SCHRAMM HOLDING AG
星亮控股股份公司*

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

(Stock Code: 955)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

KEY HIGHLIGHTS

- Revenue increased by 6.9% to a historical interim high of €61.0 million (interim 2010: €57.1 million);
  - — Revenue from automotive business increased by more than 15% globally and approximately 30% in Asia year on year due to higher than expected volume and new projects
  - — Consumer electronics and home appliances in Asia increased by more than 20% year on year due to higher than expected volume
  - — High growth from automotive and consumer electronics partially offset by a double digit decline in revenue from mobile business;

- Profitability affected by unexpected spike in raw material costs;
  - First half 2011 EBITDA and core-operating profit recorded €6.1 million and €4.4 million respectively
  - First half 2011 EBITDA and core-operating profit margins declined from 11.9% and 9.0% to 10.0% and 7.2% year on year respectively
  - Effect of unexpected spike in raw material costs, mostly from Europe, on pre-tax profit was approximately €1.2 million for the first half of 2011; EBITDA and core-operating profit margins would be 12% and 9.2% without this impact
- Healthy liquidity — current ratio and quick ratio was 2.99x and 1.87x as of 30 June 2011, decreased from 3.88x and 2.56x as of 31 December 2010. Schramm continued to make investments, mainly in Vietnam in the first half of 2011. Therefore, the net cash level has reduced;
- Appropriate gearing — net gearing ratio at 27.0% (31 December 2010: 22.0%).

We are pleased to announce the unaudited results of Schramm Holding AG (the "Company" or "Schramm") and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period of 2010 (the "Interim Results"). The Interim Results have been reviewed and approved by the Company's management board (the "Management Board" or the"Board") and supervisory board (the "Supervisory Board").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Notes	***€'000***	*€'000*
Revenue	2	**61,027**	57,073
Other operating income		**242**	301
Changes in inventories of finished goods and work-in-progress		**576**	1,702
Cost of materials		**(35,128)**	(32,904)
Employee benefit expenses		**(11,671)**	(10,836)
Other operating expenses		**(9,259)**	(9,077)
Other gains, net		**345**	533
Earnings before interest, taxes, depreciation and amortization		**6,132**	6,792
Depreciation and amortization		**(1,709)**	(1,680)
Earnings before interest and taxes/core-operating profit	3	**4,423**	5,112
Finance income		**13**	94
Finance costs		**(684)**	(827)
Profit before income tax		**3,752**	4,379
Income tax expense	4	**(1,238)**	(1,554)
Profit for the period attributable to the owners of the Company		**2,514**	2,825
Earnings per share — basic and diluted (€ per share)	5	**€0.13**	€0.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	***€'000***	*€'000*
Profit for the period attributable to the owners of the Company		**2,514**	2,825
Other comprehensive (expenses)/income:			
— Exchange differences arising on the translation of the Company's foreign operations	7	**(2,554)**	4,842
Total comprehensive (expenses)/income attributable to the owners of the Company		**(40)**	7,667

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**Unaudited 30 June 2011 €'000**	Audited 31 December 2010 €'000
ASSETS			
Non-current assets			
Intangible assets		**4,266**	4,039
Property, plant and equipment		**25,856**	24,598
Land use rights		**974**	1,079
Other receivables and prepayments		**71**	43
Deferred tax assets		**1,474**	1,827
		32,641	31,586
Current assets			
Inventories		**23,346**	19,931
Trade and bills receivables	6	**32,508**	30,532
Other receivables and prepayments		**2,006**	2,035
Cash and cash equivalents		**3,697**	4,782
		61,557	57,280
Asset held for sale		**1,042**	1,176
Total assets		**95,240**	90,042
EQUITY			
Capital and reserves			
Issued capital	7	**19,905**	19,905
Additional paid-in capital	7	**24,921**	24,921
Other reserves	7	**(15,115)**	(12,561)
Retained earnings	7	**24,578**	22,064
		54,289	54,329

	Note	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations		**1,101**	1,110
Provisions		**164**	225
Bank borrowings		**15,931**	16,452
Financial lease liabilities		**792**	840
Deferred tax liabilities		**2,016**	2,037
		20,004	20,664
Current liabilities			
Trade and other payables	8	**9,191**	8,084
Provisions		**2,942**	2,331
Bank borrowings		**7,812**	3,639
Financial lease liabilities		**100**	107
Income tax liabilities		**902**	888
		20,947	15,049
Total liabilities		**40,951**	35,713
Total equity and liabilities		**95,240**	90,042
Net current assets		**41,652**	43,407
Total assets less current liabilities		**74,293**	74,993

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June	
	2011	2010
	€'000	*€'000*
Total equity as at 1 January (audited)	**54,329**	48,006
Profit for the period	**2,514**	2,825
Exchange differences arising on the translation of the Company's foreign operations	**(2,554)**	4,842
Total comprehensive (expenses)/income for the period	**(40)**	7,667
2010 Final dividend paid	**—**	(1,393)
Total equity as at 30 June (unaudited)	**54,289**	54,280

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

Interim financial information has been reviewed by the Company's audit committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This Interim Financial Information has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This Interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which had been prepared in accordance with International Financial Reporting Standard ("IFRS").

1.2 Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied the following new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB:

IFRSs (Amendments) Improvements to IFRSs issued in May 2010

IAS 24 (Revised) Related Party Disclosures

IAS 32 (Amendments) Classification of rights issues

IFRIC 14 (Amendments) — Prepayments of a Minimum Funding Requirement

IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised IFRSs in the interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised standards that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipates that the adoption of the above new standards and the other minor revisions on standards and interpretations will not have material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The management considers the Group has three operating segments, including Automotive and General Industry, Coil Coating and Electrical Insulations, which are based on the internal organization and reporting structure.

The "Automotive and General Industry" segment is engaged in the development, manufacturing and sales of metal, plastic and powder coatings for corrosion protection and surface refinement for automotive industry and varnishes used as coatings for consumer electronics.

The "Coil Coating" segment is engaged in the development, manufacturing and sale of specialty varnishes and functional coatings, which include the construction industry, automotive and transport systems and coatings for white and brown goods.

The "Electrical Insulation" segment is engaged in the development, manufacturing and sale of insulating varnishes and filling compounds for ballasts and armature coils.

For the six months ended 30 June 2011 (unaudited)

	Automotive and general industry *€'000*	Coil coating *€'000*	Electrical insulations *€'000*	Total *€'000*
SEGMENT REVENUE				
External sales	**47,459**	**10,922**	**2,646**	**61,027**
Inter-segment sales	**2,895**	**—**	**—**	**2,895**
	50,354	**10,922**	**2,646**	**63,922**
Elimination	**(2,895)**	**—**	**—**	**(2,895)**
Group's revenue	**47,459**	**10,922**	**2,646**	**61,027**
Segment result	**5,440**	**203**	**(17)**	**5,626**
Other unallocated expenses				**(1,874)**
Profit before income tax				**3,752**
Income tax expense				**(1,238)**
Profit for the period attributable to the owners of the Company				**2,514**
Segment assets	**63,391**	**6,902**	**2,011**	**72,304**
Unallocated assets				**22,936**
Total assets				**95,240**

For the six months ended 30 June 2010 (unaudited)

	Automotive and general industry *€'000*	Coil coating *€'000*	Electrical insulations *€'000*	Total *€'000*
SEGMENT REVENUE				
External sales	43,864	10,542	2,667	57,073
Inter-segment sales	2,511	—	—	2,511
	46,375	10,542	2,667	59,584
Elimination	(2,511)	—	—	(2,511)
Group's revenue	43,864	10,542	2,667	57,073
Segment result	6,729	832	82	7,643
Other unallocated expenses				(3,264)
Profit before income tax				4,379
Income tax expense				(1,554)
Profit for the period attributable to the owners of the Company				2,825
As at 31 December 2010 (audited)				
Segment assets	57,626	6,098	1,816	65,540
Unallocated assets				24,502
Total assets				90,042

The Company is domiciled in Germany. The Group's revenue from external customers and the total of non-current assets can be analyzed as follows:

Revenue by geographical area is analyzed as follows:

	Unaudited Six months ended 30 June	
	2011	2010
	€'000	*€'000*
Germany	**20,183**	19,735
European countries other than Germany	**13,080**	12,472
PRC	**17,256**	17,484
Korea	**7,922**	6,190
Other countries	**2,586**	1,192
Revenue	**61,027**	57,073

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

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

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Germany	**17,912**	18,365
European countries other than Germany	**2,371**	2,413
PRC	**8,097**	7,838
Korea	**58**	62
Other countries	**2,658**	1,038
	31,096	29,716
Other receivables and prepayments	**71**	43
Deferred tax assets	**1,474**	1,827
Total non-current assets	**32,641**	31,586

3. EARNINGS BEFORE INTEREST AND TAXES/CORE-OPERATING PROFIT

Earnings before interest and taxes/core-operating profit for the period is stated after charging/crediting the following:

	Unaudited Six months ended 30 June	
	2011	2010
	€'000	*€'000*
Charging:		
Auditor's remuneration	**135**	166
Legal and consulting expenses	**682**	1,073
Operating lease rental expenses	**474**	539
Fair value losses on derivatives	**—**	281
Crediting:		
Net foreign exchange gain	**206**	733

4. INCOME TAX EXPENSE

The Company and Schramm Coatings GmbH ("Schramm GmbH") are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate for the period ended 30 June 2011 is 31% (2010: 31%).

Subsidiaries established in Mainland China are subject to enterprise income tax:

Schramm SSCP (Huizhou) Limited ("Schramm Huizhou") is entitled to foreign income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year, which was 2007. Schramm Huizhou enjoys a 50% reduction of the statutory rate of 25%, i.e. 12.5% for the period ended 30 June 2011 (2010: 12.5%).

Schramm SSCP (Shanghai) Limited ("Schramm Shanghai") and Schramm SSCP (Tianjin) Limited ("Schramm Tianjin") were entitled to the "2-year exemption and 3-year 50% reduction" and the 50% reduction period expired at the end of 2007 and 2009 respectively.

Schramm SSCP Co., Ltd ("Schramm Korea") is subject to Korea national corporate income tax as well as city tax, which is a progressive tax system. The first Korean Won ("KRW") 200 million is taxed at 11% and any further profit is taxed at 24.2% (2010: 11% on first KRW 200 million and 24.2% on any further profit).

Schramm SSCP (Thailand) Co., Ltd ("Schramm Thailand") is subject to the Thailand corporate income tax. The applicable tax rate for the period ended 30 June 2011 is 30% (2010: 30%).

Schramm SSCP Hanoi Company Limited ("Schramm Hanoi") is subject to Vietnam corporate tax. The applicable tax rate for the period ended 30 June 2011 is 25%.

The following table summarizes the applicable tax rates for the Company and its major subsidiaries:

	2011	2010
The Company	**31%**	31%
Schramm GmbH	**31%**	31%
Schramm Huizhou	**12.5%**	12.5%
Schramm Shanghai	**25%**	25%
Schramm Tianjin	**25%**	25%
Schramm Korea	**24.2%**	24.2%
Schramm Thailand	**30%**	30%
Schramm Hanoi	**25%**	N/A

5. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2011	2010
Profit for the period attributable to the owners of the Company *(€'000)*	**2,514**	2,825
Weighted average number of shares in issue *(thousand of shares)*	**19,905**	19,905
Basic earnings per share *(€)*	**0.13**	0.14

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

6. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2011 *€'000*	Audited 31 December 2010 *€'000*
Trade receivables — related parties	**510**	495
Trade receivables — third parties	**31,163**	28,728
Trade receivables, gross	**31,673**	29,223
Bills receivable	**1,550**	2,111
Total trade and bills receivables, gross	**33,223**	31,334
Less: Provision for impairment of receivables	**(715)**	(802)
Trade and bills receivables, net	**32,508**	30,532

The carrying amount 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.

Ageing analysis of trade and bills receivables presented based on the invoice date at the reporting date is as follows:

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Within 3 months	**24,942**	21,694
3 to 6 months	**5,000**	6,929
6 to 9 months	**1,359**	822
9 to 12 months	**276**	715
Over 12 months	**1,646**	1,174
	33,223	31,334

7. CAPITAL AND RESERVES

	Capital and reserves attributable to the owners of the Company						
	Issued capital €'000	Additional paid-in capital €'000	Merger reserve €'000	Exchange reserve €'000	Other reserves €'000	Retained earnings €'000	Total €'000
At 1 January 2011 (audited)	19,905	24,921	(16,122)	3,561	(12,561)	22,064	54,329
Profit for the period attributable to the owners of the Company	—	—	—	—	—	2,514	2,514
Exchange differences arising on the translation of the Company's foreign operations	—	—	—	(2,554)	(2,554)	—	(2,554)
At 30 June 2011 (unaudited)	19,905	24,921	(16,122)	1,007	(15,115)	24,578	54,289

8. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Trade payables — related parties	**974**	219
Trade payables — third parties	**6,068**	5,760
Total trade payables	**7,042**	5,979
Other payables	**2,149**	2,105
Trade and other payables	**9,191**	8,084

Ageing analysis of trade payables presented based on the invoice date at the reporting date is as follows:

	Unaudited 30 June 2011	Audited 31 December 2010
	€'000	*€'000*
Within 3 months	**6,321**	5,058
3 to 6 months	**515**	760
6 to 9 months	**31**	1
9 to 12 months	**9**	21
Over 12 months	**166**	139
	7,042	5,979

9. SIGNIFICANT EVENT

Possible voluntary conditional cash offer

On 30 June 2011, Salvador AG (the "Offeror") and the Company made a joint announcement in relation to a possible voluntary conditional cash offer (the "Offer") by the offeror. As part of the Offer, SSCP Co. Ltd has signed an irrevocable undertaking in favour of the Offeror. The Offer is subject to the satisfaction of certain pre-conditions and conditions and at the date of this interim report, these conditions are yet to be fully satisfied. Further details of the Offer are set out in the Company's announcement dated 30 June 2011.

REVIEW OF MARKET SITUATION AND OPERATIONS

Schramm began the year 2011 with many ambitious goals, and during the first six months, we have fulfilled many of these goals and are well on our way to having another successful year of operations. Revenue for the first half of 2011 grew by 6.9% and reached €61 million. In line with our strategy, topline growth was highlighted by strong growth from our automotive segment in all of our global operations, exceeding expectations and outperforming the market. This was especially true for our Asian operation as our automotive business grew by 29.7% year on year. Furthermore, our environmental friendly waterborne products continued to expand in the PRC. Revenue growth was also driven by a high double-digit growth from our consumer electronics business in Asia where we witnessed higher volume output from our key customers.

During the first half, Schramm finalized key investments that are expected to open up new opportunities for the future. A central R&D and design center was built in our Tianjin facility during the first quarter and is already operational, staffed with technical and design specialists. This R&D center is expected to be the key driver in developing new products for new customers and markets along with localization of Schramm's German based technologies and raw materials. Benefits of this new facility are already visible in the first year of operations. In addition to our Asian R&D center, we have finished our fixed investments into our new Vietnam facility which has recently become operational. As Vietnam strives to become the next China of the manufacturing industry, our Vietnam facility will be ready to capture various opportunities ahead.

Although the first half operations exceeded our expectations in many ways, there were two key negative developments that in turn weakened our profitability. First half EBITDA and net profit margins were 10.0% and 4.1% (€6.1 million and €2.5 million) respectively, slightly down from previous year interim result. The root cause of this drop was an unexpected spike in raw material prices, mainly from Europe. Inflationary pressures due to government fiscal policies, supply constraints, and other macro economic developments pushed material costs much higher than expected. As a result, Schramm's total material costs as a percentage of revenue increased by 1.9% year on year. Had total material costs as a percentage of revenue remained stable, Schramm would have enjoyed €1.2 million higher pretax profit which in turn would have led to higher EBITDA and net income margins year on year. The second negative development was our business in the mobile segment. Although we enjoyed strong double-digit growth from our automotive and consumer electronics businesses, this growth was partially offset by a double-digit decline from our mobile business as the first half performance of our two key Korean customers did not meet expectations.

As we publish this announcement, we are now at a critical junction in time as much volatility and skepticism has once again returned to our global community. No one can be sure as to how commodity prices and other macro economic factors will develop over the second half of 2011. For Schramm, 2011 will be successful in many ways but profitability will hinge on how the various global economic forces and how they funnel down to affect our industry in the second half. Management will strive to actively mitigate such risks going forward to realign and adjust to changing market conditions.

SCHRAMM is a formulator and manufacturer of customized paints and coatings for plastic and metal surfaces in the automotives, mobile phones, and consumer electronics sectors. SCHRAMM has developed deep technical know-how in eco-friendly coatings that are water based replacing older solvent based solutions. In most instances, the coatings are critical elements for the appearance of the product (automotive interior, mobile phones, surfaces of white goods and consumer electronics) and need to meet specific performance criteria for scratch resistance among others. SCHRAMM operates in Europe (Germany, Spain), Asia (PRC, Korea, Thailand and Vietnam) and the USA.

RESULTS REVIEW:

Revenue for the first half of 2011 reached €61.0 million (first half 2010: €57.1 million), which represents an increase of 6.9%. The increase was mainly from the automotive and general industry segment. Revenue by our European operation improved by 8.2% to €34.8 million (first half 2010: €32.2 million) and revenue by our Asian operation increased by 5.3% to €26.2 million (first half 2010: €24.9 million).

Review of segment results:

(a) Automotive and general industry

Our coatings are used in many products, such as, automotives, mobile phones, notebooks and consumer electronic products which provide decorative, protective and functional value to the end products.

Europe:

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

Revenue of the automotive and general industry segment from our European operation grew to €21.3 million (first half 2010: €19.0 million), a 12% increase from the comparable period 2010.

Our automotive related business in Europe continued to grow strong as the momentum of the global recovery of 2010 continued to push forward in the first half of 2011. Schramm's European automotive related business also benefited from various new projects won over the previous year as orders continued to pick up. Overall, automotive and general industry segment sales in Europe exceeded management expectations and outperformed the market.

Asia:

The automotive and general industry segment for Asia operation mainly consists of coatings for mobile phones, notebook computers, consumer electronics and automotives in the PRC, Korea and Southeast Asia.

Revenue for the first half of 2011 increased to €26.2 million (first half 2010: €24.9 million), representing a 5% growth year on year.

Asia's 5% growth was the net result of continued explosive growth in its automotive related business in Korea and the PRC along with strong growth from its consumer electronics business outpacing a double digit decline in performance from its mobile business. The automotive businesses in Korea and the PRC grew by 23% and 48% year on year respectively as we benefited from strong performance and results by Korean automotive manufacturers and continued success in sales of our environmental friendly waterborne coatings to the automotive industry in the PRC. Sales from our home appliances and consumer electronics business in the PRC and Southeast Asia grew by 21% year on year exceeding management expectations. Unfortunately, some of the growth from the automotive and consumer electronics businesses was offset by a poor market environment in the mobile sector as the production volume per project dropped significantly resulting in weak results for our mobile related sales. However, with continued diversification of products, customers, and markets, we expect Asia's growth to continue its strong growth projectile.

(b) Coil Coating

Our coil coating business is predominantly in Europe where we provide coating solutions 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 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 coil coating segment increased by 3.6% to €10.9 million (first half 2010: €10.5 million).

(c) Electrical Insulations

Revenue from the electrical insulations segment remained stable in the first half of 2011 to record €2.65 million (first half 2010: €2.67 million). This was mainly due to our high market share in our respective niche market within the electrical insulation industry and stable market conditions resulting in stable revenues over the two periods.

Total Material Costs

	1H 2011	1H 2010	FY 2010
	€'000	*€'000*	*€'000*
Changes in inventories of finished goods and work-in-progress	**(576)**	(1,702)	(3,361)
Costs of materials	**35,128**	32,904	67,964
Total material costs	**34,552**	31,202	64,603
As a percentage of revenue	**56.6%**	54.7%	56.0%

Raw material prices in the first half of 2011 were extremely volatile as unexpected inflationary pressure and supply constraints pushed many raw material prices higher. The growth in Schramm's total materials costs for the first half of 2011 increased by 10.7% which exceeded the growth in revenue of 6.9%. Material costs as a percentage of revenue increased by 1.9%. The raw material price shock was much more visible in Europe where materials costs as a percentage of revenue increased by more than 3%. Had total material costs as a percentage of revenue been stable during the first half of 2011, year on year, Schramm would be €1.2 million higher in pretax profit.

Material costs for Schramm's Asian operation was relatively stable as much of the increase in raw material prices (though, not as severe as in Europe) was offset by a transition to a higher margin product mix and volume discounts from suppliers.

In summary, the increase in material costs had the biggest impact on Schramm's interim results as an increase of 1.9% in total material costs as a percentage of revenue led to €1.2 million higher costs.

Employee Benefit Expenses

	1H 2011	1H 2010	FY 2010
	€'000	*€'000*	*€'000*
Employee benefit expenses	**11,671**	10,836	21,940
As a percentage of revenue	**19.1%**	19.0%	19.0%

Employee benefit expenses increased by 7.7% in the first half of 2011 year on year. The increase was approximately in line with the increase in revenue. The increased employee benefit expenses were due to the hiring of personnel for Schramm's Asian R&D and design center and partly from higher volume production from higher revenue.

Other operating expenses

	1H 2011	1H 2010	FY 2010
	€'000	*€'000*	*€'000*
Other operating expenses	**9,259**	9,077	17,165
As a percentage of revenue	**15.2%**	15.9%	14.9%

Other operating expenses increased by 2.0% year on year to reach €9.26 million and declined by 0.7% as a percentage of revenue. The slight increase was due to the expansion of the Group.

Depreciation and amortization

Depreciation and amortization increased slightly mainly due to the additional amortization of an increased amount of depreciable asset. These included the capitalized development costs and new property, plant and equipments.

Finance costs

Finance costs reduced from €827,000 to €684,000 mainly due to the reduction of bank borrowings compared to the first half 2010 and the centralization of treasury function. Schramm has lower interest bearing borrowings and at the same time enjoys a lower interest rate for the Group as a whole.

Tax expenses

Tax expenses decreased by €316,000 to €1.2 million for the period. This was mainly due to the reduction in taxable profit as a result of the above-mentioned factors. Effective tax rate for the group decreased by 2.5% to 33.0% (first half 2010: 35.5%), mainly due to the reduction of certain non-deductible expenses during the period.

Financial Position and Liquidity

Net asset value of the Group as at 30 June 2011 was €54.3 million (31 December 2010: €54.3 million). The net asset value did not increase since the last balance sheet date as the positive impact of profit earned for the period was offset by the negative impact from the change in foreign exchange rate on net assets.

(a) Gearing ratio

	June 2011 €'000	December 2010 €'000
Total bank borrowings	**23,743**	20,091
Less: cash and cash equivalents	**(3,697)**	(4,782)
Net borrowings	**20,046**	15,309
Total equity	**54,289**	54,329
Total capital employed	**74,335**	69,638
Gearing ratio (i.e. net borrowings/total capital employed)	**27.0%**	22.0%

Gearing ratio was maintained at a healthy level, of 27.0%, which increased from that as of 31 December 2010, at 22.0%. The increase was mainly due to short term need for investment in inventories preparing for the peak seasons.

(b) Current ratio and quick ratio

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

	June 2011 €'000	December 2010 €'000
Current assets	**62,599**	58,456
Current liabilities	**20,947**	15,049
Current ratio (i.e. current assets/current liabilities)	**2.99x**	3.88x

The current ratio decreased from 3.88x at 31 December 2010 to 2.99x at 30 June 2011. Schramm continue to make fixed investments mainly into Vietnam therefore the net cash level reduced.

In addition, the Group's liquidity is being managed by monitoring the quick ratio, which is calculated as follows:

	June 2011 €'000	December 2010 €'000
Current assets excluding inventories	**39,253**	38,525
Current liabilities	**20,947**	15,049
Quick ratio (i.e. current assets excluding inventories/current liabilities)	**1.87x**	2.56x

The decrease of quick ratio was mainly due to the above-mentioned investments.

(c) Profitability

	1H 2011	1H 2010
	€'000	*€'000*
Earnings before interests, taxes, depreciation and amoritzation margin	**10.0%**	11.9%
Earnings before interests and taxes margin/Core operating profit margin	**7.2%**	9.0%
Net profit margin	**4.1%**	4.9%

All profitability margins dropped compared to the first half of 2010, mainly due to the increase in total material costs. Although the Group grew in revenue, gained volume and market shares, Schramm's profitability was hurt by the inflated raw material costs in the first half of 2011.

Had the total material costs as a percentage of revenue been stable year on year, both EBITDA and core-operating profit would have been higher by approximately €1.2 million leading to margins of 12.0% and 9.2% respectively (first half of 2010: 11.9% and 9.0% respectively) which are slightly higher margins than previous half year figures.

Foreign Exchange Risk Management

Schramm reports its results based on its presentation currency — 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 RMB, Korean Won, US Dollar and Thai Baht.

Within our Asian operations, most transactions are independent of our European operation and have minimal transactions settled in the Euro. Therefore, fluctuations in 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 "nature 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 position.

As at 30 June 2011, Schramm had a currency forward contract to buy Euro and sell Korean Won at fixed rate expiring on 1 July 2011. The gain of the contract was less than €5,000.

Commitments and contingent liabilities

As at 30 June 2011, the Group had capital commitments amounting to €154,000 (31 December 2010: €2.2 million), of which €154,000 (31 December 2010: €307,000) was contracted but not provided for and nil (31 December 2010: €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 €2.5 million and can be analyzed as follows:

	30 June 2011	31 December 2010
	€'000	*€'000*
Within one year	**947**	581
In the second to fifth year inclusive	**1,036**	840
Over five year	**495**	588
	2,478	2,009

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

PLEDGE OF ASSETS

As at 30 June 2011, the Group pledged certain property, plant and equipments amounting to approximately €409,000 (31 December 2010: €409,000), inventories and receivables of approximately €23.0 million (31 December 2010: €20.7 million) have been assigned as collaterals for bank borrowings.

HUMAN RESOURCES

The average number of employees for the Group was 768 and 791 for the first half of 2011 and full year of 2010 respectively. 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 facilitate Schramm's constant expansion.

BUSINESS OUTLOOK

Schramm began the year 2011 with ambitious goals and targets. We are well on our way to meeting these year-long goals as revenue from all of our major market segments, except for mobile, have exceeded our expectations and outperformed the market during the first six months. We have opened our Asian R&D and design center in Tianjin which will and already is serving as a core driver in developing new products for new customers and markets, which we expect to realize benefits from the latter part of the second half. Our new facility in Vietnam is now operational and ready to capture future opportunities as Vietnam strives to be the next China. Although management is confident in continuing to grow our business topline under the current market conditions, the volatility in raw material prices witnessed during the first six months will be the key influential factor in determining Schramm's profitability over the second half. Although management is able to control many cost inputs of operations, severe unexpected shifts in raw material prices can and will have a significant impact.

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 (Regierungskommission Deutscher Corporate Governance Kodex; dated 26 May 2010) 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 did not attend the Company's 2011 AGM held on 30 June 2011. However Mr. Choong Min LEE, the Chairman of the audit committee, the Management Board members, senior management members, and the Company's auditors attended the AGM and prepared themselves to answer questions raised in the meeting. The Management considers the absence of the Chairman of the Supervisory Board would not affect the shareholders' rights as all necessary information has been set out in the circulars sent to the shareholders at least 30 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 Supervisory 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 interim financial information, the audit committee has reviewed the interim financial information and raised questions to Deloitte Touche Tohmatsu ("DTT") in respect of the appropriateness on the choice of accounting policies and treatments. The audit committee has also confirmed with DTT that nothing has come into their attention to cause them to believe the interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting". Together with the knowledge the audit committee gained from discussions with the Management Board members and key financial reporting personnel, it recommended the Supervisory Board to approve the interim financial information. Such approval was granted during a Supervisory Board meeting held on 11 August 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 supervisors, all the directors and supervisors confirmed that they have complied with the required standards as set out in the Model Code throughout the Listing Period.

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

The Company has not redeemed any of its listed securities since its shares listed on the Stock Exchange. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Management Board and the Supervisory Board decide not to declare an interim dividend.

PUBLICATION OF INTERIM REPORT

The 2011 interim report will be despatched to the shareholders and available on the Company's website at www.schramm-holding.com and HKExnews at www.hkexnews.hk in due course.

By Order of the Board
Kyung Seok CHAE
Director

Hong Kong, 11 August 2011

At the date of this 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*