

## Interim Report January to June 2010



**Graphit Kropfmühl AG**

A Member of  
  
AMG Advanced Metallurgical Group N.V.

## GRAPHIT KROPMÜHL AG – Financial Highlights

Group January to June		2010	2009	Change
Total sales	in TEUR	46,644	38,165	22.2 %
EBITDA <sup>1, 2</sup>	in TEUR	2,576	1,653	55.8 %
EBIT <sup>2</sup>	in TEUR	934	160	> 100.0 %
EBT	in TEUR	512	- 670	not stated
Consolidated earnings for the period	in TEUR	385	- 581	not stated
Cashflow from operating activities	in TEUR	- 461	2,203	not stated
Capital expenditure	in TEUR	1,684	4,577	- 63.2 %
Balance sheet total <sup>3</sup>	in TEUR	71,494	72,340	- 1.2 %
Stockholders equity <sup>3</sup>	in TEUR	23,752	23,228	2.3 %
Equity ratio <sup>3</sup>	in %	33.2	32.1	
Net debt <sup>3</sup>	in TEUR	20,947	21,729	- 3.6 %
Employees (30 June)		478	519	- 7.9 %
Profitability		2010	2009	Change
EBITDA-margin <sup>1, 2</sup>	in %	5.5	4.3	
EBIT-margin <sup>2</sup>	in %	2.0	0.4	
Return on sales	in %	1.1	- 1.8	
Return on equity	in %	1.6	- 2.5	
Silicon-metal segment		2010	2009	Change
Sales	in TEUR	30,719	27,315	12.5 %
Segment share of total sales	in %	65.9	71.6	
EBITDA <sup>1, 2</sup>	in TEUR	1,339	2,133	- 37.2 %
EBIT <sup>2</sup>	in TEUR	569	1,530	- 62.8 %
EBT	in TEUR	402	1,246	- 67.7 %
Employees (30 June)		106	108	- 1.9 %
Graphite segment		2010	2009	Change
Sales	in TEUR	15,925	10,850	46.8 %
Segment share of total sales	in %	34.1	28.4	
EBITDA <sup>1, 2</sup>	in TEUR	1,237	- 480	not stated
EBIT <sup>2</sup>	in TEUR	365	- 1,370	not stated
EBT	in TEUR	110	- 1,916	not stated
Employees (30 June)		372	411	- 9.5 %
Share		2010	2009	Change
Earnings	in EUR	0.14	- 0.20	not stated
Cashflow from operating activities	in EUR	- 0.16	0.76	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 (30 June)



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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.

## Letter to our shareholders

Dear shareholders,

The Graphit Kropfmühl group confirmed the trend of the 1st quarter of 2010. In a highly dynamic economic environment consolidated sales again increased in the 2nd quarter of 2010, and the total consolidated turnover in the 1st half year of 2010 amounts to TEUR 46,644. Compared to the same period of the previous year with a total turnover of TEUR 38,165 this is an increase of 22.2 %.

Especially in the graphite segment the development noticeably accelerated in the 2nd quarter. The turnover in the quarter clearly exceeds the previous year's figure, and the 1st half year of 2010 thus ended with a plus of 46.8 %. The surge in the demand for graphite on the global market, however, also results in a steep rise of procurement prices that burden our margins in this segment. The cost reduction measures of the previous years helped us to ease these burdens, and in combination with the excellent turnover development this segment also shows clearly positive profitability figures again.

The silicon-metal segment had to accept lower average prices in the 2010 supply contracts, because in 2009 the market prices for silicon metal clearly decreased due to an existing excess supply. Energy costs as the main cost factor in production have become even more important, and earnings ratios in this segment thus were lower than in the previous year.

### **Annual General Meeting**

Our Annual General Meeting again was held in Munich this year. In the rooms of the Hanns-Seidel foundation about 70 shareholders and guests followed our invitation and used the opportunity to be directly informed about the development of their company by the Management Board and the Supervisory Board, and to exercise their voting right.

The Annual General Meeting approved the items on the agenda that were put to the vote with majorities of more than 99 %. Among others, the company's balance sheet profit was fully carried forward to new account to keep necessary equity and liquidity for further development in the company. The Annual General Meeting also passed resolutions concerning changes of the articles of association, which mainly were necessary due to changes in legislation. We would like to take this opportunity and again express our sincere thanks for the vote of confidence.

### **Liquidity and cashflow**

Our cashflow in the 2nd quarter was characterised by high payments of tax arrears in Germany. A liquidity outflow of TEUR 1,276 altogether essentially contributed to the resulting cash outflow from operating activities despite the highly positive course of business. The increase in turnover and the granted payment terms furthermore result in increased advance financing of trade receivables. Yet we still think we are on a good course with the optimisation of our working capital. The further reduction of inventories and the simultaneously higher turnover figures result in clearly improved ratios.

The Annual General Meeting's resolution not to distribute a dividend nevertheless was important for the company, because our investments in production facilities, infrastructure, and raw material securing are necessary for our positioning for the future.

Compared to the previous year's closing date this results in a higher net debt, which we presently finance from our credit lines. As part of our investment decision we check whether these comply with the requirements of public support programs. Under a support project of the Free State of Bavaria we expect the payment of a Government grant in the course of the 2nd half year, which among others will

support the establishing of new capacities at the Kropfmühl plant. We furthermore await a cash inflow from the long-term financing of these facilities also in the 2nd half year.

The equity ratio was 33.2 % on 30 June 2010 and was slightly higher than on the 2009 balance sheet date (33.1 %).

#### **Securing of raw materials in the graphite segment**

As already mentioned above, the price development on the graphite markets is highly dynamic. Procurement prices followed the existing trend also in the 2nd quarter and showed a further increase. In China, the main producer of graphite, the domestic demand is strongly increasing in a rapidly growing economic environment, which means that in the medium and long term there may be a shortage of export quantities.

We are responding to this development and are constantly analysing new deposits. In the 2nd quarter we concluded an agreement with the government of Mozambique for a detailed analysis of deposits found in the north of the country. We are at present performing detailed inspections to assess these deposits in quality and quantity, and to evaluate general prerequisites there. Presently we are preparing an environmental study in order to guarantee the sustainability of mining in compliance with local environmental legislation. According to our time schedule a final feasibility study for this project will be made in spring 2011, and a decision about the start of mining activities will be made within the 1st half year of 2011.

#### **The GK share**

In July our share left a lateral movement lasting since March in a price range between EUR 12.50 and EUR 13.00, and was listed with a new yearly high of EUR 15.29 on 23 July.

Trading volumes were at a low level, because the proportion attributable to the free-float still is approximately 17 %.

#### **Outlook**

The present economic environment indicates a continuation of the positive development in the GK sales regions. Especially Asia is driven by a continuing rapid growth in China and India contributing an essential part of the expected growth of the global economy. As an export nation, Germany will have a disproportionately high share of this growth in Europe. Short-term early indicators show that expectations are positive, and as a result this growth also could lead to a stimulation of domestic demand.

In this friendly environment we expect a consolidated turnover for the total year of more than EUR 90 million for the group, with altogether improved earnings ratios.

Sincerely yours



Martin Ebeling  
Chief Executive Officer



Hans-Detlef Antel  
Managing Director

### Business development

The positive development of the economic environment in the first quarter turned out to be of lasting effect. So far the German economy has emerged from the crisis stronger than before, and export in particular proves to be a driving force. The Graphit Kropfmühl group also benefits from this clearly positive development and in the first half year increased its turnover compared to the previous year by 22.2 % to TEUR 46,644. The second quarter of 2010 again improved compared to the same period of the previous year. In this period the Graphit Kropfmühl group with a turnover of TEUR 25,018 reached a growth of 24.6 %.

This development is borne by all sales regions, although other European countries and the Asia / Pacific region made a disproportionately high contribution to this growth. In the last year, however, the Graphit Kropfmühl group also had experienced disproportionately high sales drops in these sales regions as a result of the global financial and economic crisis.

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

in TEUR	2010 Apr – June	2009 Apr – June	2010 Jan – June	2009 Jan – June	Change
Turnover with external third parties	25,018	20,078	46,644	38,165	22.2 %
D/A/CH	19,563	16,383	35,771	31,013	15.3 %
Other European countries	3,372	1,985	7,425	4,779	55.4 %
Asia / Pacific	1,544	979	2,596	1,549	67.6 %
North and South America	431	562	632	615	2.8 %
Rest of the world	107	169	220	209	5.3 %

### Earnings position

In both segments our margins are burdened by cost increases on the procurement side, which presently compensate the positive effects we reach due to the excellent utilisation of our capacities in both segments. In some fields we have already been operating at our capacity limits in the 1st half year. In the reporting period the costs of sales increased disproportionately compared to the turnover by 22.4 % to TEUR 41,872. As a result the gross profit improved by TEUR 830 or 21.1 % to TEUR 4,772.

Selling, general and administrative expenses slightly decreased by 0.8 % to TEUR 4,137 after TEUR 4,170 in the previous year. In the previous year this item also included restructuring expenses in the amount of TEUR 24 in connection with the severance payment program in Sri Lanka.

In the 1st half year of 2010 the Graphit Kropfmühl group achieved other income in the amount of TEUR 299 which, however, remained lower than the previous year's income of TEUR 412.

Earnings before interest and taxes (EBIT) amount to TEUR 934 in the reporting period. Compared to the previous year this is a clear increase, in the same period of 2009 the EBIT figure was TEUR 160.

Net finance costs significantly improved to TEUR - 422 which, however, is due to the recognition of the foreign exchange result in this position. Whereas in the previous year there was a loss of TEUR 85 from the translation of foreign currency transactions, the current period now shows a positive figure of TEUR 376 that has to be considered. With TEUR 743 interest expenses are higher than in the previous year. The burden from the market value change of a non-effective interest rate derivative, and the interest income only showed insignificant changes compared to the previous year.

Earnings before tax (EBT) clearly increased compared to the same period of the previous year and amount to TEUR 512. In 2009 this item still showed a loss of TEUR 670.

After consideration of income taxes of TEUR 90 (previous year: tax income of TEUR 47) the profit for the period amounts to TEUR 422 (previous year: TEUR - 623). Of this, earnings of TEUR 385 or EUR 0.14 per share are attributable to the shareholders of Graphit Kropfmühl AG.

### Investments

In the first half year investments in property, plant and equipment in the Graphit Kropfmühl group amounted to TEUR 1,679 after TEUR 4,543 in the previous year. In 2009 investment activities had focused on the silicon-metal segment. In 2010 TEUR 1,319, which is about 79 % of the total sum, were invested in the graphite segment. The major part was used for the construction of another micronising line at the Kropfmühl plant. Other investments were made to improve infrastructure and logistics at various locations. Investment expenses in the silicon-metal segment concentrated on a new casting line for the production of structure-optimised silicon-metal.

### Segments

#### Silicon-metal

The course of business in the silicon-metal segment continues to be highly pleasing. Capacities in this segment are fully utilised as planned, and compared to the previous year the silicon-metal sales volume increased by 13.9 % to 14,420 t. While the volume supplied to the aluminium casting industry more than doubled compared to 2009 and reached about 4,501 t in the 1st half year of 2010, the sales volume in the chemical industry slightly decreased by about 5 %. In the previous year the aluminium casting industry as a supplier of the automobile industry was directly affected by the sales drop of medium-class and top-class automobiles. Compared to compact cars, more aluminium is used in higher-class cars, because aluminium is a very strong yet light-weight material that helps save weight and fuel.

Our average prices for silicon-metal are lower than in the previous year. Due to a massive excess supply on the market prices for silicon-metal significantly decreased in the course of 2009, and we consequently also had to adapt our contract prices for 2010. However, we think that this development has reached its bottom, and since the beginning of the year prices have shown a slight upward trend again.

The price for secondary silicon follows this trend, and despite a sales volume increase of 5 % to 2,659 t turnover remains at the level of the previous year.

The RW filler sales volume increased by 27 %. However, in a special one-time campaign we sold inventories here that had been formed in 2009 due to declining sales. RW filler is a by-product of silicon-metal production and because of its properties is in great demand as an additive in the refractory, fibre-cement, and building materials industries. In the 1st half year the sales volume in this product sector was 10,723 t. Due to the special sales campaign, however, the average proceeds for our standard and special quality grades are slightly lower than in the previous year.

In the reporting period the profitability of this segment is additionally burdened by higher acquisition prices for energy and raw materials. In combination with the lower sales prices, energy prices as the main cost factor in production have become even more important. Furthermore, we also had to accept an increase in the price of electrodes. Because of the remaining cost structure both the gross profit and the other earnings ratios in this segment decreased disproportionately, and remained behind the previous year's figures despite the increased turnover.

## Group management report

in TEUR	2010 Apr – June	2009 Apr – June	2010 Jan – June	2009 Jan – June	Change
Turnover	15,850	14,516	30,719	27,315	12.5 %
EBITDA	731	1,110	1,339	2,133	- 37.2 %
EBIT	370	768	569	1,530	- 62.8 %
EBT	324	644	402	1,246	- 67.7 %

### Graphite

The positive development of the graphite segment was further boosted in the 2nd quarter of 2010. The great demand is reflected in clearly improved sales and turnover figures. Turnover in the total reporting period amounted to TEUR 15,925, which is 46.8 % higher than in the previous year.

In other European countries the immense losses of turnover in the previous year have already been compensated again. In our main sales market of German-speaking Europe we also reached a significant improvement with a turnover plus of 33.5 %. In the Asia / Pacific region, which also includes the boom countries China, Hong Kong and India, we profit from a greatly increased demand for high-quality graphite products. Compared to the previous year we reached a turnover increase of 63.1 % with TEUR 2,371, and we also clearly exceeded the earnings of the comparison period in 2008. In North and South America and in the rest of the world our turnover figures remain at a low level.

In the "dispersions" customer segment we were able to clearly increase the portion of our new product developments. We are on the right course with the marketing of these products, and the measures we had taken show their effects. We intend to further push ahead with this development and create additional capacities in this field, if necessary. After the winter quarter the field of construction chemistry again showed a distinct improvement, and the sector of customer solutions also experiences a clear turnover increase compared to the previous year.

Our capacities are excellently utilised. In the 1st half year production sometimes was running at capacity limits. This situation will be relieved by a newly started micronising line at the Kropfmühl plant that will be fully available for the first time starting from the 3rd quarter of 2010.

The graphite segment also is burdened by strongly increasing prices on the acquisition side. As a result of the heavily increasing volume of goods transported all over the world, the transport costs and thus our incidental acquisition costs follow this trend, which means that our margins in this segment now clearly can feel this pressure.

We already improved our cost structure in 2009, and we thus were able to reach clear earnings improvements in this segment despite the decreased margins:

in TEUR	2010 Apr – June	2009 Apr – June	2010 Jan – June	2009 Jan – June	Change
Turnover	9,165	5,562	15,925	10,850	46.8 %
EBITDA	504	- 80	1,237	- 480	not stated
EBIT	199	- 572	365	- 1,370	not stated
EBT	48	- 788	110	- 1,916	not stated



### Asset position

In the first half year of 2010 the consolidated balance sheet total of the Graphit Kropfmühl group increased to TEUR 71,494. This is a growth of 4.0 % or TEUR 2,737 compared to the balance sheet total at the previous year's closing date of TEUR 68,757.

Non-current assets increased by TEUR 522 to TEUR 41,925, which essentially is due to investments in property, plant and equipment in the amount of TEUR 1,679 with depreciation and amortisation of TEUR 1,578. The development at foreign currency exchanges in the 2nd quarter furthermore resulted in high translation differences of individual financial statements prepared in foreign currency. Property, plant and equipment as a result in total increased by TEUR 451 to TEUR 34,828. Intangible assets on the other hand decreased by TEUR 47. With only little investment activities this decrease especially was due to depreciation and amortisation in the amount of TEUR 64.

In the reporting period deferred tax assets increased by TEUR 81 to TEUR 418. This primarily relates to tax effects resulting from market value changes of interest rate and foreign currency derivatives. The TEUR 37 increase of non-current financial assets especially relates to the payment of a loan to a German business partner of the graphite segment.

Current assets increased by TEUR 2,215 to TEUR 29,569 in the reporting period. The reporting date value of trade receivables increased by TEUR 2,225 to TEUR 10,898 compared to 31 December 2009. This increase is due to the development of turnover, because earnings have clearly improved. Inventories on the other hand decreased by TEUR 628 to TEUR 15,137.

The TEUR 166 increase of other financial assets in particular is due to the market value change of USD foreign currency derivatives. Advance payments and other current assets increased by TEUR 235 to a total of TEUR 1,027. The tax assessment for previous years results in a slight increase of taxes receivable. The increase of cash and cash equivalents of TEUR 169 to TEUR 1,171 is shown in detail in the cashflow statement.

On 30 June 2010 the equity of the Graphit Kropfmühl group was TEUR 23,752. The TEUR 995 increase results from the positive profit for the period of TEUR 422 and from the effects of currency translation and market value changes of derivative financial instruments of TEUR 573 recognised in the other comprehensive income. The equity ratio is 33.2 % and thus is slightly higher than on the previous year's reporting date.

Non-current liabilities decreased by TEUR 953 to TEUR 24,032, whereas current liabilities increased by TEUR 2,695 to TEUR 23,710.

With pension payments of TEUR 201 and regular additions, pension obligations increased by TEUR 231 to TEUR 9,204. The bank debt also increased by TEUR 2,266 to TEUR 22,119. Here the long-term proportion decreased by TEUR 1,228 especially due to regular repayments of TEUR 812 and to the reclassification of payments due within a year of previous interest-only loans. Because of the further use of short-term credit lines in the amount of TEUR 3,014 and the above-described effects of reclassification the proportion due within a year increased by a total of TEUR 3,494 to TEUR 13,123. The income tax assessment from the tax audit and for previous years resulted in a clear decrease of taxes payable by TEUR 1,058 to TEUR 446. Due to regular reversals, Government grants decreased by TEUR 82, whereas trade payables increased by TEUR 165 to TEUR 7,089. The other positions in the non-current and current liabilities only show insignificant changes compared to the previous year's reporting date.

### Financial position

In the reporting period the cashflow from operating activities amounted to TEUR - 461. In the previous year the operative cashflow was positive with TEUR 2,203.

The cashflow is determined indirectly from the profit for the period of TEUR 422 (previous year: TEUR - 623). Non-operative expenses and income, and relevant changes of assets and liabilities are adjusted, and the source and allocation of cash funds is thus shown.

The cashflow from operating activities is characterised by the increase of trade receivables of TEUR 2,127 and by a high outflow due to income tax payments in the amount of TEUR 1,276. Opposite effects such as the reduction of inventories by TEUR 949 could not fully compensate this outflow of liquidity, which means that the 1st half year closed with a cash outflow from operating activities. In the previous year a positive operative cashflow was reached despite the negative profit for the period due to the strong reduction of inventories and to a received advance payment for deliveries.

Compared to the previous year investment activities resulted in a clearly lower cash outflow. While in the previous year substantial investments were made especially in the silicon-metal segment for the conversion and upgrading of a furnace, investment activities in the first half year are characterised by the building-up of additional micronising capacities at the Kropfmühl plant.

Financing activities in the first half year resulted in a cash inflow of TEUR 2,202, which is at the level of the previous year. Regular repayments of long-term loans of TEUR 812 have a counterpart in additional drawings within granted credit lines in the amount of TEUR 3,014.

In the reporting period cash and cash equivalents increased by TEUR 66. Adjusted for the effects of exchange rate fluctuations on cash held in the amount of TEUR 102 the resulting amount of cash and cash equivalents at the end of the reporting period is TEUR 1,171. In the 1st half year the net debt to banks increased by TEUR 2,096 to TEUR 20,947.

### 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

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

In the course of the second quarter economic prospects have not changed significantly. However, there still are potential risks that might lead to a sudden end of the positive development, but short-term early indicators in Germany suggest that the growth trend will continue. For example the ifo business climate index jumped to a value of 106.2 in July. And it is not only the index reflecting the current situation that has clearly improved, expectations for the next six months also have significantly brightened.

In the future this positive atmosphere is expected to lead to a stimulation of domestic demand, which apart from the export could create an additional support for the economic development. Boosted by its export figures Germany stays on its recovery course. Compared to the development in the whole of Europe, where an adjusted growth of the gross domestic product of 1.0 % is expected, Germany is expected to perform well above average with 2.1 %. In the group of emerging countries growth is still continuing without limitations, and the US economy also is expected to reach a strong plus this year.

The figures of the 1st half year show that in both segments we can participate in this growth at an above-average share. For the total year we believe that the group can reach a turnover of more than EUR 90 million, provided that the development of the global economy does not unexpectedly get worse.

In the silicon-metal segment the achievable prices are lower than in the previous year, but a further downward trend is not to be expected in the present environment. However, electricity costs as the most important factor in production have become even more essential, and in the silicon-metal segment we will therefore not reach the earnings and profitability figures of the previous year.

With the newly established micronising capacity and with additional sales of lubricants and separating agents the graphite segment presumably will exceed the forecast increase in turnover.

Under these prerequisites we will exceed the previous year's earnings and profitability ratios also in the total year.



Consolidated financial statements as of 30 June 2010

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## Consolidated financial statements as of 30 June 2010

### Consolidated statement of comprehensive income

	Notes no.	2010 Apr – June TEUR	2009 Apr – June TEUR	2010 Jan – June TEUR	2009 Jan – June TEUR	Change
<b>I. Profit and loss statement</b>						
Turnover		25,018	20,078	46,644	38,165	22.2 %
Cost of sales		- 22,517	-17,954	- 41,872	- 34,223	22.4 %
Gross profit		2,501	2,124	4,772	3,942	21.1 %
Selling, general and administrative expenses	(7)	- 2,061	- 2,067	- 4,137	- 4,170	- 0.8 %
Restructuring and asset impairment expenses		0	- 24	0	- 24	not stated
Other income		129	163	299	412	- 27.4 %
Operating profit (EBIT)		569	196	934	160	> 100.0 %
Net finance costs	(8)	- 197	- 340	- 422	- 830	49.2 %
Profit before income tax		372	- 144	512	- 670	not stated
Income tax expense	(9)	- 32	- 93	- 90	47	not stated
Profit for the year		340	- 237	422	- 623	not stated
thereof attributable to:						
Minority interests		22	- 36	37	- 42	
Shareholders of the company		318	- 201	385	- 581	
<b>II. Other comprehensive income</b>						
Foreign currency translation adjustment		284	187	502	239	> 100.0 %
Unrealised gains / losses on derivative financial instruments						
Change in unrealised gains / losses		- 25	79	- 10	- 396	
Realised gains (-) / losses (+)	(12)	69	18	104	85	
Net unrealised gains / losses		44	97	94	- 311	not stated
Income tax on income and expenses recognized directly in equity						
Change of income tax on income and expenses recognized directly in equity		10	- 9	7	108	
Realised gains (-) / losses (+)	(12)	- 21	- 5	- 30	- 23	
Net unrealised gains / losses		- 11	- 14	- 23	85	
Other comprehensive income after taxes		317	270	573	13	
<b>III. Total comprehensive income</b>						
thereof attributable to:						
Minority interests		32	- 36	52	- 39	not stated
Shareholders of the company		625	69	943	- 571	not stated

## Consolidated financial statements as of 30 June 2010

### Consolidated Balance Sheet as at 30 June 2010

#### ASSETS

	Notes no.	30 June 2010 TEUR	31. Dec. 2009 TEUR
Non-current assets			
Intangible assets		6,505	6,552
Goodwill		6,094	6,083
Other intangible assets		411	469
Property, plant and equipment		34,828	34,377
Land and buildings		14,783	14,884
Machinery and technical equipment		16,263	16,959
Other assets, factory and office equipment		1,889	1,890
Construction in progress		1,893	644
Deferred tax assets		418	337
Other financial assets	(4)	174	137
		<b>41,925</b>	<b>41,403</b>
Current assets			
Inventories		15,137	15,765
Trade receivables		10,898	8,673
Other financial assets	(4)	307	141
Taxes receivable		1,029	981
Other current assets		1,027	792
Cash and cash equivalents		1,171	1,002
		<b>29,569</b>	<b>27,354</b>
		<b>71,494</b>	<b>68,757</b>

## Consolidated financial statements as of 30 June 2010

### STOCKHOLDERS EQUITY AND LIABILITIES

	Notes no.	30 June 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		9,443	8,500
Minority interests		101	49
		<b>23,752</b>	<b>22,757</b>
<b>Non-current liabilities</b>			
Pension obligations		9,204	8,973
Non-current provisions		3,913	3,896
Long term bank-debt		8,996	10,224
Government grants		408	467
Deferred tax liabilities		671	630
Other financial liabilities	(5)	840	795
		<b>24,032</b>	<b>24,985</b>
<b>Current liabilities</b>			
Short-term bank debt		13,123	9,629
Trade payables		7,089	6,924
Liabilities to affiliated companies		0	1
Government grants		140	163
Other financial liabilities	(5)	776	733
Current taxes payable		446	1,504
Other liabilities	(6)	2,136	2,061
		<b>23,710</b>	<b>21,015</b>
		<b>71,494</b>	<b>68,757</b>

## Consolidated financial statements as of 30 June 2010

Consolidated statement of comprehensive income for the time from 1 January to 30 June 2010

	2010 TEUR	2009 TEUR
I. Cashflow from operating activities		
1. Profit for the period	422	- 623
Adjustments to reconcile profit to net cashflow:		
2. Depreciation on property, plant and equipment	1,578	1,449
3. Amortisation of intangible assets	64	44
4. Net finance costs	797	765
5. Income taxes	90	- 47
6. Gain on sale or disposal of non-current assets	0	- 2
7. Change in inventories	949	2,627
8. Change in trade receivables	- 2,127	- 1,131
9. Change in other receivables	- 79	337
10. Change in trade payables, provisions and other liabilities	- 305	- 641
11. Payment of recultivation costs	- 62	- 49
12. Payment of pension liabilities	- 201	- 241
13. Other changes in pension and recultivation liabilities	414	395
14. Change in government grants	- 82	- 63
15. Other non-cash profit and loss items	55	0
16. Interest received	10	16
17. Interest paid	- 708	- 623
18. Paid and received income tax	- 1,276	- 10
Cashflow from operating activities	- 461	2,203
II. Cashflow from investing activities		
1. Acquisition of property, plant and equipment	- 1,679	- 4,543
2. Outflow for investments in intangible assets	- 5	- 34
3. Outflow for investments in financial assets	19	14
4. Inflow from the disposal of fixed assets	- 9	0
Cashflow from investing activities	- 1,674	- 4,563
III. Cashflow from financing activities		
1. Proceeds from issuance of debt	0	1,751
2. Repayment of borrowings	- 812	- 698
3. Proceeds / Repayment from short-term debt	3,014	1,116
4. Others	0	- 43
Cashflow from financing activities	2,202	2,126
IV. Cash and cash equivalents		
1. Net increase (decrease) in cash and cash equivalents	67	- 234
2. Effect of exchange rate fluctuations on cash held	102	56
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	1,171	731



## Consolidated financial statements as of 30 June 2010

### Statement of changes in equity at 30 June 2010

	Balance at	Change	Balance at
	31 Dec. 2008	Comprehensive income	30 June 2009
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	9,593	- 572	9,021
Other revenue reserves	1,358	9	1,367
Currency conversion	270	236	506
Financial instruments	- 321	- 227	- 547
Generated stockholders equity	8,235	- 581	7,654
Capital attributable to shareholders	23,801	- 572	23,229
Minority interests	39	- 39	0
Equity	23,840	- 611	23,229
	31 Dec. 2009	Comprehensive income	30 June 2010
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	8,500	943	9,443
Other revenue reserves	1,193	558	1,751
Currency conversion	250	487	737
Financial instruments	- 406	71	- 335
Generated stockholders equity	7,307	385	7,692
Capital attributable to shareholders	22,708	943	23,651
Minority interests	49	52	101
Equity	22,757	995	23,752

## 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 30 June 2010 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.

These interim financial statements were prepared in compliance with IAS 34. 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 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 these 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.

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 184.

In the total year 2009 an amount of TEUR 661 from the other income was set off against the selling, general and administrative expenses. These were original costs of the parent company which the parent company reimbursed. Recognition was correspondingly adapted in this interim report.

	New 2009	Before 2009	Reclassification
Profit and loss statement			
Selling, general and administrative expenses	- 4,170	- 4,647	477
Other income	412	1,073	- 661
Net finance costs	- 830	- 1,014	184

#### (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

	30 June 2010	31 Dec. 2009	Change
Granted loans (non-current)	174	137	27.0 %
Granted loans (current)	41	26	57.7 %
Financial derivatives (current)	266	115	> 100.0 %
Total	481	278	73.0 %

(5) Other financial liabilities

	30 June 2010	31 Dec. 2009	Change
Financial derivatives (long-term)	730	673	8.5 %
Financial derivatives (short-term)	325	260	25.0 %
Financial statement expenses	228	288	- 20.8 %
Other financial liabilities	353	307	15.0 %
Total	1,616	1,528	5.8 %

(6) Other current liabilities

	30 June 2010	31 Dec. 2009	Change
Other tax liabilities	332	237	40.1 %
Professional association	105	156	- 32.7 %
Liabilities under partial retirement models	350	327	7.0 %
Other liabilities to employees	773	800	- 3.4 %
Received advance payments on orders	69	81	- 14.8 %
Other current liabilities	507	460	10.2 %
Total	2,136	2,061	3.6 %

(7) Selling, general and administrative expenses

	2010 Apr – June	2009 Apr – June	2010 Jan – June	2009 Jan – June
Selling expenses	396	381	745	778
General administrative expenses	1,340	1,413	2,697	2,760
Research and development expenses	214	162	409	347
Other operating expenses	111	111	286	285
Total	2,061	2,067	4,137	4,170

## Consolidated financial statements as of 30 June 2010

### (8) Net finance costs

	2010 Apr – Jun	2009 Apr – Jun	2010 Jan – Jun	2009 Jan – Jun
Other interest and similar income	5	6	10	17
Market value changes of derivate financial instruments	- 24	15	- 65	- 62
Other interests and similar expenses	- 379	- 331	- 743	- 700
Exchange rate differences	201	- 30	376	- 85
Total	- 197	- 340	- 422	- 830

### (9) Income tax expense

	2010 Apr – Jun	2009 Apr – Jun	2010 Jan – Jun	2009 Jan – Jun
Current taxes	- 95	- 60	- 172	- 76
Deferred taxes	62	- 33	82	123
Total	- 33	- 93	- 90	47

## 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 Apr – Jun	2009 Apr – Jun	2010 Jan – Jun	2009 Jan – Jun
Profit for the year attributable to shareholders of the company (TEUR)	318	- 201	385	- 581
Number of shares	2,880,000	2,880,000	2,880,000	2,880,000
Earnings per share (EUR)	0.11	- 0.07	0.14	- 0.20

## (11) Condensed segment information

January to June in TEUR	Silicon-metal		Graphite		Transition		Group	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover								
With external third parties	30,719	27,315	15,925	10,850			46,644	38,165
D/A/CH	27,623	24,908	8,148	6,105			35,771	31,013
Other European countries	2,767	2,271	4,658	2,508			7,425	4,779
Asia / Pacific	225	95	2,371	1,454			2,596	1,549
North- and South America	100	33	532	582			632	615
Rest of the world	4	8	216	202			220	209
Intersegment turnover	0	0	0	101	0	- 101	0	0
EBITDA	1,339	2,133	1,237	- 480			2,576	1,653
Depreciation and amortisation	770	603	872	890			1,642	1,493
EBIT	569	1,530	365	- 1,370			934	160
Segment sales	39,110	35,558	37,468	42,814	- 5,084	- 6,032	71,494	72,340
Employees (30 June)	106	108	372	411			478	519

## (12) Derivative financial instruments

In the 1st half year 2010, TEUR 74 (previous year: TEUR 62) were reclassified from the other comprehensive income to the consolidated profit for the period. Of these, TEUR - 65 (previous year: TEUR 22) were attributed to the "cost of sales" position. TEUR 169 (previous year: TEUR 63) were recognised in the net finance costs. On the total change TEUR 30 (previous year: TEUR 23) 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.

## Review report

To Graphit Kropfmühl Aktiengesellschaft, Hauzenberg

We have reviewed the interim condensed consolidated financial statements, comprising the condensed balance sheet, the condensed comprehensive income, the condensed cashflow statement, the condensed statement of changes in equity, and selected explanatory notes, and the interim group management report of Graphit Kropfmühl Aktiengesellschaft, Hauzenberg, for the period from 1 January 2010 to 30 June 2010, which are part of the half-year financial report pursuant to § 37x art. 3 WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act) applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue an attestation on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany IDW). These standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Mannheim, 23 July 2010

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Fluck  
Wirtschaftsprüfer  
(German Public Auditor)

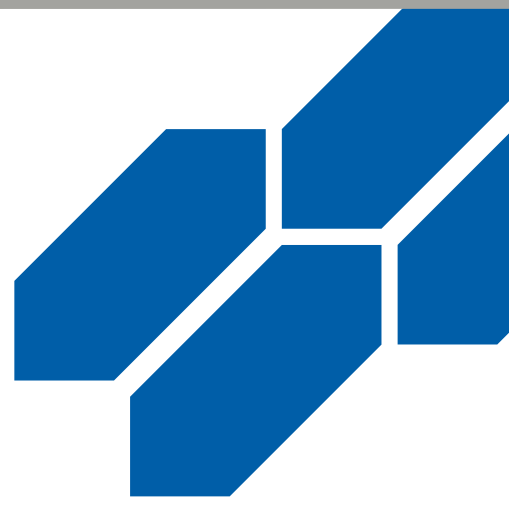
Kuhn  
Wirtschaftsprüfer  
(German Public Auditor)

### **Responsibility statement**

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the fiscal year.

Martin Ebeling  
Chief Executive Officer

Hans-Detlef Antel  
Managing Director



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

Chairman of the Supervisory Board  
Dr. Heinz Schimmelbusch

Financial calendar  
10 November 2010  
23 November 2010  
15 June 2011

9-month report 2010  
German Equity Forum, Frankfurt  
Annual General Meeting, Munich



**Graphit Kropfmühl AG**

A Member of



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