

## Interim Report January to September 2010



**Graphit Kropfmühl AG**

A Member of  
  
AMG Advanced Metallurgical Group N.V.

## GRAPHIT KROPMÜHL AG – Financial Highlights

Group January to September		2010	2009	Change
Total sales	in TEUR	71,709	61,891	15.9 %
EBITDA <sup>1, 2</sup>	in TEUR	4,117	3,320	24.0 %
EBIT <sup>2</sup>	in TEUR	1,659	1,010	64.3 %
EBT	in TEUR	782	- 521	not stated
Consolidated earnings for the period	in TEUR	623	- 609	not stated
Cashflow from operating activities	in TEUR	562	6,544	- 91.5 %
Capital expenditure	in TEUR	2,219	4,749	- 53.3 %
Balance sheet total <sup>3</sup>	in TEUR	70,628	69,370	1.8 %
Stockholders equity <sup>3</sup>	in TEUR	23,645	23,257	1.7 %
Equity ratio <sup>3</sup>	in %	33.5	33.5	
Net debt <sup>3</sup>	in TEUR	19,604	17,531	11.8 %
Employees (30 September)		479	513	- 6.6 %
Profitability		2010	2009	Change
EBITDA-margin <sup>1, 2</sup>	in %	5.7	5.8	
EBIT-margin <sup>2</sup>	in %	2.3	2.1	
Return on sales	in %	1.1	- 0.8	
Return on equity	in %	2.6	- 2.6	
Silicon-metal segment		2010	2009	Change
Sales	in TEUR	46,704	44,419	5.1 %
Segment share of total sales	in %	65.1	71.8	
EBITDA <sup>1, 2</sup>	in TEUR	1,934	3,482	- 44.5 %
EBIT <sup>2</sup>	in TEUR	779	2,492	- 68.7 %
EBT	in TEUR	628	2,077	- 69.8 %
Employees (30 September)		107	107	0.0 %
Graphite segment		2010	2009	Change
Sales	in TEUR	25,005	17,472	43.1 %
Segment share of total sales	in %	34.9	28.2	
EBITDA <sup>1, 2</sup>	in TEUR	2,183	- 162	not stated
EBIT <sup>2</sup>	in TEUR	880	- 1,482	not stated
EBT	in TEUR	154	- 2,598	not stated
Employees (30 September)		372	406	- 8.4 %
Share		2010	2009	Change
Earnings	in EUR	0.21	- 0.20	not stated
Cashflow from operating activities	in EUR	0.20	2.27	- 91.2 %

<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 September)



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### **Forward-looking statement**

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

Dear shareholders,

At present both business segments of the Graphit Kropfmühl group are operating in a positive market environment which we used to emerge from the crisis stronger than before.

A turnover increase of 15.9 % to TEUR 71,709 and clearly improved earnings ratios in the group are proof of a very good development compared to the previous year.

Nevertheless we are already now dealing with the challenges of the future. The implementation of the government austerity package with its energy taxation decisions will have a significant influence on both segments. Especially in the silicon-metal segment the pending legislation on the so-called revenue peak adjustment ("Spitzensteuerausgleich") for electricity tax that will become effective already in 2011 will have an essential influence on the already high energy costs and will thus weaken international competitiveness. By way of long-term energy purchases that already cover demands up to the year 2013 we are able to at least partially compensate these additional burdens. The market continues with its positive development, and for the next year we expect a higher price level for silicon-metal.

### **Graphite market characterised by China**

In the graphite segment we have felt a distinct change of the market for quite some time. With graphite - as already with other raw materials - especially China increasingly pursues a strategy of resource securing for its own still rapidly growing demand. In the past this had distinct effects on purchase prices, which during the crisis already had decoupled from the general raw material price development. While raw material markets in general responded with clear price reductions, the prices for many graphite products remained at a high level. At present raw material prices in a sellers market are jumping up, not least also due to political intervention. We tried to counteract price increases on the purchasing side by way of rationalisation and expansion investments and to reduce the effects on our customers not least with restructuring measures. However, we too can no longer avoid this trend any longer. For the year 2011 we will have to implement comprehensive price increases in the graphite segment.

### **Graphite is "critical raw material" in the EU**

In a list totally comprising 14 minerals and metals, the European Union (EU) recently classified graphite as a critical raw material. Due to a lack of own resources the EU to a large extent depends on imports of these products. In key sectors these products furthermore have an important position for technological advancement and economic growth, because so far there are no comparable substitute materials, and the continuing growth in threshold countries will lead to a further shortage.

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

The graphite segment has an own active source in Sri Lanka and through a participation has access to deposits in Zimbabwe. Furthermore we have a mine at the Kropfmühl location that is not actively operating at present, but which can be utilised at short notice in case of need.

In addition we are constantly analysing new deposits to reduce our dependency on external sources. Our efforts here primarily concentrate on regions outside Asia, and especially in Africa and South America there are deposits that have not been developed so far.

In Mozambique we are performing detailed analyses of a deposit in the north of the country. We concluded an agreement with the country's government allowing us to thoroughly examine the confirmed deposits, and we were granted the necessary licences. At present we are evaluating the quantitative and qualitative factors of the deposit by way of drilling programs. The individual examinations will be finished in spring 2011, and a final comprehensive feasibility study will then be performed. The decision about the start of mining activities is planned to be made in the 1st half year of 2011.

### **Research and development**

With the awarding of this year's Nobel Prize in Physics to two Russian scientists for their research work concerning so-called graphenes this subject recently was brought to the focus of public attention. Not only since this time our research activities also have included this carbon modification, because due to the arrangement of carbon atoms in graphene this material is closely related to graphite. Research of this material generally still is in a very early phase, and in the short term no major turnover will be created here for the Graphit Kropfmühl group.

The implementation of electromobility is another important subject for the graphite segment. Together with partners, GK here is directly involved in the development of higher-performance storage batteries. Graphite is used in the so-called anode mass of lithium-ion batteries. To further intensify this important subject, Graphit Kropfmühl AG as a partner company next year will participate in an endowed chair at a Lower Bavaria university of applied sciences.

In its meeting of 12 October 2010 the Bavarian Cabinet furthermore resolved to develop the Bavarian Forest into a model region for electromobility. In this project labelled "E-Forest" further information on electromobility should be gathered on a large scale. GK will not directly participate in the planned development of the necessary infrastructure, but can indirectly benefit from the know-how that will be gained close to the Kropfmühl location.

We expect that this rapidly growing market will lead to a clear increase in the demand for graphite in which Graphit Kropfmühl will also participate.

### **The GK share**

In July our share left a lasting lateral movement and was listed at prices of up to EUR 15. After a decrease to EUR 13.40 the price at the beginning of October jumped to a 52-week high of EUR 17.95. Because of the low freefloat of still about 17 % of the total shares, the trade volumes of our share remain at a low level. As a result even relatively small trade orders lead to large price movements.

### **Outlook**

In a friendly market environment we expect good turnover figures for the last quarter in both segments. For the total year 2010 the consolidated turnover presumably will be more than EUR 92.0 million. Compared to the previous year the EBITDA in the group should clearly increase and amount to at least EUR 5.5 million.

## Letter to our shareholders

For 2011 the available indicators suggest a continuing positive development of sales and turnover in both segments. The effects of the government austerity package lead to uncertainties concerning the development of earnings especially in the silicon-metal segment. Because of the still ongoing discussion and a so far missing legal basis these cannot be exactly specified.

The market development for graphite will continue to be essentially influenced by Asia. For the graphite segment this means further risks, but also chances for a continuing successful development in this segment.

Sincerely yours



Martin Ebeling  
Chief Executive Officer



Hans-Detlef Antel  
Managing Director

## Business development

### Turnover

In the first nine months the consolidated turnover increased by 15.9 % to TEUR 71,709. In the 3rd quarter the increase compared to the previous year was 5.6 % to TEUR 24,965, so that in the total period the growth of turnover became slightly weaker. Especially in the graphite segment, however, the first half year of 2009 still was characterised by the effects of the financial and economic crisis. A sustained demand recovery across all branches only occurred in the 3rd quarter of 2009, and growth rates here will thus further decrease in the future. Due to maintenance measures production capacities in the silicon-metal segment were not fully available in the 3rd quarter, which is why turnover correspondingly remained lower than in the previous year's quarter.

The regional classification shows that we had a disproportionately high share of the economic growth in all our sales regions. In the D/A/CH region, which combines German-speaking Europe, turnover in the first nine months increased by almost 10 %. With a proportion of more than 75 % of the group's total turnover this region has a key position. In other European countries and in the Asia/Pacific region the increase of turnover was clearly higher. However, in the previous year the financial and economic crisis in these regions also had resulted in above-average losses for the Graphit Kropfmühl group. The development in North and South America and in the rest of the world is positive, but at a low level.

in TEUR	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept	Change
Turnover with external third parties	25,065	23,726	71,709	61,891	15.9 %
D/A/CH	19,736	19,167	55,507	50,598	9.7 %
Other European countries	2,760	3,113	10,185	7,892	29.1 %
Asia / Pacific	1,727	1,194	4,323	2,743	57.6 %
North and South America	569	85	1,201	282	> 100.0 %
Rest of the world	273	167	493	376	31.1 %

### Earnings position

The earnings position is influenced by increasing purchasing prices for our raw materials, which compensate positive effects that were realised due to good capacity utilisation and investments in more efficient production plants.

As a reliable business partner we were able to predominantly keep our sales prices stable because we compensated purchase price increases for customers by passing on other cost advantages. We thereby strengthen mutual trust and create a strong basis for the business relationship. The increasingly dynamic development on the purchasing price side increasingly burdens our margins in both segments, and compared to the previous year the costs of sales altogether increased disproportionately high.

In the first nine months the gross profit increased by 12.1 % compared to the previous year and amounts to TEUR 7,232 or 10.1 % of turnover (previous year: TEUR 6,449 or 10.4 %).

With TEUR 6,078 the selling, general and administrative expenses are slightly lower than in the previous year. In 2009 restructuring costs of TEUR 160 still had to be considered for the severance payment program in Sri Lanka. The other income in 2010 amounts to TEUR 505 and thus is 27.1 % lower than in the previous year.

Earnings before interest and taxes (EBIT) amount to TEUR 1,659 in the reporting period and have almost doubled compared to the previous year. Earnings adjusted for restructuring expenses and depreciations (adjusted EBITDA) increased by 24 % to TEUR 4,117.

Net finance costs clearly improved to TEUR - 877. The TEUR 494 lower costs, however, essentially are due to the foreign exchange result that is shown in this position. While in the previous year there was a loss of TEUR 114 from the translation of foreign currency transactions, this item in 2010 results in a positive earnings contribution of TEUR 301.

With TEUR 782 the earnings before tax (EBT) are clearly higher than in the previous year. In 2009 this position showed a loss of TEUR 521. The profit for the period after taxes amounts to TEUR 623 (previous year: TEUR - 609). Thereof a proportion TEUR 593 or EUR 0.21 per share is attributable to the shareholders of Graphit Kropfmühl AG.

### Investments

In the reporting period investments in the amount of TEUR 2,212 were made in property, plant and equipment. Compared to the previous year this means less than half of the expenses. In 2009 the main focus of investment activities in the silicon-metal segment was on the completion of a furnace rationalisation and modernisation measure that had been started in 2008. In 2010 TEUR 1,616 or about 73 % of investments in property, plant and equipment were made in the graphite segment. In the 1st half year we completed an additional micronising line in Kropfmühl, for which the major part of the expenses was used. In the silicon-metal segment investments concentrated on a new casting line for the production of structure-optimised silicon-metal.

### Segments

#### Silicon-metal

In the total year the sales volume of silicon-metal improved by 5.5 % to 21,941 t. Compared to the previous year, however, sales in the 3rd quarter decreased by 7.6 % to 7,521 t, because production capacities could not be utilised due necessary maintenance measures.

In the 3rd quarter there were no essential changes in the customer structure. While the sales figures to the aluminium casting industry clearly increased compared to the previous year, sales to the chemical industry still remained lower than in the previous year.

Due to long-term contractual price agreements the achieved average prices for silicon-metal did not reach the level of the previous year. Prices for spot transactions, however, continued to recover in the course of the year, so that altogether the trend has increased since the beginning of the year.

In the 3rd quarter the sales volume of secondary silicon also remained lower than in the previous year, and in the total reporting period the sales volume slightly decreased with 3,516 t.

In the first nine months the RW filler sales volume improved by 21 % to a total of 16,177 t. However, due to special sales of inventories that had been formed in 2009 because of a declining sales market, we had to accept lower sales prices, so that our average prices for standard and special qualities remained lower than in the previous year. It is a positive development that the proportion of our special quality Q1 has increased. This quality achieves clearly higher prices than our standard qualities.



In the 3rd quarter of 2010 maintenance measures resulted in lower sales figures. At the same time increased expenses resulted in additional burdens on the profitability in this segment. Throughout the year we are furthermore burdened by a clear price increase for electrodes and by higher energy costs, which in the face of simultaneously lower sales prices have again become more important.

These burdens no longer can be compensated by adjustments in the general expense structure. As a result both the gross profit and the other earnings ratios in this segment have decreased disproportionately.

in TEUR	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept	Change
Turnover	15,985	17,104	46,704	44,419	5.1 %
EBITDA	595	1,443	1,934	3,482	- 44.5 %
EBIT	210	1,056	779	2,492	- 68.7 %
EBT	226	831	628	2,077	- 69.8 %

#### Graphite

The high growth rates of the previous quarters could no longer be reached in the 3rd quarter. However, the quarter still closed with a clear turnover plus of 37.1 %. In the first nine months turnover improved by 43.1 % to TEUR 25,005.

All the sales regions clearly contribute to this development, in all the regions we have an above-average participation in the economy's growth course. Especially the Asia/Pacific region shows a strongly growing demand for high-quality graphite products. This is reflected in an approximately 57 % improved turnover in this sales regions, which among others includes the boom countries China, Hong Kong, and India. In this region we thus already now are clearly above the turnover figures of the record year 2008.

The "dispersions" customer segment continues to develop positively, and the trend that became evident in the 1st half year of 2010 has continued. Sales figures of our products developed for this segment have further increased. We intend to further strengthen this segment in the future, and expand marketing opportunities with targeted sales measures and additional capacities for these products.

The demand for special products that are tailored to customer requirements will continue to grow in the future. The construction chemistry and customer solutions segments again show a clear growth compared to the previous year, and the development of other fields of application also is highly satisfying.

Production capacity utilisation in this segment still is excellent, even after an additional micronising line has been put into operation. Margins in the graphite segment still are under pressure due to the development of purchasing prices. However, in the past we have clearly improved our cost structure, so that in combination with the clearly increased capacity utilisation we were able to improve our profitability in this segment.

in TEUR	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept	Change
Turnover	9,080	6,622	25,005	17,472	43.1 %
EBITDA	946	306	2,183	- 162	not stated
EBIT	515	- 124	880	- 1,482	not stated
EBT	44	- 682	154	- 2,598	not stated

### Asset position

At the reporting period closing date the consolidated balance sheet total of the Graphit Kropfmühl group was TEUR 70,628. In the period from January to September 2010 the balance sheet total thus increased by TEUR 1,871 or 2.7 %.

Non-current assets slightly increased by TEUR 223 to TEUR 41,626. Current assets showed a clearly higher increase with TEUR 1,647. The reported figure increased to TEUR 29,002 after TEUR 27,354 in the previous year.

The marginal change of goodwill to TEUR 6,110 resulted from foreign currency changes. Other intangible assets on the other hand decreased by TEUR 92 to TEUR 377 essentially due to regular depreciations. The property, plant and equipment item remains almost unchanged with TEUR 34,436. Investments of TEUR 2,212 have a counterpart in regular depreciations of TEUR 2,359. Currency translation differences in the amount of TEUR 243 and disposals from the sale of inventories also had to be considered.

Market value changes of derivative financial instruments among others resulted in an adaptation of deferred tax assets of TEUR 176 to TEUR 513. Other financial assets increased by TEUR 53 to TEUR 190. In a partnership with a German company a loan has been issued that essentially contributes to this increase.

In the reporting period the inventories of the Graphit Kropfmühl group decreased by TEUR 539 to TEUR 15,226 due to good demand figures in both segments. At the same time this development resulted in a clear increase of trade receivables of TEUR 1,831 to TEUR 10,504. After the annual payment of the corporate tax credit on 30 September 2010 the taxes receivable item further decreased by TEUR 178 altogether. Other current financial assets decreased especially due to the realisation of the underlying transactions of foreign currency hedges, and the USD that increasingly got weaker in the course of the 3rd quarter also resulted in the decrease to TEUR 83 altogether. Other current assets increased by TEUR 445 to TEUR 1,237 due to higher advance payments for inventories and closing-date related higher other taxes receivable. The development of cash and cash equivalents of TEUR 1,149 is shown in detail in the cashflow statement. Also please refer to the information the financial position.

The equity of the group amounted to TEUR 23,645 on the reporting period closing date. Since 31 December 2009 this means an increase of TEUR 888 or 3.9 %. The equity base improved to 33.5 %. For the development please refer to the consolidated statement of comprehensive income and to the consolidated statement of changes in equity.

Non-current liabilities decreased by TEUR 952 to TEUR 24,034, whereas current liabilities increased by TEUR 1,934 to TEUR 22,949.

From January to September 2010 the bank debt increased by TEUR 900 to TEUR 20,753. Since 31 December 2009 the net bank debt therefore also increased by TEUR 753 to TEUR 19,604. The agreed repayment plans of our long-term loans resulted in a shift of maturities, so that the decrease of the long-term component of TEUR 1,936 has a counter-part in an increase of short-term components. At the same time short-term borrowing within granted credit lines increased by TEUR 2,214, so that the result is an increase of the short-term bank debt by TEUR 2,836 altogether.

Essential parts of our investments in a new micronising line could be financed by way of a hire-purchase agreement with a German leasing company. According to the provisions of the International Accounting Standards this was classified as finance leasing. The liabilities under this agreement are

included in the other financial liabilities in accordance with their maturities. At 30 September 2010 an amount of TEUR 918 had to be carried as liabilities under this agreement, which essentially contributed to the change of this position.

Pension obligations increased to TEUR 9,319 with regular payments of TEUR 299 and additions of TEUR 635. Non-current provisions essentially comprise the recultivation obligation for the mine in Kropfmühl. In the reporting period TEUR 77 thereof were used for one measure. Because of the timing the interest effect acts in the opposite direction, so that altogether the result is an increase of liabilities by TEUR 41 to TEUR 3,937.

Payments after the assessment of a tax audit performed at the end of 2009 and for until then open previous years since the beginning of the year have resulted in a high outflow of liquidity and a corresponding reduction of current taxes payable by TEUR 1,390 to TEUR 114. Furthermore, trade payables decreased by TEUR 160 to TEUR 6,764. Government grants carried as liabilities decreased by TEUR 122 altogether. Received grants are dissolved in accordance with the service life of the supported investment.

#### Financial position

In the reporting period the cashflow from operating activities is TEUR 562. In the 2009 comparison period there was a cash inflow of TEUR 6,544 that was characterised by a massive reduction of inventories that had been built up in the time before the crisis, and by a received advance payment for deliveries of goods.

Cashflow in TEUR	2010 Jan – Jun	2009 Jan – Jun	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept
Operating activities	- 461	2,203	1,023	4,341	562	6,544
Investing activities	- 1,674	- 4,563	- 549	- 210	- 2,223	- 4,773

The operative cashflow is determined indirectly from the profit for the period. Non-operative expenses and income and changes of the working capital and of other relevant assets and liabilities are adjusted, and the source and allocation of cash funds are thus shown.

The cashflow from operating activities is characterised by the payment of income tax debts which primarily in the 1st and 2nd quarter resulted in a cash outflow of TEUR 1,498 altogether. The turnover increase resulting from the very good demand in both segments requires advance financing, which in the form of clearly increased trade receivables results in an additional capital commitment of TEUR 1,785. This can only be partially financed by a further optimisation of inventory positions. The described development shows that the cashflow from operating activities after the extraordinary burdens from income tax payments in the 1st and 2nd quarter of 2010 is clearly positive again in the 3rd quarter.

The high cash outflow from investing activities in the previous year resulted from the completion of already started conversion and modernisation work at a furnace in the silicon-metal segment. In 2010 the major part of expenses is allocated to the expansion of micronising capacities in the graphite segment.

The regular repayment of long-term bank loans resulted in a cash outflow of TEUR 1,381. At the same time we increased short-term borrowings within granted credit lines by TEUR 2,214. For the financing of our investments we transacted essential parts of the new micronising capacity of the graphite segment by way of a hire-purchase agreement with a German leasing company. This resulted in an inflow of TEUR 1,016. Since the start of this contract repayments of TEUR 98 had to be made under this contract.

Altogether the first nine months resulted in an operative increase of cash and cash equivalents of TEUR 89. Considering exchange rate related changes of cash and cash equivalents of TEUR 58 the result is an increase of cash and cash equivalents of TEUR 147 to TEUR 1,149.

Since 31 December 2009 the net debt to banks increased from TEUR 18,851 to TEUR 19,604.

### **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 last quarter we do not expect any essential differences from the developments in the previous period for the business operations of the Graphit Kropfmühl group.

Relevant indicators confirm our assessment. Recently the Federal Government also clearly increased its growth estimates for the Federal Republic of Germany for the total year 2010. Other early indicators presently may indicate a slowing down of the dynamic economic development after the year 2010, but it is also expected that the situation will stabilise at the reached level.

In the environment of the Graphit Kropfmühl group these assessments still involve uncertainties and risks resulting from the debt situation of some countries in the Euro region, and from a high dependency on Asian markets especially in Germany.

For the total year we expect a turnover of at least EUR 92 million in the group. The profit for the year (EBITDA) is expected to rise to at least EUR 5.5 million.

The graphite segment will exceed the forecast turnover development and generate clearly improved earnings ratios. Turnover in the silicon-metal segment will be higher than in the previous year, earnings ratios, however, will be clearly lower than in the previous year due to the above-described burdens.



Consolidated financial statements as of 30 September 2010

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## Consolidated financial statements as of 30 September 2010

### Consolidated statement of comprehensive income

	Notes no.	2010 Jul – Sept TEUR	2009 Jul – Sept TEUR	2010 Jan – Sept TEUR	2009 Jan – Sept TEUR	Change
<b>I. Profit and loss statement</b>						
Turnover		25,065	23,726	71,709	61,891	15.9 %
Cost of sales		22,605	- 21,219	- 64,477	- 55,442	16.3 %
Gross profit		2,460	2,507	7,232	6,449	12.1 %
Selling, general and administrative expenses	(7)	- 1,941	- 1,962	- 6,078	- 6,132	- 0.9 %
Restructuring and asset impairment expenses		0	- 136	0	- 160	not stated
Other income		206	281	505	693	- 27.1 %
Operating profit (EBIT)		725	690	1,659	850	95.2 %
Net finance costs	(8)	- 455	- 541	- 877	- 1,371	36.0 %
Profit before income tax		270	149	782	- 521	not stated
Income tax expense	(9)	- 69	- 135	- 159	- 88	80.7 %
Profit for the year		201	14	623	- 609	not stated
thereof attributable to:						
Minority interests		- 7	- 4	30	- 46	
Shareholders of the company		208	18	593	- 563	
<b>II. Other comprehensive income</b>						
Foreign currency translation adjustment		- 166	- 30	336	209	60.8 %
Unrealised gains / losses on derivative financial instruments						
Change in unrealised gains / losses		- 241	- 41	- 251	437	
Realised gains (-) / losses (+)	(12)	45	41	149	126	
Net unrealised gains / losses		- 196	0	- 102	- 311	- 67.2 %
Income tax on income and expenses recognized directly in equity						
Change of income tax on income and expenses recognized directly in equity		65	11	72	119	
Realised gains (-) / losses (+)	(12)	- 11	- 12	- 41	- 35	
Net unrealised gains / losses		54	- 1	31	84	- 63.1 %
Other comprehensive income after taxes		- 308	- 31	265	- 18	
<b>III. Total comprehensive income</b>						
thereof attributable to:						
Minority interests		- 17	0	35	- 39	
Shareholders of the company		- 90	- 17	853	- 588	

## Consolidated financial statements as of 30 September 2010

### Consolidated Balance Sheet as at 30 September 2010

#### ASSETS

	Notes no.	30 Sept. 2010 TEUR	31 Dec. 2009 TEUR
Non-current assets			
Intangible assets		6,487	6,552
Goodwill		6,110	6,083
Other intangible assets		377	469
Property, plant and equipment		34,436	34,377
Land and buildings		14,783	14,884
Machinery and technical equipment		16,999	16,959
Other assets, factory and office equipment		1,915	1,890
Construction in progress		739	644
Deferred tax assets		513	337
Other financial assets	(4)	190	137
		<b>41,626</b>	<b>41,403</b>
Current assets			
Inventories		15,226	15,765
Trade receivables		10,504	8,673
Other financial assets	(4)	83	141
Taxes receivable		803	981
Other current assets		1,237	792
Cash and cash equivalents		1,149	1,002
		<b>29,002</b>	<b>27,354</b>
		<b>70,628</b>	<b>68,757</b>



## Consolidated financial statements as of 30 September 2010

### STOCKHOLDERS EQUITY AND LIABILITIES

	Notes no.	30 Sept. 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		9,353	8,500
Minority interests		84	49
		<b>23,645</b>	<b>22,757</b>
<b>Non-current liabilities</b>			
Pension obligations		9,319	8,973
Non-current provisions		3,937	3,896
Long term bank-debt		8,288	10,224
Government grants		379	467
Deferred tax liabilities		653	630
Other financial liabilities	(5)	1,458	795
		<b>24,034</b>	<b>24,985</b>
<b>Current liabilities</b>			
Short-term bank debt		12,465	9,629
Trade payables		6,764	6,924
Liabilities to affiliated companies		0	1
Government grants		129	163
Other financial liabilities	(5)	1,137	733
Current taxes payable		114	1,504
Other liabilities	(6)	2,340	2,061
		<b>22,949</b>	<b>21,015</b>
		<b>70,628</b>	<b>68,757</b>

## Consolidated financial statements as of 30 September 2010

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

	2010 TEUR	2009 TEUR
I. Cashflow from operating activities		
1. Profit for the period	624	- 609
Adjustments to reconcile profit to net cashflow:		
2. Depreciation on property, plant and equipment	2,359	2,244
3. Amortisation of intangible assets	99	66
4. Net finance costs	1,178	1,257
5. Income taxes	159	88
6. Gain on sale or disposal of non-current assets	0	- 2
7. Change in inventories	716	5,160
8. Change in trade receivables	- 1,785	- 1,830
9. Change in other receivables	- 360	687
10. Change in trade payables, provisions and other liabilities	- 1	- 142
11. Payment of recultivation costs	- 77	- 80
12. Payment of pension liabilities	- 299	- 342
13. Other changes in pension and recultivation liabilities	635	594
14. Change in government grants	- 122	305
15. Other non-cash profit and loss items	- 3	40
16. Interest received	16	18
17. Interest paid	- 1,079	- 1,007
18. Paid and received income tax	- 1,498	97
Cashflow from operating activities	562	6,544
II. Cashflow from investing activities		
1. Acquisition of property, plant and equipment	- 2,212	- 4,656
2. Outflow for investments in intangible assets	- 7	- 93
3. Outflow for investments in financial assets	36	2
4. Inflow from the disposal of fixed assets	- 40	- 26
Cashflow from investing activities	- 2,223	- 4,773
III. Cashflow from financing activities		
1. Proceeds from issuance of debt	0	1,950
2. Repayment of borrowings	- 1,381	- 1,123
3. Proceeds from finance lease contracts	1,016	0
4. Repayment for finance lease contracts	- 98	0
5. Proceeds / Repayment from short-term debt	2,214	- 2,618
6. Others	- 1	- 60
Cashflow from financing activities	1,750	- 1,851
IV. Cash and cash equivalents		
1. Net increase (decrease) in cash and cash equivalents	89	- 80
2. Effect of exchange rate fluctuations on cash held	58	59
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	1,149	888

## Consolidated financial statements as of 30 September 2010

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

	Balance at	Change	Balance at
	31 Dec. 2008	Comprehensive income	30 Sept. 2009
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	9,593	- 544	9,049
Other revenue reserves	1,358	19	1,377
Currency conversion	270	222	492
Financial instruments	- 321	- 227	- 548
Generated stockholders equity	8,235	- 563	7,672
Capital attributable to shareholders	23,801	- 544	23,257
Minority interests	39	- 39	0
Equity	23,840	- 583	23,257
	31 Dec. 2009	Comprehensive income	30 Sept. 2009
Capital stock	8,640	0	8,640
Additional paid-in capital	5,568	0	5,568
Revenue reserves	8,500	853	9,353
Other revenue reserves	1,193	260	1,453
Currency conversion	250	331	581
Financial instruments	- 406	- 71	- 477
Generated stockholders equity	7,307	593	7,900
Capital attributable to shareholders	22,708	853	23,561
Minority interests	49	35	84
Equity	22,757	888	23,645

## 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 September 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 290.

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	- 6,132	- 6,503	371
Other income	693	1,354	- 661
Net finance costs	- 1,371	- 1,661	290

(3) Scope of consolidation and consolidation methods

The scope of consolidation has changed compared to the consolidated annual financial statements of 2009. Qingdao Kropfmuehl Trading Co. Ltd., Qingdao, China, was liquidated on 17 August 2010 because the corporate purpose became inapplicable due to changes in legislation. Deconsolidation of the company resulted in a deconsolidation income of TEUR 26 which predominantly originated from the currency translation reserve. The company was a full member of the graphite segment.

The consolidation methods remain unchanged.

Scope of consolidation and consolidation methods are explained in the notes to the consolidated financial statements of 2009 under no. 2 and 3.

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

(4) Other financial assets

	30 Sept. 2010	31 Dec. 2009	Change
Granted loans (non-current)	190	137	38.7 %
Granted loans (current)	38	26	46.2 %
Financial derivatives (current)	45	115	- 60.9 %
Total	273	278	- 1.8 %

(5) Other financial liabilities

	30 Sept. 2010	31 Dec. 2009	Change
Financial derivatives (long-term)	677	673	0.6 %
Financial derivatives (short-term)	343	260	31.9 %
Finance lease (long-term)	692	0	not stated
Finance lease (short-term)	226	0	not stated
Financial statement expenses	293	288	1.7 %
Other financial liabilities	364	307	18.6 %
Total	2,595	1,528	69.8 %

(6) Other current liabilities

	30 Sept. 2010	31 Dec. 2009	Change
Other tax liabilities	297	237	25.3 %
Professional association	158	156	1.3 %
Liabilities under partial retirement models	362	327	10.7 %
Other liabilities to employees	1,027	800	28.4 %
Received advance payments on orders	77	81	- 4.9 %
Other current liabilities	419	460	- 8.9 %
Total	2,340	2,061	13.5 %

## Consolidated financial statements as of 30 September 2010

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

	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept
Selling expenses	343	258	1,088	1,036
General administrative expenses	1,229	1,526	3,926	4,286
Research and development expenses	218	172	627	519
Other operating expenses	151	6	437	291
Total	1,941	1,962	6,078	6,132

### (8) Net finance costs

	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept
Other interest and similar income	6	5	16	22
Market value changes of derivate financial instruments	12	- 26	- 53	- 88
Other interests and similar expenses	- 398	- 491	- 1,141	- 1,191
Exchange rate differences	- 75	- 29	301	- 114
Total	- 455	- 541	- 877	- 1,371

### (9) Income tax expense

	2010 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept
Current taxes	- 116	- 199	- 288	- 275
Deferred taxes	47	64	129	187
Total	- 69	- 135	- 159	- 88

## 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 Jul – Sept	2009 Jul – Sept	2010 Jan – Sept	2009 Jan – Sept
Profit for the year attributable to shareholders of the company (TEUR)	208	18	593	- 563
Number of shares	2,880,000	2,880,000	2,880,000	2,880,000
Earnings per share (EUR)	0.07	0.01	0.21	- 0.20

## (11) Condensed segment information

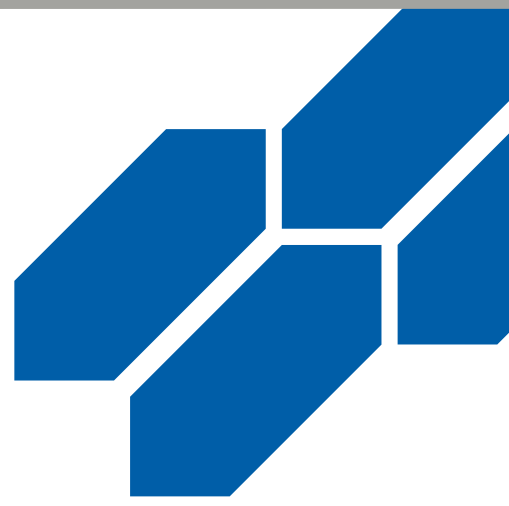
January to September in TEUR	Silicon-metal		Graphite		Transition		Group	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover								
With external third parties	46,704	44,419	25,005	17,472			71,709	61,891
D/A/CH	42,543	40,903	12,964	9,695			55,507	50,598
Other European countries	3,751	3,327	6,434	4,565			10,185	7,892
Asia / Pacific	285	134	4,038	2,609			4,323	2,743
North- and South America	113	47	1,088	235			1,201	282
Rest of the world	12	8	481	368			493	376
Intersegment turnover	0	0	0	161	0	- 161	0	0
EBITDA	1,934	3,482	2,183	- 162			4,117	3,320
Depreciation and amortisation	1,155	990	1,303	1,320			2,458	2,310
EBIT	779	2,492	880	- 1,482			1,659	1,010
Segment sales	39,125	33,135	36,648	39,566	5,145	- 3,331	70,628	69,370
Employees (30 September)	107	107	372	406			479	513

## (12) Derivative financial instruments

From January to September 2010, TEUR 108 (previous year: TEUR 91) were reclassified from the other comprehensive income to the consolidated profit for the period. Of these, TEUR - 91 (previous year: TEUR 22) were attributed to the "cost of sales" position. TEUR 240 (previous year: TEUR 104) were recognised in the net finance costs. On the total change TEUR 41 (previous year: TEUR 35) had to be recognised as income in the income taxes.

## (13) Events after the closing date

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



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

Chairman of the Supervisory Board  
Dr. Heinz Schimmelbusch

Financial calendar  
15 June 2011

Annual General Meeting, Munich



**Graphit Kropfmühl AG**

A Member of



AMG Advanced Metallurgical Group N.V.