material obligations not disclosed in the consolidated statement of financial position.

PLEDGE OF ASSETS

As at 31 December 2010, Schramm pledged certain property, plant and equipments amounting to approximately €409,000 (2009: €409,000), inventories and receivable of approximately €20.7 million (2009: nil) have been assigned as collateral for the bank borrowings.

HUMAN RESOURCES

As at 31 December 2010, Schramm had approximately 791 (2009: 819) employees. Schramm continues to offer market comparable remuneration packages and provide continuous training to its employees aiming to attract and retain top quality talent to ensure smooth operation and facilities Schramm's constant expansion.

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board are committed to creating value and maximizing returns to the shareholders of the Company while striving to maintain high standards of corporate governance. The Supervisory Board and the Management Board will continue to review and enhance the quality of corporate governance practices with reference to local and international standards.

The Company had in principle complied with the recommendations of the DCGK with the exceptions set out in the compliance statement pursuant to Section 161 German Stock Corporation Act. In addition, the Management Board and the Supervisory Board have also considered all the additional requirements under the HKCG Code as set out in Appendix 14 to the Listing Rules and are of the opinion that the Company has complied with all applicable requirements, except for Section E1.2 of the HKCG that states "The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval."

The Management Board and the independent board (comprising the independent supervisors) of the Company have not appointed a chairman to the Management Board and the independent board, respectively.

Mr. Jung Hyun OH, the Chairman of the supervisory board and the chairman of the remuneration committee, attended the Company's 2010 AGM held on 11 June 2010, to answer any questions raised by the shareholders. Mr. Choong Min LEE, the Chairman of the audit committee, did not attend the Company's 2010 AGM due to his other business commitments. However, the management board members, the senior management members, the independent financial advisor (for the EGM held on 31 August 2010) and the Company's auditors (for the AGM held on 11 June 2010) attended the respective general meetings and prepared themselves to answer questions raised in the meetings. The Management considers the absence of the Chairman of the Management Board and the independent committee would not affect the shareholders' rights as all necessary information has been set out in the circulars sent to the shareholders at least 37 days prior to the meetings and the other members of the Management Board were present in the meetings to answer shareholders' enquiries.

The Company has established an internal compliance team which is in charge of the overall compliance, risk management and internal audit. It is also responsible for overseeing the implementation of the Company's internal compliance guidelines so as to ensure that all the requisite requirements are complied with.

Two committees, being the audit committee and the remuneration committee, have been established, on no less exacting terms than those set out in DCGK or HKCG Code.

AUDIT COMMITTEE

The primary duties of the audit committee are handling of accounting, risk management and compliance issues, making recommendation on appointment of auditors to be elected at the general meeting, monitoring the internal control system and providing advice and comments to the Management Board. The audit committee also makes a preliminary examination of the financial statements. The audit committee is also empowered to review and report to the Management Board on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

Mr. Choong Min LEE and Mr. Bang Seon KO are members of the Korean Institute of Certified Public Accountants and possess the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules.

Before approving the financial statements for the year ended 31 December 2010, the audit committee has reviewed the accounting principles and practices adopted by the Group. External auditors and senior management also met with the audit committee to answer questions. After the meeting, the audit committee recommended the Supervisory Board to approve the annual financial statements. Such approval was granted during a Supervisory Board meeting held on 17 March 2011.

MODEL CODE FOR SECURITIES

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code for dealing in securities by the directors of the Company. Based on specific enquiry with the Directors and the Supervisors confirmed that they have complied with the required standards as set out in the Model Code throughout the period from 1 January 2010 to the date of the report.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities throughout the period from 1 January 2010 to the date of this announcement. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period from 1 January 2010 to the date of this announcement.

FINAL DIVIDEND

The Supervisory Board has decided not to declare a final dividend for the financial year ended 31 December 2010 (2009: €0.07 per share).

PUBLICATION OF THE ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting is expected to be held on or about 10 June 2011, details of which will be disclosed in the notice to annual general meeting. The 2010 annual report and the notice of annual general meeting will be dispatched to the shareholders and available on the Company's website at www.schramm-holding.com and HK Exnews at www.hkexnews.hk on or about 22 April 2011.

By Order of the Board
Kyung Seok CHAE
Director

Hong Kong, 17 March 2011

At the date of announcement,

Management board comprises of:

Mr. Peter BRENNER
Mr. Kyung Seok CHAE
Dr. Sung Su HAN

Supervisory Board comprises of:

Mr. Jung Hyun OH
Mr. Jeong Ghi KOO
Mr. Min Koo SOHN
Mr. Bang Seon KO#
Mr. Choong Min LEE#
Mr. Kiyoung SHIN#

\# *Independent supervisors*
* *For identification purpose only*

DEFINITION

the "Company"	Schramm Holding AG
DCGK	Government Commission German Corporate Code (Regierungskommission Deutscher Corporate Governance Kodex)
EU	European Union
the "Group"	Schramm Holding AG and its subsidiaries
Euro(s) or "€"	the lawful currency of the member states of the EU that adopt the single currency in accordance with the Trusty establishing the European Community (as amended and supplemented from time to time)
HKCG Code	Code on Corporate Governance Practices
HKSE	The Stock Exchange of Hong Kong Limited
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Inlustra	Inlustra Technologies, Inc., a company incorporated under the State of California, the United States of America
Listing Rules	The Rules Governing the Listing of Securities on the HKSE
Management Board	The Management Board of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
"PRC" or/"China"	The People's Republic of China
Prospectus	The Company's prospectus dated 15 December 2009 for the purpose of the initial listing of the shares of the Company on the HKSE
RMB	Renminbi, the lawful currency of the PRC
Schramm Thailand	Schramm SSCP (Thailand) Co., Ltd., formerly known as "Samsung Chemical Paint (Thailand) Co. Ltd, a company incorporated in Thailand and is a subsidiary which is legally owned as 99.96% by the Company
Schramm Tianjin	Schramm SSCP (Tianjin) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
SHHK	SSCP Holdings (Hong Kong) Limited, formerly known as "Samsung Bestview (Hong Kong) Co., Limited, a wholly owned subsidiary of SSCP
SSCP	SSCP Co. Ltd, a company incorporated in Korea and listed on the Korean Securities Dealers Automated Quotations Market Division of the Korea Exchange

Schramm Hong Kong	Schramm SSCP (Hong Kong) Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
Supervisory Board	The Supervisory Board of the Company