

## Interim Report January to March 2010



**Graphit Kropfmühl AG**

A Member of  
  
AMG Advanced Metallurgical Group N.V.

## GRAPHIT KROPMÜHL AG – Financial Highlights

Group January to March		2010	2009	Change
Total Sales	in TEUR	21.626	18.087	19.6 %
EBITDA <sup>1, 2</sup>	in TEUR	1,341	623	> 100.0 %
EBIT <sup>2</sup>	in TEUR	365	- 36	not stated
EBT	in TEUR	140	- 526	not stated
Consolidated earnings for the period	in TEUR	67	- 379	not stated
Cashflow from operating activities	in TEUR	- 1,039	5,025	not stated
Capital expenditure	in TEUR	708	3,620	- 80.4 %
Balance sheet total <sup>3</sup>	in TEUR	70,276	73,515	- 4.4 %
Stockholders equity <sup>3</sup>	in TEUR	23,094	23,197	- 0.4 %
Equity ratio <sup>3</sup>	in %	32.9	31.6	
Net debt <sup>3</sup>	in TEUR	20,544	18,043	13.9 %
Employees (31 March)		486	535	- 9.2 %
Profitability		2010	2009	Change
EBITDA-margin <sup>1, 2</sup>	in %	6.2	3.4	
EBIT-margin <sup>2</sup>	in %	1.7	- 0.2	
Return on sales	in %	0.6	- 2.9	
Return on equity	in %	0.3	- 1.6	
Silicon-metal segment		2010	2009	Change
Sales	in TEUR	14,866	12,799	16.1 %
Segment share of total sales	in %	68.7	70.8	
EBITDA <sup>1, 2</sup>	in TEUR	608	1,023	- 40.6 %
EBIT <sup>2</sup>	in TEUR	199	762	- 73.9 %
EBT	in TEUR	78	602	- 87.0 %
Employees (31 March)		108	107	1.0 %
Graphite segment		2010	2009	Change
Sales	in TEUR	6,760	5,288	27.8 %
Segment share of total sales	in %	31.3	29.2	
EBITDA <sup>1, 2</sup>	in TEUR	733	- 400	not stated
EBIT <sup>2</sup>	in TEUR	166	- 798	not stated
EBT	in TEUR	62	- 1,128	not stated
Employees (31 March)		378	428	- 11.7 %
Share		2010	2009	Change
Earnings	in EUR	0.02	- 0.13	not stated
Cashflow from operating activities	in EUR	- 0.36	1.74	not stated


<sup>1)</sup> Adjusted EBITDA

<sup>2)</sup> Previous year's figures adapted to uniform group accounting principles

<sup>3)</sup> Balance sheet values each refer to the accounting date of the reporting period (31 March)



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### **Forward-looking statement**

This interim report contains statements about future developments that are based on currently available information and may involve risks and uncertainties, the result of which may be that the actual results differ from the forward-looking statements. Statements about future developments must not be understood as guarantees. Future developments and events rather depend on a variety of factors, they contain various risks and imponderabilities and are based on assumptions that might turn out to be incorrect. For example, these include unforeseeable changes of the general political, economic, and social conditions.

Dear shareholders,

the Graphit Kropfmühl group has successfully completed the 1st quarter of 2010. After clearly declining figures at the beginning of the year 2009, the trend reversal of the 2nd half year 2009 has proved to be of lasting effect, and compared to the previous year the consolidated turnover increased by 19.6 % to TEUR 21,626. It gives us confidence that this growth has been supported by both segments and in all the regions we are operating in.

Earnings and profitability also have clearly increased, for example the EBIT improved from TEUR - 36 in the previous year to TEUR 365 in 2010. The adjusted EBITDA also has significantly improved and with TEUR 1,341 has more than doubled compared to the previous year. Since the average prices for silicon-metal have decreased compared to the previous year, and energy costs as an essential factor in the production of silicon-metal have thus become even more important, we had to accept decreasing earnings in this segment. In the graphite segment the cost reduction measures of the previous years are showing their effects, and together with the jump in turnover have resulted in clearly improved earnings figures.

### **Liquidity and cashflow**

In the 1st quarter of 2010 the cashflow from operating activities was TEUR - 1,039. This was decisively generated by the advance financing of trade receivables in the amount of TEUR 1,107. Especially in the graphite segment turnover has rapidly grown in March, which is essentially due to sales in our growing market of thermal insulation materials for the construction chemistry industry. In the very long frost period the products of this industry could not be used because certain minimum temperatures are required during and after end product processing.

In addition, our inventories have slightly increased because we adapted our minimum inventories due to growing sales in some fields. This does not conflict with our objective of optimising the working capital, because it prevents potential interruptions of the delivery chain and provides additional supply security for our customers.

We shall continue to advance this scheme and permanently monitor the relevant key figures and, if necessary, take measures to counter any negative developments of these key figures.

In the 1st quarter of 2010 the net debt increased by TEUR 1,693 to TEUR 20,544 due to the use of short-term credit facilities, because advance payments and preparatory work for the new micronising line in Kropfmühl also were financed by borrowing. Still our equity ratio with 32.9 % is only slightly lower than on the balance sheet date 2009 (33.1 %).

### **Securing of raw materials in the graphite segment still has top priority**

The clear growth of the demand for graphite resulted in further price increases on the procurement side, continuing a development that already was noticeable in the second half of the year 2009. It is our expectation that this development will continue in the future. We are always investigating new deposits in order to reduce the effects on the graphite segment and its dependency on external suppliers in the future. In the 1st quarter we informed you that we had planned to enter into a joint venture with partners in Brazil. After further detailed investigations of the geological and infrastructural conditions at this location, GK decided to abandon this project. We now concentrate on other deposits in South America and Africa for which we, however, cannot yet provide any further details at this time.

### Annual General Meeting

Our Annual General Meeting 2010 will be held in the rooms of the Hanns-Seidel Foundation in Munich on 16 June 2010. Your depositary banks will send you, dear shareholders, your invitation, the agenda, and map directions. In addition to information about the economic environment and the course of business of the year 2009, the Annual General Meeting also will provide you with current information about the strategic orientation and the current economic situation of your company. As a shareholder you also may exercise your voting right and your right to speak at the Annual General Meeting.

All the documents for the Annual General Meeting and possible counter motions to the agenda of our Annual General Meeting also can be found in the Investor Relations area of our homepage.

### The GK share

On 21 January 2010 UBS Global Asset Management (Deutschland) GmbH, Frankfurt, informed us that their attributable voting rights had exceeded the threshold of 3 % on 20 January 2010 and had amounted to 3.09 % on this day. Apart from our main shareholder, the AMG group, which still holds about 80 % of the shares, the remaining 17 % are widely spread shareholdings.

In an altogether positive stock market environment the price of the share also has slightly improved since the beginning of the year. After a strong increase with peak prices of EUR 14.60 in February, the price in Frankfurt at the end of the quarter was EUR 12.35, which is 4.6 % higher than the closing price of the previous year. In the same period the DAX, the most important index in Germany, increased by 3.1 %. The SDAX, the index for so-called small-caps, however, performed better with a growth of 9.8 %.

### Outlook

The development in the 1st quarter of 2010 and the latest forecasts of leading economic research institutes give us confidence for the remaining fiscal year 2010. These assumptions – at least concerning the development in traditional industrial nations – still involve high risks. If the forecasts turn out to be correct, we think that the turnover and earnings estimates made at the beginning of 2010 are realistic. For the group we expect a consolidated turnover somewhere between EUR 88 million and EUR 90 million, with altogether slightly improved earnings ratios.

Sincerely yours



Martin Ebeling  
Chief Executive Officer



Hans-Detlef Antel  
Managing Director

### Business development

In a generally positive market environment the Graphit Kropfmühl group could increase its turnover in the 1st quarter of 2010 by 19.6 % to TEUR 21,626. In addition to a distinct growth in the traditionally strong main sales market of German-speaking Europe, above-average sales increases were also reached in all the other regions. Especially in other European countries and in the Asia / Pacific region the sales drops suffered in the course of the global economic crisis of 2009 were made good again, and the level of the first quarter 2008 was thus reached sooner than expected.

In North and South America turnover compared to the previous year almost quadrupled with TEUR 201, but compared to 2008 we had to suffer distinct losses especially in the USA. We also reached clear growth figures in the countries that are summarised in the „Rest of the world“ region. Admittedly turnover there still is at a rather low level, but the growth figures primarily result from new product developments in the field of lubricants and separating agents.

The table below shows the development in a previous-year comparison under regional aspects:

in TEUR	2010 Jan. – March	2009 Jan. – March	Change
Turnover with external third parties	21,626	18,087	19.6 %
D/A/CH	16,208	14,630	10.8 %
Other European countries	4,052	2,794	45.0 %
Asia / Pacific	1,052	570	84.6 %
North and South America	201	53	> 100.0 %
Rest of the world	113	40	> 100.0 %

### Earnings position

In both segments our margins were burdened by cost increases on the procurement side. In the silicon-metal segment our capacities could not be fully utilised due to the necessity to perform regular maintenance. The instrument of short-time work, which we had used to cushion the effects of below-capacity utilisation in Germany since the 2nd quarter of 2009, already was stopped at the beginning of the year. Cost of sales in the group increased by 19.0 % to TEUR 19,355. In total we reached an increase of the gross profit of almost 25 % to TEUR 2,271.

Compared to the previous year the selling, general and administrative expenses slightly decreased to TEUR 2,076 after TEUR 2,103. The other income amounted to TEUR 170 and thus remained behind the previous year's level.

Earnings before interest and taxes (EBIT) improved to TEUR 365 after a slightly negative EBIT of TEUR - 36 in the previous year. Starting from this reporting period, the foreign currency result is assigned to the net finance costs. The previous year's figures were adapted to improve comparability. The distinct improvement of the net finance costs especially results from a positive recognition of currency differences. Finance costs with TEUR - 398 have slightly improved compared to the previous year (TEUR - 435), because in 2009 the result was burdened by a higher change of the market value of a non-effective interest rate derivative.

Earnings before tax (EBT) are positive in the 1st quarter of 2010 with TEUR 140. In the previous year this figure was TEUR - 526. After deduction of income taxes, the remaining profit for the period amounts to TEUR 82 (previous year: TEUR - 386).

#### Capital expenditure

In the 1st quarter of 2010 capital expenditure in the Graphit Kropfmühl group amounted to TEUR 708. Compared to the previous year with TEUR 3,620 this means a distinct drop. With TEUR 550 about 78 % of the investment total were allocated to the graphite segment. We are at present building a new micronising line at the Kropfmühl plant which is planned to be put into operation in the 2nd quarter of 2010. In the silicon-metal segment a major part of the investments was made in a new casting line for the production of structure-optimised silicon-metal.

#### Segments

##### Silicon-metal

Despite the necessity to perform regular maintenance, the development of sales in this segment was very positive compared to the previous year. Available capacities could be fully utilised in the reporting period. The sold quantity of silicon-metal increased by 17.6 % to 6,846 t. This increase especially resulted from a growing demand in the aluminium-casting industry, which in the previous year had been severely affected by the global economic crisis.

Achieved average prices are lower than in the previous year. In the course of the year 2009 market prices significantly decreased due to a massive oversupply. However, we think that the bottom has been reached and do not expect further price reductions in the future. The second product sector, the marketing of the by-products RW filler and our Q<sub>1</sub> quality, also increased significantly to 5,376 t and thus reached the level of fiscal year 2008 again.

In the cost of sales our margins are burdened by increased purchase costs for our main raw materials. Furthermore, energy costs have become even more important due to decreasing prices on the selling side. Due to higher maintenance costs in the 1st quarter the resulting earnings ratios in this segment have clearly decreased:

in TEUR	2010 Jan. – March	2009 Jan. – March	Change
Turnover	14,866	12,799	16.1 %
EBITDA	608	1,023	- 40.6 %
EBIT	199	762	- 73.9 %
EBT	78	602	- 87.0 %

##### Graphite

In most regions and application fields the demand for our products showed a highly positive development. Our capacity utilisation has returned to a high level. The use of short-time work in the previous year allowed us to respond to the revival without any delay. At the beginning of the year short-time work therefore was stopped at all our plants. In the 2nd quarter a new micronising line will be put into operation, allowing us to meet the growing demand from the construction chemistry sector.

Purchasing prices for our raw materials have been increasing since the 2nd half year of 2009. Since the global economy is noticeably recovering now, the worldwide volume of goods also is increasing, which consequently results in higher transport costs that additionally burden our margins. Last year we adapted our cost structure and with a restructuring program clearly reduced the number of employees at our mine in Sri Lanka. In Great Britain we abandoned our direct presence at the end of the year and centralised our marketing activities.

The jump in turnover and our cost reduction measures in the previous years allowed us to significantly improve all the decisive earnings and profitability ratios in this segment and to make these ratios posi-

tive again.

in TEUR	2010 Jan. – March	2009 Jan. – March	Change
Turnover	6,759	5,288	27.8 %
EBITDA	733	- 400	not stated
EBIT	166	- 798	not stated
EBT	62	- 1,128	not stated

### Asset position

In the 1st quarter of 2010 the consolidated balance sheet total of the Graphit Kropfmühl group increased by TEUR 1,519 or 2.2 % to TEUR 70,276.

Whereas non-current assets only increased slightly by TEUR 91 to TEUR 41,494, current assets increased by TEUR 1,428 or 5.2 % to TEUR 28,782.

While other intangible assets with amortisation of TEUR 28 and acquisitions of TEUR 3 decreased by TEUR 25, goodwill increased due to translation differences of a goodwill recognised in foreign currency. Property, plant and equipment increased by TEUR 101. Depreciation of TEUR 773 had a counterpart in investments of TEUR 705. The resulting increase is due to translation differences of financial statements of foreign subsidiaries that were prepared in foreign currency.

Deferred tax assets decreased by TEUR 14 to TEUR 323 primarily due to the change of market values of derivative financial instruments carried as liabilities. Other non-current assets increased by TEUR 14 essentially due to the payment of a loan to a German business partner of the graphite segment.

The increase of current assets especially results from the reporting-date-related increase of trade receivables by TEUR 1,134. Furthermore, inventories increased by TEUR 268. The increase of current financial assets of TEUR 108 essentially results from the change of derivative financial instruments. As a result of the change of the USD exchange rate the market values of underlying forward exchange transactions have significantly increased since 31 December 2009. Other current assets increased by TEUR 103 to TEUR 895, which was primarily borne by higher refund claims from VAT and other taxes and by higher prepaid expenses. The decrease of cash and cash equivalents of TEUR 185 is due to cash expenses for operating activities and is shown in detail in the cashflow statement.

In the 1st quarter the group's equity increased by TEUR 338 to TEUR 23,095. Apart from the positive profit for the period in the amount of TEUR 82, differences from the translation of individual financial statements prepared in foreign currencies of TEUR 218 essentially contributed to this increase. Further details about the development of the group's equity are shown in the consolidated statement of changes in equity on page 14 of this interim report. On account of the disproportionately increased balance sheet total the equity position of the Graphit Kropfmühl group has slightly decreased by 0.2 % to 32.9 % since 31 December 2009.

Compared to the 2009 balance sheet date the non-current liabilities decreased by TEUR 641 to TEUR 24,344. While pension obligations and other non-current provisions increased by TEUR 87 and TEUR 10, respectively, to TEUR 9,060 and TEUR 3,906, respectively, due to the regular addition from provisions, the long-term bank debt decreased by TEUR 707 to TEUR 9,517 due to repayments in the amount of TEUR 472 and the reclassification of short-term payments of so far repayment-free loans.



Lower deferred tax liabilities and a lower long-term proportion of government grants carried as liabilities have a counterpart in an increase of other financial liabilities to TEUR 830. This essentially results from market value changes of interest rate derivatives due to the still low interest level.

Current liabilities increased by TEUR 1,823 to TEUR 22,838 since 31 December 2009. Apart from the additional use of short-term credit facilities with banks, this increase also was essentially due to the additional recognition of short-term repayments of so far repayment-free loans. With a total of TEUR 11,844 this altogether resulted in an increase of TEUR 2,215. Trade payables, however, decreased by TEUR 373 to TEUR 6,551. The decrease of current taxes payable of TEUR 127 resulted from the assessment of already closed fiscal years in Germany. The short-term proportion of received government grants, the other financial liabilities, and the other current liabilities, however, in total only showed insignificant changes.

### **Financial position**

We indirectly determine the cashflow statement on the basis of the profit for the period of TEUR 82. Non-operative expenses and income, and the relevant changes of assets and liabilities are adjusted, and the allocation and source of funds are shown in detail.

In the 1st quarter of 2010 the cashflow from operating activities amounted to TEUR - 1,039 (previous year: TEUR 5,025). This is essentially characterised by the financing of the increase of trade receivables. Especially in the graphite segment, where in March sales in the construction chemistry sector jumped after a long frost period, there was an advance financing total of TEUR 1,107. Consequently the adaptation of minimum inventories resulted in a slight increase of inventories of TEUR - 171. In the same period of the previous year both these positions could be reduced. In the silicon-metal segment we additionally received an advance payment for future deliveries in the amount of TEUR 2,100, which resulted in an extraordinarily high operative cashflow for the previous year.

Compared to the previous year the investment activities of the group have clearly decreased. The cash outflow of TEUR 3,611 in the 1st quarter of 2009 stands against a cash allocation of TEUR 703 in the current reporting period. While in the previous year we concluded the conversion and modernisation of a furnace in the silicon-metal segment, we are at present building a new micronising line in the graphite segment, for which a major part of the capital expenditure was used.

The scheduled repayment of long-term loans resulted in a cash outflow of TEUR 472 in the 1st quarter of 2010. On the other hand, short-term credit facilities with banks were used in an additional amount of TEUR 1,994. The total result shows a cash inflow from financing activities in the amount of TEUR 1,520 (previous year: cash outflow of TEUR 646).

Cash and cash equivalents decreased by a total of TEUR 222 in the 1st quarter. Adjusted for effects of exchange rate fluctuations on cash held in the amount of TEUR 37 the resulting amount of cash and cash equivalents at the end of the reporting period is TEUR 817 (previous year: TEUR 1,640). In the reporting period the net debt to banks increased by TEUR 1,693 to TEUR 20,544.

### **Events after the closing date**

There were no essential events after the closing date of this interim report period that would require reporting here.

### **Risk report**

The existing risks are described in detail in the risk report of the annual report 2009. There still are no recognisable risks that could endanger the continued existence of the Graphit Kropfmühl group. There have not been any significant changes compared to the description in the annual report.

### Outlook for 2010

Recent economic surveys confirmed earlier positive economic assessments. In April the ifo business climate index increased for the second time in a row, and with a value of 101.6 for the first time is at the level of the early year 2008 again. In the middle of April leading economic research institutes published their joint diagnosis for spring 2010. The joint diagnosis project group expects that the recovery will continue, but still sees a high risk potential. In the global economic environment the situation in the banking sector still is difficult. The partially very high national debts and the most recent reports especially from Southern Europe may give rise to doubts concerning the solvency of some countries, which might lead to distortions on the financial markets.

The economy is increasingly recovering especially in Asia, whereas in the traditional industrial nations the economic momentum seems to be not yet fully stabilised. In these nations an expansionary economic policy still is the decisive growth factor. Whereas in China, Russia, and in threshold countries of Latin America an expansionary monetary policy established the basis for an expected growth of partially clearly more than 5 %, confidence in and thus a revival of the financial market in the Western world due to the interrelationships of the banking and financial system could not yet be established again.

The expected growth of the gross domestic product for the euro area therefore remains relatively moderate with 0.9 %. According to the spring report Germany as an export nation can hope for an above-average growth of 1.5 % due to its higher net exports.

The figures of the last quarter demonstrate that in both segments we can participate in this growth at a disproportionately high rate. We think that we can reach our turnover forecast of EUR 88 million to EUR 90 million that we made at the beginning of the year, provided that the global economic development does not essentially deteriorate.

In the silicon-metal segment the achievable prices are lower than in the previous year. In the current economic environment a further downward trend is not expected. Energy costs as the most important factor in production have thus become even more important, and in the silicon-metal segment we shall thus not reach the earnings and profitability ratios of the previous year.

In the graphite segment we will start up a new micronising line in the 2nd quarter as scheduled. This new line also represents a major part of the investment volume planned in fiscal year 2010. With these new capacities, and with additional turnover from lubricants and separating agents in new markets, we believe that we can reach the forecast turnover increase to EUR 28.0 million with simultaneously improved earnings and profitability ratios.



Consolidated financial statements as of 31 March 2010

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## Consolidated financial statements as of 31 March 2010

### Consolidated Balance Sheet as at 31 March 2010

#### ASSETS

	Notes no.	31 March 2010 TEUR	31 Dec. 2009 TEUR
Non-current assets			
Intangible assets		6,542	6,552
Goodwill		6,098	6,083
Other intangible assets		444	469
Property, plant and equipment		34,478	34,377
Land and buildings		14,839	14,884
Machinery and technical equipment		16,661	16,959
Other assets, factory and office equipment		1,885	1,890
Construction in progress		1,093	644
Deferred tax assets		323	337
Other financial assets	(4)	151	137
		<b>41,494</b>	<b>41,403</b>
Current assets			
Inventories		16,033	15,765
Trade receivables		9,807	8,673
Receivable from affiliated companies		27	0
Other financial assets	(4)	249	141
Taxes receivable		954	981
Other current assets		895	792
Cash and cash equivalents		817	1,002
		<b>28,782</b>	<b>27,354</b>
		<b>70,276</b>	<b>68,757</b>

## Consolidated financial statements as of 31 March 2010

### STOCKHOLDERS EQUITY AND LIABILITIES

	Notes no.	31 March 2010 TEUR	31 Dec. 2009 TEUR
<b>Equity</b>			
Capital stock		8,640	8,640
Additional paid-in capital		5,568	5,568
Capital reserves		8,818	8,500
Minority interests		69	49
		<b>23,095</b>	<b>22,757</b>
<b>Non-current liabilities</b>			
Pension obligations		9,060	8,973
Non-current provisions		3,906	3,896
Long term bank-debt		9,517	10,224
Government grants		437	467
Deferred tax liabilities		594	630
Other financial liabilities	(5)	830	795
		<b>24,344</b>	<b>24,985</b>
<b>Current liabilities</b>			
Short-term bank debt		11,884	9,629
Trade payables		6,551	6,924
Liabilities to affiliated companies		0	1
Government grants		152	163
Other financial liabilities	(5)	793	733
Current taxes payable		1,377	1,504
Other liabilities	(6)	2,081	2,061
		<b>22,838</b>	<b>21,015</b>
		<b>70,276</b>	<b>68,757</b>

## Consolidated financial statements as of 31 March 2010

Consolidated statement of comprehensive income for the time from 1 January to 31 March 2010

	Notes no.	2010 TEUR	2009 TEUR	Change
<b>I. Profit and loss statement</b>				
Turnover		21,626	18,087	19.6 %
Cost of sales		- 19,355	- 16,269	19.0 %
Gross profit		2,271	1,818	24.9 %
Selling, general and administrative expenses <sup>1</sup>	(7)	- 2,076	- 2,103	- 1.3 %
Other income <sup>1</sup>		170	249	- 31.7 %
Operating profit (EBIT)		365	- 36	not stated
Net finance costs <sup>1</sup>	(8)	- 225	- 490	54.1 %
Profit before income tax		140	- 526	not stated
Income tax expense	(9)	- 58	140	not stated
Profit for the year		82	- 386	not stated
thereof attributable to:				
Minority interests		15	- 6	not stated
Shareholders of the company		67	- 379	not stated
<b>II. Other comprehensive income</b>				
Foreign currency translation adjustment		218	52	> 100.0 %
Unrealised gains / losses on derivative financial instruments				
Change in unrealised gains / losses		15	- 475	
Realised gains (-) / losses (+)	(12)	35	67	
Net unrealised gains / losses		50	- 408	not stated
Income tax on income and expenses recognized directly in equity				
Change of income tax on income and expenses recognized directly in equity		- 3	117	
Realised gains (-) / losses (+)	(12)	- 9	- 18	
Net unrealised gains / losses		- 12	99	not stated
Other comprehensive income after taxes		256	- 257	not stated
<b>III. Total comprehensive income</b>				
thereof attributable to:				
Minority interests		20	- 3	not stated
Shareholders of the company		318	- 640	not stated

<sup>1)</sup> Previous year's figures adapted to uniform group accounting principles

## Consolidated financial statements as of 31 March 2010

Consolidated statement of cashflows for the time from 1 January to 31 March 2010

		2010 TEUR	2009 TEUR
I.	Cashflow from operating activities		
1.	Profit for the period	82	- 379
	Adjustments to reconcile profit to net cashflow:		
2.	Depreciation on property, plant and equipment	773	691
3.	Amortisation of intangible assets	28	22
4.	Net finance costs	400	490
5.	Income taxes	58	- 140
6.	Gain on sale or disposal of non-current assets	0	- 8
7.	Change in inventories	- 171	500
8.	Change in trade receivables	- 1,107	758
9.	Change in other receivables	- 71	214
10.	Change in trade payables, provisions and other liabilities	- 564	3,162
11.	Payment of recultivation costs	- 30	- 30
12.	Payment of pension liabilities	- 101	- 93
13.	Other changes in pension and recultivation liabilities	221	78
14.	Change in government grants	- 41	- 32
15.	Other non-cash profit and loss items	2	90
16.	Interest received	5	8
17.	Interest paid	- 346	- 331
18.	Paid and received income tax	- 177	25
	Cashflow from operating activities	- 1,039	5,025
II.	Cashflow from investing activities		
1.	Acquisition of property, plant and equipment	- 705	- 3,620
2.	Outflow for investments in intangible assets	- 3	0
3.	Outflow for investments in financial assets	12	9
4.	Inflow from the disposal of fixed assets	- 7	0
	Cashflow from investing activities	- 703	- 3,611
III.	Cashflow from financing activities		
1.	Proceeds from issuance of debt	0	466
2.	Repayment of borrowings	- 472	- 325
3.	Proceeds / Repayment from short-term debt	1,994	- 777
4.	Others	- 2	- 10
	Cashflow from financing activities	1,520	- 646
IV.	Cash and cash equivalents		
1.	Net increase (decrease) in cash and cash equivalents	- 222	768
2.	Effect of exchange rate fluctuations on cash held	37	- 37
3.	Cash and cash equivalents at the beginning of the period	1,002	909
V.	Cash and cash equivalents at the end of the period	817	1,640

## Consolidated financial statements as of 31 March 2010

### Statement of changes in equity at 31 March 2010

	Balance at	Change	Balance at
	31 Dec. 2008	Comprehensive income	31 March 2009
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	9,593	- 640	8,953
Other revenue reserves	1,358	- 261	1,097
Currency conversion	270	37	307
Financial instruments	- 321	- 298	- 619
Generated stockholders equity	8,235	- 379	7,856
Capital attributable to shareholders	23,801	- 640	23,161
Minority interests	39	- 3	36
Equity	23,840	- 643	23,197
	31 Dec. 2009	Comprehensive income	31 March 2010
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	8,500	318	8,818
Other revenue reserves	1,193	251	1,444
Currency conversion	250	213	463
Financial instruments	- 406	39	- 367
Generated stockholders equity	7,307	67	7,374
Capital attributable to shareholders	22,708	318	23,026
Minority interests	49	20	69
Equity	22,757	338	23,095

## Condensed notes to the consolidated interim financial statements

### I. General notes

The registered office of Graphit Kropfmühl Aktiengesellschaft, which is listed in the commercial register of the Amtsgericht München (county court Munich) under HRB 41043, is in Munich, Germany. The company's business premises are located in 94051 Hauzenberg, Langheinrichstraße 1. The business activities of Graphit Kropfmühl Aktiengesellschaft and its subsidiaries comprise the fields of mining, processing, and refining of graphite, and the production of silicon-metal.

#### (1) Accounting principles

The consolidated interim financial statements of Graphit Kropfmühl Aktiengesellschaft and its subsidiaries as of 31 March 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable on the balance sheet date, taking into consideration the interpretations of the Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU.



They do not contain all the information and data required for the consolidated financial statements at the end of the fiscal year and must therefore be read in connection with the consolidated financial statements of 31 December 2009. The consolidated interim financial statements as of 31 March 2010 have not been reviewed by the auditors.

The currency used in the group is the euro (EUR). Unless stated otherwise, all amounts in these financial statements are given in thousands of euros (TEUR). This may involve marginal rounding differences.

(2) Accounting and valuation methods

In the interim financial statements the accounting and valuation methods were not changed compared to the consolidated annual financial statements of 31 December 2009. These methods are listed in the notes to the consolidated annual financial statements and are explained there under no. 4.

The standards that are mandatory as from 1 January 2010 and are described in the consolidated financial statements of 31 December 2009 did not lead to any material adaptations in the Graphit Kropfmühl group.

As was published in the consolidated financial statements of 31 December 2009, interest rate components in the pension obligations no longer are recognised in the net finance costs but are assigned to the functional areas. In this interim report we corrected the previous year's figure by TEUR 112.

Differing from the previously used accounting principles, differences resulting from the translation of foreign currency transactions since 1 January 2010 are no longer recognised in the selling, general and administrative expenses, but are assigned to the net finance costs. We adapted the previous year's figures to improve comparability.

	New 2009	Before 2009	Reclassification
Profit and loss statement			
Selling, general and administrative expenses	- 2,103	- 2,707	604
Other income	249	910	- 661
Net finance costs	- 490	- 547	57

(3) Scope of consolidation and consolidation methods

The scope of consolidation and consolidation methods have not changed compared to the consolidated annual financial statements of 2009. They are explained in no. 2 and 3 of the notes to the consolidated financial statements.

## II. Selected explanatory notes on balance sheet and comprehensive income

(4) Other financial assets

	31 March 2010	31 Dec. 2009	Change
Granted loans (non-current)	151	137	10.2 %
Granted loans (current)	37	26	42.3 %
Financial derivatives (current)	212	115	84.3 %
Total	400	278	43.9 %

## Consolidated financial statements as of 31 March 2010

### (5) Other financial liabilities

	31 March 2010	31 Dec. 2009	Change
Financial derivatives (long-term)	720	673	7.0 %
Financial derivatives (short-term)	301	260	15.8 %
Financial statement expenses	325	288	12.8 %
Other financial liabilities	277	307	- 9.8 %
Total	1,623	1,528	6.2 %

### (6) Other current liabilities

	31 March 2010	31 Dec. 2009	Change
Other tax liabilities	147	237	- 38.0 %
Professional association	226	156	44.9 %
Liabilities under partial retirement models	339	327	3.7 %
Other liabilities to employees	918	800	14.8 %
Received advance payments on orders	154	81	90.1 %
Other current liabilities	297	460	- 35.4 %
Total	2,081	2,061	1.0 %

### (7) Selling, general and administrative expenses

	2010 Jan. - March	2009 Jan. - March
Selling expenses	349	397
General administrative expenses	1,357	1,347
Research and development expenses	195	185
Other operating expenses	175	174
Total	2,076	2,103

### (8) Net finance costs

	2010 Jan. - March	2009 Jan. - March
Other interest and similar income	5	11
Market value changes of derivate financial instruments	- 41	- 77
Other interests and similar expenses	- 364	- 369
Exchange rate differences	175	- 55
Total	- 225	- 490

### (9) Income tax expense

	2010 Jan. - March	2009 Jan. - March
Current taxes	- 77	- 16
Deferred taxes	20	156
Total	- 57	140

### III. Other notes

#### (10) Earnings per share

On the balance sheet date, as in the previous year, Graphit Kropfmühl Aktiengesellschaft does not hold any potentially diluting equity instruments. The earnings per share therefore represent the undiluted earnings per share and are determined as follows:

	2010 Jan. – March	2009 Jan. – March
Profit for the year attributable to shareholders of the company (TEUR)	67	- 379
Number of shares	2,880,000	2,880,000
Earnings per share (EUR)	0.02	- 0.13

#### (11) Condensed segment information

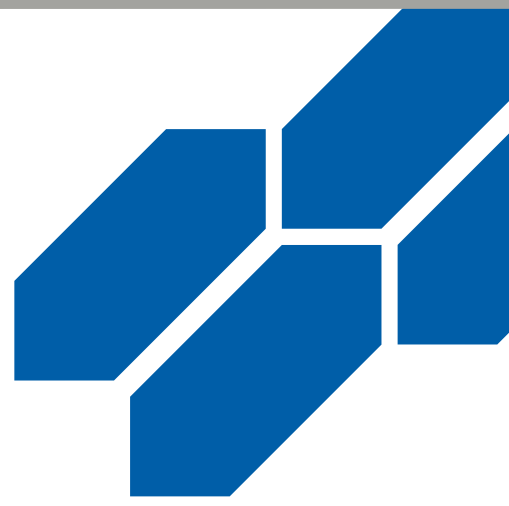
January to March in TEUR	Silicon-metal		Graphite		Transition		Group	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover								
With external third parties	14,866	12,799	6,760	5,288			21,626	18,087
D/A/CH	12,948	11,480	3,260	3,150			16,208	14,630
Other European countries	1,714	1,235	2,338	1,559			4,052	2,794
Asia / Pacific	116	60	936	510			1,052	570
North- and South America	88	20	113	33			201	53
Rest of the world	0	4	113	36			113	40
Intersegment turnover	0	0	0	58	0	- 58	0	0
EBITDA	608	1,023	733	- 400			1,341	623
Depreciation and amortisation	387	267	414	446			801	713
EBIT	199	762	166	- 798			365	- 36
Segment sales	40,438	35,716	37,147	45,101	- 7,309	- 7,302	70,276	73,515
Employees (31 March)	108	107	378	428			486	535

#### (12) Derivative financial instruments

In the 1st quarter 2010, TEUR 26 (previous year: TEUR 49) were reclassified from the other comprehensive income to the consolidated profit for the period. Of these, TEUR - 59 (previous year: TEUR 22) were attributed to the "cost of sales" position. TEUR 94 (previous year: TEUR 45) were recognised in the net finance costs. On the total change TEUR 9 (previous year: TEUR 18) had to be recognised as income in the income taxes.

#### (13) Events after the closing date

There were no essential events after the closing date of this interim report period that would require reporting here.



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Management Board  
Martin Ebeling (Chief Executive Officer)  
Hans-Detlef Antel

Chairman of the Supervisory Board  
Dr. Heinz Schimmelbusch

Financial calendar  
16 June 2010  
11 August 2010  
10 November 2010  
22 to 24 November 2010

Annual General Meeting, Munich  
Interim Report 1st half year 2010  
Interim Report 3rd quarter 2010  
German Equity Forum, Frankfurt



**Graphit Kropfmühl AG**

A Member of  
  
AMG Advanced Metallurgical Group N.V.