

Interim report January to June 2011



Graphit Kropfmühl AG

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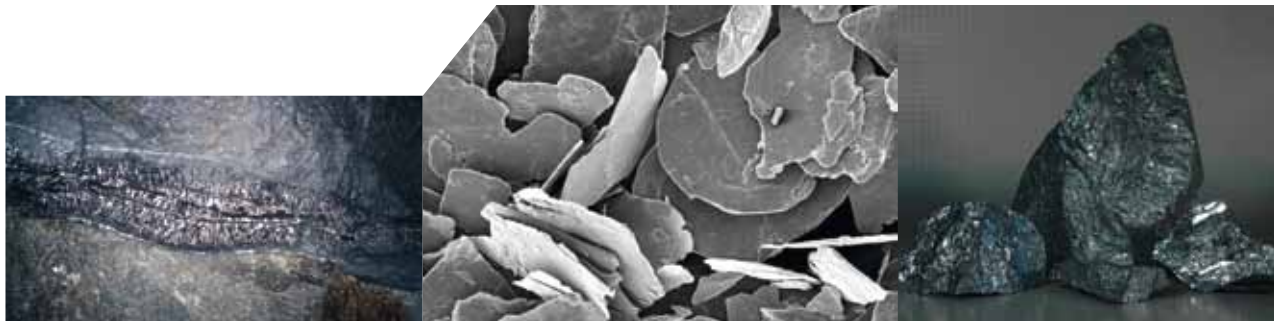
AMG Advanced Metallurgical Group N.V.

GRAPHIT KROPMÜHL AG – Financial Highlights

Group January to June		2011	2010	Change
Total sales	in TEUR	60,671	46,644	30.1 %
EBITDA ¹	in TEUR	8,914	2,952	> 100.0 %
EBIT	in TEUR	7,234	934	> 100.0 %
EBT	in TEUR	6,436	512	> 100.0 %
Consolidated earnings for the year	in TEUR	4,562	385	> 100.0 %
Cashflow from ordinary business activities	in TEUR	3,729	- 461	not stated
Investments	in TEUR	2,512	1,684	49.2 %
Balance sheet total ²	in TEUR	78,752	71,494	10.2 %
Stockholders equity ²	in TEUR	29,321	23,752	23.4 %
Equity ratio ²	in %	37.2	33.2	
Net debt ²	in TEUR	18,758	20,947	- 10.5 %
Employees (June 30)		496	478	3.8 %
Profitability		2011	2010	Change
EBITDA margin ¹	in %	14.7	6.3	
EBIT margin	in %	11.9	2.0	
Return on sales	in %	10.6	1.1	
Return on equity	in %	15.6	1.6	
Silicon-metal segment		2011	2010	Change
Sales	in TEUR	39,478	30,719	28.5 %
Segment share of total sales	in %	65.1	65.9	
EBITDA ¹	in TEUR	7,091	1,436	> 100.0 %
EBIT	in TEUR	6,283	569	> 100.0 %
EBT	in TEUR	6,235	402	> 100.0 %
Employees (June 30)		110	106	3.8 %
Graphite segment		2011	2010	Change
Sales	in TEUR	21,193	15,925	33.1 %
Segment share of total sales	in %	34.9	34.1	
EBITDA ¹	in TEUR	1,823	1,516	20.3 %
EBIT	in TEUR	951	365	> 100.0 %
EBT	in TEUR	201	110	82.7 %
Employees (June 30)		386	372	3.8 %
Share		2011	2010	Change
Earnings	in EUR	1.58	0.14	> 100.0 %
Cashflow from ordinary business activities	in EUR	1.29	- 0.16	not stated

¹⁾ Adjusted EBITDA before restructuring measures and impairing losses, expenses for recultivation and foreign exchange result

²⁾ Balance sheet values each refer to the accounting date of the reporting period (June 30)



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Forward-looking statements

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 extremely brisk demand of the first quarter proved stable also in the second quarter and in the first half year compared to the same period of the previous year resulted in a turnover growth of more than 30 % to more than EUR 60 million. Both business segments were able to continue their successful development also in the second quarter, even though the high performance indicators of the first quarter could not be fully reached again.

Production capacity utilisation is at a high level in both segments and partially even reaches the capacity limits. Clearly increased sales proceeds in our essential product fields were able to compensate cost increases on the procurement side in combination with the effects of economics of scale. The group's earnings ratios all increased disproportionately. Compared to the same period of the previous year the adjusted EBITDA tripled to TEUR 8,914.

Our Annual General Meeting was held in Munich on 15 June 2011. About 70 shareholders used this opportunity to learn about the company's business situation. In an open dialog our shareholders demonstrated their interest in the development of their company and provided us with ideas and suggestions. With 89 % of the voting capital the attendance figure was comparatively high.

The agenda items that were put to the vote all were adopted with majorities of more than 99 %. We would like to take this opportunity and again thank you for your confidence.

In our report on the business situation we informed you about the development of last year and also explained the business figures of the first quarter as well as our medium- and long-term projects. To counteract the expected continuing further increase of energy costs our main focus in both segments lies on the continuous improvement of energy efficiency. The currently discussed steps towards an energy turnaround in Germany and the subject of electro mobility offer excellent future opportunities for the Graphit Kropfmühl group. The field of nuclear waste disposal also offers additional potential for developments and products in the graphite segment. Together with companies of the AMG group we are, for example, investigating possible applications of graphite in this field.

In view of new fields of application for natural graphite products and a continuously growing global demand and the related development on the procurement markets, the securing of our own constant raw material sources and qualities is of outstanding importance for us.

Following the evaluation of first preliminary examination results we in the first quarter of 2011 decided to continue the further exploration and evaluation of the deposits in Mozambique. According to the results we now have, some of the deposits in Mozambique with respect to quality and quantity show best prerequisites for economically efficient mining operations.

The timing of this exploration work is in line with our plans. We are holding preliminary talks with various bodies to prepare corresponding pre-feasibility studies and to allow us to make well-founded decisions about necessary investments and the start of operations. We are in contact with state authorities as well as potential suppliers and buyers in order to be able to plan and negotiate local facilities according to the requirements and to provide the necessary infrastructure.

Not least our social commitment in Mozambique also will be of decisive importance for the success of this project. In one of the world's poorest regions the qualification of employees is an important success factor. For example, we also are planning to establish a school for training employees similar to the German professional training system, and are in intensive contact with government and institutional representatives in Mozambique.

The subject of occupational safety always has been of highest priority for us. With a group-wide project that was started in the first half year we will continuously intensify our efforts in this field to further minimise hazard potentials and accident figures. It is of special importance for us that standards as applicable in Germany also are observed at our international locations.

Collective bargaining for our employees in Germany has now been concluded. Employees of RW silicium GmbH are paid according to the regulations of the collective agreement of the chemical industry. For Graphit Kropfmühl Aktiengesellschaft a company agreement was re-negotiated and concluded. The agreement that was reached by the bargaining parties in the middle of July essentially follows the agreement of the chemical industry.

Our investments in state-of-the-art production facilities in Germany are an essential prerequisite for the securing of our competitiveness and the safeguarding of employment. In the silicon-metal segment, at the Pocking plant, the process of equipping a furnace with a composite electrode system was finished in the second quarter. The modernisation of another arc furnace also has been initiated, and first orders have been placed for this. This modification increases the capacity of the furnace and at the same time reduces its specific energy consumption. Modification work will last until the middle of 2012 and will require a total investment volume of approx. EUR 6 million.

The graphite segment still has a considerable growth potential in the field of construction chemistry. In the first quarter we started the construction of another modern micronising line at the Kropfmühl plant that is intended to create sufficient capacities and further increase our competitiveness. With the construction of a new compressed-air station the first sub-project will soon be finished.

In light of increasingly evident global supply bottlenecks we are seeking long-term and partnership-based relations with our most important customers. By way of existing own raw material sources and with its production facilities the graphite segment guarantees the availability of high-quality products. Within the scope of these partnerships Graphit Kropfmühl Aktiengesellschaft also fulfils the important function of a logistics service provider. The availability of products is secured in the short and medium term, even if sometimes longer delivery times have to be accepted due to the great demand and the limited production capacities.

Because of the solid, good earnings situation the equity position of the Graphit Kropfmühl group has further improved. The consolidated earnings for the period essentially contribute to the increase of the equity ratio, which at 30 June 2011 increased by 3.4 % to 37.2 % compared to the end of the year 2010.

Investments in the first half year fully were financed from the generated operative inflow. Net bank debts could be clearly reduced since the beginning of the year, even though in the course of the second quarter the increase of capital commitment in inventories for the securing of our supply activities has tied up additional liquidity.

Letter to our shareholders

Individual investment projects are secured by firm financing commitments. Short-term liquidity requirements furthermore can be covered by way of sufficient and reliable credit lines with various credit institutions. The financing possibilities for the necessary investments for establishing mining operations in Mozambique are being analysed at present.

Our outlook and our expectations concerning the possible course of business in the second half year are positive. Individual early indicators, however, altogether already indicate a flattening of the presently still very strong economic development. We will continue to closely observe these indicators and in due time respond to changing general conditions.

In light of the economic development in the first half year and of the stabilised demand in both segments we already have increased our turnover forecast for the total year in the middle of June. For the group we expect a total turnover of more than EUR 110 million. Earnings are expected to develop in line with the turnover, provided that the economic environment remains stable.

Sincerely yours



Martin Ebeling
Chief Executive Officer



Hans-Detlef Antel
Managing Director



Frank Berger
Managing Director

Business development

Group management report

The positive course of business since the beginning of the year was confirmed in the second quarter of 2011. Demand in both segments has stabilised, and some of our production facilities are operating at their capacity limits.

Compared to general macroeconomic growth rates the group turnover in the second quarter again increased disproportionately by 19.0 % to TEUR 29,773. Due to the maintenance-related downtime of one furnace in the second quarter the silicon-metal segment could not fully reach the high output and performance of the first quarter. Demand in the graphite segment also remained at a high level, even though a flattening or stabilisation can be observed here at present. After the record first quarter the total reporting period compared to the same period of the previous year still shows a remarkable jump in turnover of more than 30 % to TEUR 60,671.

The D/A/CH region (Germany, Austria, and Switzerland) is the most important sales market for both segments. Turnover development compared to the extraordinary development of the first quarter has somewhat slowed down, but an increase of 19.6 % in the quarter, and 34.7 % in the total first half year, still many times outperforms the general development.

In other European countries a turnover increase of 8.4 % in the second quarter was able to reduce the losses in this region to about 3 % for the total first half year. In America, however, a halving of turnover in the second quarter resulted in a decrease of 14.1 % to TEUR 543 in the total period.

On the other hand the highly positive trends in the Asia / Pacific region and in the rest of the world have been confirmed, although turnover in these regions remains at a low level.

Through quantity and price effects both segments achieved clear increases in turnover. The demand-related market price development for silicon-metal in the course of the second half year of 2010 allowed clearly improved prices for the year 2011. In light of the sometimes rapidly increasing purchasing prices since the second half of 2009, the graphite segment in the course of the first half year 2011 also was able to gradually adapt the product prices on the selling side.

The demand-related high capacity utilisation in both segments resulted in efficiency increases which in combination with higher sales prices resulted in a significant improvement of the gross profit to TEUR 12,437.

Selling, general and administrative expenses increased by 33.9 % to TEUR 5,540. This relates to the project costs for the exploration of deposits in Mozambique and Brazil, and to higher personnel expenses. The decision at the beginning of the year to no longer pursue the inspection of deposits in Brazil and concentrate on the more promising deposits in Mozambique resulted in impairment expenses of TEUR 52 on costs capitalised for the exploration in Brazil up to that time.

After consideration of other income the earnings before interest and taxes (EBIT) with TEUR 7,234 are clearly higher than the value of the previous year's period of TEUR 934. After TEUR 2,952 in the previous year's period the adjusted EBITDA also has tripled to TEUR 8,914. The development is shown in the table below:

Group management report

in TEUR	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June	Change
Turnover with external third parties	29,773	25,018	60,671	46,644	30.1 %
D/A/CH	23,404	19,563	48,175	35,771	34.7 %
Other European countries	3,657	3,373	7,227	7,425	- 2.7 %
Asia / Pacific	2,232	1,544	4,213	2,596	62.3 %
North and South America	216	431	543	632	- 14.1 %
Rest of the world	264	107	513	220	> 100.0 %
Gross profit	5,925	2,501	12,437	4,772	> 100.0 %
Adjusted EBITDA	4,273	1,611	8,914	2,952	> 100.0 %
Recultivation costs	20	0	41	0	not stated
Foreign exchange result	6	201	- 142	376	not stated
Depreciation and amortisation	875	841	1,729	1,642	5.3 %
Asset impairment expenses exploration costs	0	0	52	0	not stated
EBIT	3,372	569	7,234	934	> 100.0 %
EBT	3,025	372	6,436	512	> 100.0 %

On an annual average the net debt was lower, which resulted in decreased interest expenses. The improved market value of non-effective interest rate hedges due to the performed key interest rate increases essentially contributed to the increase of interest income. Whereas the previous year showed an income of TEUR 376 from foreign currency translations, the current reporting period here shows a loss of TEUR 142.

Earnings before tax (EBT) improved significantly to TEUR 6,436 after TEUR 512 in the previous year and resulted in a clear increase of tax expenses from TEUR 90 in the first half year of 2010 to TEUR 1,869 in the reporting period. The profit for the period amounts to TEUR 4,567 after TEUR 422 in the previous year. After deduction of minority interests, earnings of TEUR 4,562 or EUR 1.58 per share are attributable to the shareholders of Graphit Kropfmühl Aktiengesellschaft.

Silicon-metal segment

For the modernisation of the electrode system in one furnace this furnace had to be shut down for a period of approximately five weeks. Because of this maintenance-related furnace downtime in the second quarter the silicon-metal segment could not fully repeat the excellent performance of the first quarter. Yet the second quarter still closed with a clear turnover increase of 21.8 % to TEUR 19,305. With a total turnover of TEUR 39,478 a turnover growth of 28.5 % was generated in the first half year of 2011.

The sales volume of silicon-metal altogether increased by 3.2 % to 14,883 t. The maintenance-related production downtime, however, resulted in a decrease of 5.1 % to 7,187 t in the second quarter. Sales of the by-product that is created in the production of silicon-metal developed correspondingly. On a quarterly comparison the downtime of production capacities resulted in a decreased sales volume, but altogether the sales figures of standard and special quality (Q₁) clearly increased. A sales volume of 12,200 t means an increase of 13.8 %. In the sales of so-called secondary silicon the decrease of the first quarter could be fully compensated. A sales volume of 2,705 t in the first half year means a slight sales plus of approx. 2 %.

Compared to the same period of the previous year the prices for silicon-metal are at a clearly better level. Whereas for the special RW filler quality (Q,) moderately higher prices could be achieved compared to the previous year, the average proceeds for the standard quality and for secondary silicon no longer reach the level of the previous year.

The excellent utilisation of production capacities and the altogether good price level for silicon-metal and other products more than compensate the negative effects of price increases in the material and energy expenses as well as selling, general and administrative expenses. All the earnings ratios in the silicon-metal segment therefore increased disproportionately.

in TEUR	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June	Change
Sales volume (in t)	15,153	13,708	29,788	27,802	7.1 %
Sales	19,305	15,853	39,478	30,719	28.5 %
Adjusted EBITDA	3,427	828	7,091	1,436	> 100.0 %
EBIT	3,017	370	6,283	569	> 100.0 %
EBT	3,013	324	6,235	402	> 100.0 %

Graphite segment

The global demand for natural graphite products still remains at a very high level. Conditions on the raw material procurement market have noticeably changed in the last two years. Pricing conditions and the general supply situation have developed rapidly, for example due to export limitations of the Chinese government. The graphite segment also could not avoid these external influences and had to accept clearly increased prices or less favourable payment terms. In sometimes difficult negotiations these price increases step by step could be passed on to our customers since the beginning of the year 2011.

In the second quarter the sales volume in the graphite segment was lower than in the previous year, but price adjustments altogether resulted in a growth of turnover to TEUR 10,468. In the first half year of 2011 the sales volume increased by 11.2 % to 12,460 t, turnover increased by 33.1 % to TEUR 21,193. Compared to the previous year the average sales prices had to be increased by approx. 20 %.

Production capacities mostly were excellently utilised, which resulted in efficiency increases that only partially compensated the effects of higher procurement prices. The gross profit thus clearly increased compared to the previous year, but the achieved gross profit margin remains lower than in the previous year despite the clear increase in turnover.

Expenses for the securing of future raw material supplies relating to the projects in Brazil and Mozambique also are recognised in the earnings and only result in a disproportionately low increase of the adjusted EBITDA. Impairments in the amount of TEUR 52 for capitalised exploration expenses are recognised in the EBIT.

in TEUR	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June	Change
Sales volume (in t)	5,973	6,350	12,460	11,203	11.2 %
Sales	10,468	9,165	21,193	15,925	33.1 %
Adjusted EBITDA	846	783	1,823	1,516	20.3 %
EBIT	355	199	951	365	> 100.0 %
EBT	12	48	201	110	82.7 %

Investments

In the first half year an amount of TEUR 2,512 was spent for replacement and expansion investments in property, plant and equipment. TEUR 889 of this was attributed to the silicon-metal segment that used a major part for the modernisation of the electrode system in a furnace.

The graphite segment in the first half year of 2011 made investments in the amount of TEUR 1,623. In addition to the construction of a new micronising line and a new compressed-air station at the Kropfmühl plant, additional micronising capacities were created in China. The acquisition of a lubricant production line already was completed in the first quarter to further increase value creation also in this segment.

Asset position

In the second quarter of 2011 the consolidated balance sheet total of the Graphit Kropfmühl group further increased to TEUR 78,752, which since the previous year's closing date means an increase of TEUR 5,043 or 6.8 %. The translation of financial statements prepared in foreign currencies made an opposite contribution of TEUR 326, so that adjusted for currency effects the increase amounted to TEUR 5,369.

Especially the investments in property, plant and equipment in both segments contributed to an increase of non-current assets, which since 31 December 2010 increased by TEUR 990 from TEUR 41,972 to TEUR 42,962. Intangible assets altogether slightly decreased by TEUR 31. Whereas the goodwill due to currency effects showed a slight increase of TEUR 11 to TEUR 6,114, the other intangible assets decreased. The exploration of deposits in Mozambique resulted in expenses of TEUR 80 that are included as additions. In addition to the impairment of capitalised exploration costs in Brazil in the amount of TEUR 52, depreciation and amortisation on software and development costs resulted in a total decrease of TEUR 42. Property, plant and equipment increased by TEUR 776 to TEUR 35,342. Additions of TEUR 2,512, among others for the modernisation of a furnace in Pocking and for the expansion of micronising capacities in Kropfmühl, were reduced by exclusively regular depreciations of TEUR 1,659 and currency-related changes of TEUR 76. The increase in deferred taxes essentially is due to the change of the temporary difference between tax values and values of the consolidated financial statements for the half year in the pension obligations. The other non-current financial assets contain loans granted by the graphite segment, which increased to TEUR 274.

Since the previous year's closing date the current assets increased by 12.8 % to TEUR 35,790. On the one hand the achieved jump in turnover since 31 December 2010 resulted in an increase of trade receivables in the amount of TEUR 2,435. At the same time clearly increased acquisition prices and more stringent conditions on the procurement market of the graphite segment resulted in a TEUR 1,593 higher capital commitment for inventories. The expiry of foreign currency hedges and the development of the dollar rate essentially contributed to the TEUR 110 decrease of current financial assets. The market values of foreign currency hedges that are contained in the financial derivatives correspondingly clearly decreased from TEUR 117 to TEUR 11. The other items remained almost unchanged compared to the balance sheet date of the previous year. The development of cash and cash equivalents is shown in detail in the cashflow statement. In the course of the first half year of 2011 cash and cash equivalents increased by TEUR 77 to TEUR 1,514.

The equity base of the Graphit Kropfmühl group has further improved and is 37.2 % at 30 June 2011, after 33.8 % at 31 December 2010. The generated consolidated profit of TEUR 4,567 compensates the decrease of foreign currency translation differences that are contained in the other comprehensive income and the market value changes of effective derivative financial instruments recognised with no effect on income. Altogether the equity with approx. 18 % increased disproportionately higher than the balance sheet total and thus resulted in a significantly improved capital structure in the group.

The decrease of non-current liabilities by TEUR 1,107 to TEUR 22,208 is characterised by the regular repayment of non-current bank liabilities. In the first half year of 2011 loans with a remaining life of more than one year clearly decreased by TEUR 1,234 to TEUR 6,529. The development of pension obligations, which increased by TEUR 407, almost is compensated by the congruent-maturity release of government grants (TEUR 66), slightly decreased deferred tax liabilities (TEUR 30), and a decrease of non-current financial liabilities of TEUR 212. Key interest rate increases in the first half year resulted in improved market values of our interest rate hedging instruments. In addition, a decrease of non-current liabilities under finance lease contracts and of a loan of a company in Sri Lanka also contributed to the decrease of financial liabilities.

Current liabilities increased by TEUR 1,738 to TEUR 27,223. The good development of business and earnings results in a TEUR 1,838 jump of current taxes payable to TEUR 2,044. Trade payables, on the other hand, clearly decreased by TEUR 671 to TEUR 7,170. The other current financial liabilities, however, increased by TEUR 202 to TEUR 1,343. Based on the agreed repayment plans the long-term loans due within one year increased by TEUR 219 since 31 December 2010. At the same time another TEUR 147 were used for liquidity disposition under granted credit lines, so that altogether the current liabilities to banks increased by TEUR 366. Other current liabilities remained almost unchanged with TEUR 2,791. In light of the clearly improved business development and of performance-related management compensation there are clear shifts in individual positions.

Financial position

The table below shows the cashflow statement aggregated with respect to source and appropriation of funds:

in TEUR	2011 Jan. – June	2010 Jan. – June
Profit for the period	4,567	422
Non-operative income and expenses	5,070	2,998
Changes of working capital	- 4,970	- 1,825
Net interest paid	- 648	- 698
Net tax paid	- 224	- 1,276
Others	- 66	- 82
Inflow (outflow) from operating activities	3,729	- 461
Outflow from investing activities	- 2,586	- 1,674
Outflow (inflow) from financing activities	- 1,013	2,202

The cashflow statement reflects the earnings situation that has clearly improved compared to the same period of the previous year. In the current reporting period the amount of TEUR 2,586 required for investment activities could be fully covered with the operative inflow of TEUR 3,729, even though the highly positive development of the first quarter did not completely continue in the second quarter. In combination with the strongly increased acquisition prices the continuing great global demand for graphite results in changed conditions on the procurement market and in the necessity to temporarily secure continued operations, and as a consequence in a clear increase of inventories. Together with the increase of trade receivables the rise of the working capital leads to a higher liquidity need that can only partially be compensated by lower tax payments in the reporting period.

In the second quarter the investment program was continued according to plan. The outflow for investments in property, plant and equipment clearly increased to TEUR 2,437 (previous year: TEUR 1,679). The exploration of deposits in Mozambique involved further project expenses of TEUR 80, which espe-

cially characterise the acquisition of intangible assets. As in the previous year, the sale of property, plant and equipment only resulted in minor proceeds of TEUR 1 (previous year: TEUR 19). The TEUR 69 change in the other non-current assets resulted from the payment and repayment of granted loans.

Of the achieved free liquidity, TEUR 1,013 could be used for the repayment of current and non-current liabilities, whereas in the previous year a new loan of TEUR 2,202 was still required to cover a financing gap. In January 2011 we received a loan of TEUR 215. In the first half year TEUR 1,250 were used for the regular repayment of non-current bank liabilities, TEUR 125 were required for the repayment of finance lease obligations that for the first time were concluded in 2010.

Altogether cash and cash equivalents increased by TEUR 130. Adjusted for exchange-rate related value changes of TEUR 53, cash and cash equivalents at 30 June 2011 amounted to TEUR 1,514.

In the second quarter the net debt slightly increased again, which especially is due to the liquidity need for financing the working capital. Compared both to the same reporting period of the previous year and to the 2010 balance sheet date, however, the figure altogether clearly decreased to TEUR 18,758.

in TEUR	30.06.2011	31.12.2010	30.06.2010
Long term bank-debt	6,529	7,763	8,996
Short-term bank debt	13,743	13,377	13,123
Cash and cash equivalents	- 1,514	- 1,437	- 1,171
Net debt	18,758	19,703	20,948

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 2010. 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 2011

Economic situation

The economic environment for the Graphit Kropfmühl group still is considered friendly. In all regions the current business situation is assessed as extremely favourable. However, for example the business expectations of the manufacturing industry that are included in the ifo business climate index for quite some time now have shown a declining trend, which indicates that further growth is expected for the future, but the time of significant growth rates definitely is over.

Altogether the expected growth of the ifo economic forecast (June 2011) for the total year in all the regions that are relevant for the Graphit Kropfmühl group lies slightly above the estimates that were made at the end of the year 2010. In the euro region there will be shifts from which especially export-oriented national economies (Germany and Finland) are expected to benefit. A continuing stable growth in the threshold countries in combination with domestic effects from increased private consumption should compensate the relatively restrained public spending. With a GDP increase of 3.3 % Germany is expected to perform above the average of the euro region (2.0 %).

Growth still is endangered by the unresolved debt situations of various nations, especially in the euro region and the USA. Furthermore the situation at the real estate markets in the USA still is considered to be highly unstable. A repeated slump of real estate prices could have considerable effects on the growth in the USA and in the rest of the world, since the resulting losses in value would essentially influence private and public consumption.

Course of business and earnings position

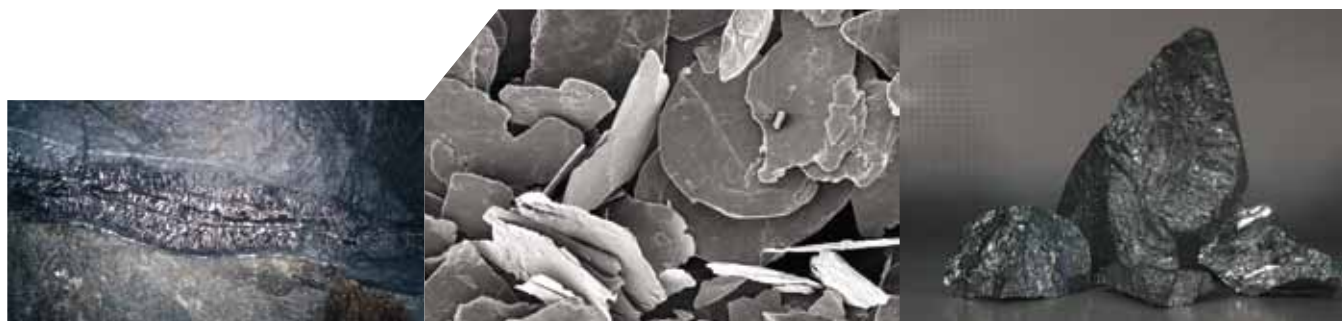
Based on the development in the first half year, on the current business situation, and the forecasts for 2011 we have increased our turnover forecast in the group to more than EUR 110 million for the total year. Earnings ratios are expected to rise in line with the development of turnover, provided that the general economic environment remains stable.

This development is borne by both business segments.

Because of the price adjustments that were achieved for the year 2011, the turnover and earnings ratios of the silicon-metal segment will clearly improve. The graphite segment still remains under the impression of strongly increased procurement prices that were passed on to customers. Depending on the future development on the relevant markets, further adjustments may be necessary that will lead to a disproportionately high increase of the segment turnover. However, due to this development the profitability development in this segment will not be able to keep pace with turnover.

With further investments in the efficiency of our production facilities in both segments we will continue to further strengthen our competitiveness. At the plant in Pocking another arc furnace is planned to be equipped with a new electrode system until 2012 with a total investment volume of EUR 6 million. In Kropfmühl we started the construction of an additional energy-saving micronising line already in the first quarter. This line is planned to be put into operation in autumn 2011 and altogether involves an investment volume of approx. EUR 3 million.

These projects are planned to be financed from the cashflow that is expected to remain positive. Firm financing commitments and sufficient credit lines with various credit institutions furthermore secure the group's financing requirements.



Consolidated financial statements as of 30 June 2011

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Consolidated financial statements as of 30 June 2011

Consolidated statement of comprehensive income for the time from 1 January to 30 June 2011

	Notes no.	2011 Apr. – June TEUR	2010 Apr. – June TEUR	2011 Jan. – June TEUR	2010 Jan. – June TEUR	Change
I. Profit and loss statement						
Turnover		29,773	25,018	60,671	46,644	30.1 %
Cost of sales		- 23,848	- 22,517	- 48,234	- 41,872	15.2 %
Gross profit		5,925	2,501	12,437	4,772	> 100.0 %
Selling, general and administrative expenses	(7)	- 2,805	- 2,061	- 5,540	- 4,137	33.9 %
Restructuring and asset impairment expenses		0	0	- 52	0	not stated
Other income		252	129	389	299	30.1 %
Operating profit (EBIT)		3,372	569	7,234	934	> 100.0 %
Interest income		71	5	77	10	> 100.0 %
Interest expenses		- 424	- 403	- 733	- 808	- 9.3 %
Foreign exchange result		6	201	- 142	376	not stated
Operating profit (EBIT)		3,025	372	6,436	512	> 100.0 %
Net finance costs	(8)	- 908	- 32	- 1,869	- 90	> 100.0 %
Profit for the year		2,117	340	4,567	422	> 100.0 %
thereof attributable to:						
Minority interests		3	22	5	37	- 86.5 %
Shareholders of the company		2,114	318	4,562	385	> 100.0 %
II. Other comprehensive income						
Foreign currency translation adjustment		60	284	- 59	502	not stated
Unrealised gains / losses on derivative financial instruments						
Change in unrealised gains / losses		- 127	- 25	- 220	- 10	
Realised gains (-) / losses (+)	(12)	35	69	85	104	
Net unrealised gains / losses		- 92	44	- 135	94	not stated
Income tax on income and expenses recognized in other comprehensive income						
Change of income tax on income and expenses recognized directly in equity		43	10	63	7	
Realised gains (-) / losses (+)	(12)	- 10	- 21	- 24	- 30	
Net unrealised gains / losses		33	- 11	39	- 23	not stated
Other comprehensive income after taxes		1	317	- 155	573	
III. Total comprehensive income						
thereof attributable to:						
Minority interests		2	32	- 2	52	
Shareholders of the company		2,116	625	4,414	943	> 100.0 %

Consolidated financial statements as of 30 June 2011

Consolidated Balance Sheet as at 30 June 2011

ASSETS

	Notes no.	30 June 2011 TEUR	31 Dec. 2010 TEUR
Non-current assets			
Intangible assets		6,722	6,753
Goodwill		6,114	6,103
Other intangible assets		608	650
Property, plant and equipment		35,342	34,566
Land and buildings		14,964	15,071
Machinery and technical equipment		16,908	17,072
Other assets, factory and office equipment		2,119	1,773
Construction in progress		1,351	650
Deferred tax assets		624	443
Other financial assets	(3)	274	210
		42,962	41,972
Current assets			
Inventories		18,661	17,068
Trade receivables		13,034	10,599
Receivables from affiliated companies		20	12
Other financial assets	(3)	53	163
Taxes receivable		836	816
Other current assets	(4)	1,672	1,642
Cash and cash equivalents		1,514	1,437
		35,790	31,737
		78,752	73,709

STOCKHOLDERS EQUITY AND LIABILITIES

	Notes no.	30 June 2011 TEUR	31 Dec. 2010 TEUR
Equity			
Capital stock		8,640	8,640
Additional paid-in capital		5,568	5,568
Capital reserves		15,015	10,601
Minority interests		98	100
		29,321	24,909
Non-current liabilities			
Pension obligations		9,771	9,364
Non-current provisions		3,278	3,249
Long term bank-debt		6,529	7,763
Government grants		418	484
Deferred tax liabilities		1,118	1,148
Other financial liabilities	(5)	1,094	1,307
		22,208	23,315
Current liabilities			
Short-term bank debt		13,743	13,377
Trade payables		7,170	7,841
Liabilities to affiliated companies		132	132
Government grants	(5)	1,343	1,141
Other financial liabilities		2,044	206
Current taxes payable	(6)	2,791	2,788
		27,223	25,485
		78,752	73,709

Consolidated financial statements as of 30 June 2011

Consolidated statement of cashflows for the time from 1 January to 30 June 2011

	2011 TEUR	2011 TEUR
I. Cashflow from operating activities		
1. Profit for the period	4,567	422
Adjustments for non-cash income and expenses:		
2. Depreciation on property, plant and equipment	1,659	1,578
3. Amortisation of intangible assets	122	64
4. Net finance costs	798	422
5. Income taxes	1,870	90
6. Gain on sale or disposal of non-current assets	- 1	0
7. Other changes in pension and recultivation liabilities	686	414
8. Other non-cash profit and loss items	- 64	430
Adjustments for changes of working capital:		
9. Change in inventories	- 1,648	949
10. Change in trade receivables	- 2,459	- 2,127
11. Change in other receivables	- 65	- 79
12. Change in trade payables, provisions and other liabilities	- 504	- 305
13. Payment of recultivation costs	- 64	- 62
14. Payment of pension liabilities	- 230	- 201
15. Change in government grants	- 66	- 82
16. Interest received	75	10
17. Interest paid	- 723	- 708
18. Income taxes paid and received	- 224	- 1,276
Cashflow from operating activities	3,729	- 461
II. Cashflow from investing activities		
1. Acquisition of property, plant and equipment	- 2,437	- 1,679
2. Outflow for investments in intangible assets	- 81	- 5
3. Outflow for investments in financial assets	1	19
4. Inflow from the disposal of fixed assets	- 69	- 9
Cashflow from investing activities	- 2,586	- 1,674
III. Cashflow from financing activities		
1. Proceeds from issuance of debt	215	0
2. Repayment of borrowings	- 1,250	- 812
3. Repayment for finance lease contracts	- 125	0
4. Proceeds / Repayment from short-term debt	147	3,014
Cashflow from financing activities	- 1,013	2,202
IV. Cash and cash equivalents		
1. Net increase (decrease) in cash and cash equivalents	130	67
2. Effect of exchange rate fluctuations on cash held	- 53	102
3. Cash and cash equivalents at the beginning of the period	1,437	1,002
V. Cash and cash equivalents at the end of the period	1,514	1,171

Consolidated financial statements as of 30 June 2011

Statement of changes in equity at 30 June 2011

	Balance at	Change	Balance at
	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
	31 Dec. 2010	Comprehensive income	30 June 2011
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	10,601	4,414	15,015
Other revenue reserves	1,646	- 148	1,498
Currency conversion	590	- 52	538
Financial instruments	- 293	- 96	- 389
Generated stockholders equity	8,955	4,562	13,517
Capital attributable to shareholders	24,809	4,414	29,223
Minority interests	100	- 2	98
Equity	24,909	4,412	29,321

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 2011 were prepared in compliance with IAS 34 as applicable at 1 January 2011. 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 2010.

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) Scope of consolidation and consolidation methods

Scope of consolidation and consolidation methods are explained in the notes to the consolidated financial statements of 2010 under no. 2 and 3.

Compared to the consolidated annual financial statements of 2010 the scope of consolidation has changed.

On 1 January 2011 the project company that was established in 2010 in Brazil, Graphit Kropfmuehl do Brasil Participações Limitada, São Bernardo do Campo, Brazil, was for the first time included in the consolidated financial statements. The company was established with a capital of 10,000 Brazilian Real (BRL). Graphit Kropfmühl Aktiengesellschaft holds a 99.99 % interest in the company. The purchase price of the participation amounted to TEUR 4.

The consolidation methods remain unchanged compared to the previous year.

II. Selected explanatory notes on balance sheet

(3) Other financial assets

	30.06.2011	31.12.2010	Change
Granted loans (non-current)	274	205	33.7 %
Other financial assets (non-current)	0	5	- 100.0 %
Subtotal (non-current)	274	210	30.5 %
Granted loans (current)	40	46	- 13.0 %
Financial derivatives (current)	11	117	- 90.6 %
Other financial assets (current)	2	0	not stated
Subtotal (current)	53	163	- 67.5 %
Total	327	373	- 12.3 %

(4) Other current assets

	30.06.2011	31.12.2010	Change
Other tax refund claims	462	448	3.1 %
Refund claims from the professional association	205	127	61.4 %
Advance payments on inventories	699	714	- 2.1 %
Prepaid expenses	166	72	> 100.0 %
Other assets	140	281	- 50.2 %
Total	1,672	1,642	1.8 %

(5) Other financial liabilities

	30.06.2011	31.12.2010	Change
Financial derivatives (long-term)	381	514	- 25.9 %
Finance lease (long-term)	662	712	- 7.0 %
Other financial liabilities (long-term)	51	81	- 37.0 %
Subtotal (long-term)	1,094	1,307	- 16.3 %
Financial derivatives (short-term)	359	262	37.0 %
Finance lease (short-term)	236	207	14.0 %
Financial statement expenses	247	334	- 26.0 %
Other financial liabilities (short-term)	501	338	48.2 %
subtotal (short-term)	1,343	1,141	17.7 %
Total	2,437	2,448	- 0.5 %

(6) Other current liabilities

	30.06.2011	31.12.2010	Change
Other tax liabilities	375	798	- 53.0 %
Professional association	92	120	- 23.3 %
Liabilities under partial retirement models	288	367	- 21.5 %
Other liabilities to employees	1,516	834	81.8 %
Received advance payments on orders	200	64	> 100.0 %
Supervisory Board compensation	45	107	- 57.9 %
Other current liabilities	275	498	- 44.8 %
Total	2,791	2,788	0.1 %

III. Selected explanatory notes on comprehensive income

(7) Selling, general and administrative expenses

	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June
Selling expenses	375	396	776	745
General administrative expenses	2,113	1,340	3,952	2,697
Research and development expenses	224	214	447	409
Other operating expenses	93	111	365	286
Total	2,805	2,061	5,540	4,137

(8) Income tax expense

	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June
Current taxes	- 1,065	- 95	- 2,047	- 172
Deferred taxes	157	62	178	82
Total	- 908	- 33	- 1,869	- 90

IV. Other notes

(9) 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:

	2011 Apr. – June	2010 Apr. – June	2011 Jan. – June	2010 Jan. – June
Profit for the year attributable to shareholders of the company (TEUR)	2,114	318	4,562	385
Number of shares	2,880,000	2,880,000	2,880,000	2,880,000
Earnings per share (EUR)	0.73	0.11	1.58	0.14

(10) Cashflow statement

Cash and cash equivalents comprise cash on hand and cash at banks.

The cashflow from operating activities is derived indirectly from the consolidated profit for the year. The consolidated profit for the year is adjusted for essential non-effective expenses and income and essential changes of group assets and liabilities.

The cashflow from investing activities essentially shows the acquisitions of property, plant and equipment and the proceeds from the sale of property, plant and equipment. Acquisitions of property, plant and equipment that were generated in connection with finance-lease contracts are classified as non-cash and are not included in the cashflow from investing activities. In the fiscal year the acquisitions of property, plant and equipment in the amount of TEUR 2,512 contain TEUR 76 (previous year: TEUR 0) that were acquired through corresponding agreements.

The cashflow from financing activities shows the flow of funds from the repayment and raising of loans. Outflows relating to the repayment of finance lease liabilities also are allocated to the financing activities.

(11) Condensed segment information

January to June in TEUR	Silicon-metal		Graphite		Transition		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Turnover	39,478	30,719	21,197	15,925	- 4	0	60,671	46,644
D/A/CH	36,832	27,623	11,343	8,148			48,175	35,771
Other European countries	2,350	2,767	4,877	4,658			7,227	7,425
Asia / Pacific	211	225	4,002	2,371			4,213	2,596
North- and South America	71	100	472	532			543	632
Rest of the world	14	4	499	216			513	220
Intersegment turnover	0	0	4	0	- 4	0	0	0
Adjusted EBITDA	7,091	1,436	1,823	1,516			8,914	2,952
Recultivation expenses	0	0	41	0			41	0
Restructuring expenses	0	0	0	0			0	0
Foreign exchange result	8	97	- 150	279			- 142	376
Depreciation and amortisation	800	770	929	872			1,729	1,642
Impairment expenses exploration expenses	0	0	52	0			52	0
EBIT	6,283	569	951	365			7,234	934
Segment assets	43,383	39,110	43,323	37,468	- 7,954	- 5,084	78,752	71,494
Employees (30 June)	110	106	386	372			496	478

(12) Derivative financial instruments

From January to June 2011, TEUR 61 (previous year: TEUR 74) were reclassified from the other comprehensive income to the consolidated profit for the period. Of these, TEUR - 48 (previous year: TEUR - 65) were attributed to the "cost of sales" position. TEUR 133 (previous year: TEUR 169) were recognised in the net finance costs. On the total change TEUR 24 (previous year: TEUR 30) had to be recognised as income in the income taxes.

(13) Commitments for the purchase of property, plant and equipment

At 30 June 2011 there were commitments under already placed orders for the manufacture and purchase of property, plant and equipment in the amount of TEUR 1,127 (previous year: TEUR 425).

(14) Events after the closing date

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

Kropfmühl, 3 August 2011

Graphit Kropfmühl Aktiengesellschaft
München

Martin Ebeling
Chief Executive Officer

Hans-Detlef Antel
Managing Director

Frank Berger
Managing Director

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.

Kropfmühl, 3 August 2011

Graphit Kropfmühl Aktiengesellschaft
München

Martin Ebeling
Chief Executive Officer

Hans-Detlef Antel
Managing Director

Frank Berger
Managing Director

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 2011 to 30 June 2011, 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.

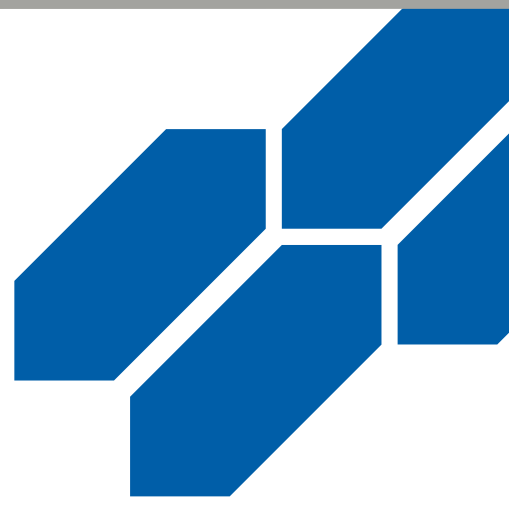
Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU, or that the interim group management report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

Mannheim, 3 August 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Fluck
Auditor

Kuhn
Auditor



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Martin Ebeling (Chief Executive Officer)
Hans-Detlef Antel
Frank Berger

Chairman of the Supervisory Board
Dr. Heinz Schimmelbusch

Financial calendar
09. November 2011
23. November 2011
20. Juni 2012

9-month report 2011
German Equity Forum, Frankfurt (Main)
Annual General Meeting, Munich



Graphit Kropfmühl AG



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AMG Advanced Metallurgical Group NV.