



Interim report for the first half of

2018

As one of the few full-service providers, the **Muehlhan Group** offers its customers a broad spectrum of industrial services. Our very strong organizational skills, in-depth technical expertise and more than 130 years of experience enable us to satisfy our customers' exacting quality requirements.

Our **Ship, Oil & Gas, Renewables** and **Industry/Infrastructure** business segments offer first-class solutions for surface protection, insulation, passive fire protection, access technology, as well as scaffolding and steel construction. With **more than 2,900 employees at over 30 locations** worldwide, we generated €248 million of sales revenues in 2017.

We will continue to focus our efforts on steadily improving our technologies and services while actively developing new markets in order to continue expanding our business going forward.

Group Key Figures

in kEUR		1 st half of 2018	1 st half of 2017
Result			
Sales revenue		123,583	118,902
EBITDA ¹		7,508	7,946
EBIT ²		3,510	4,187
EBT ³		2,786	3,538
Consolidated earnings after non-controlling interests		1,851	1,537
Earnings per share from continuing operations	in EUR	0.10	0.08
Cash flow from operating activities		1,747	1,446
Investment for property, plant and equipment		6,100	5,511
Balance sheet			
Total assets		155,180	145,458
Fixed assets ⁴		64,472	61,703
Group equity		65,077	65,270
Equity ratio	in %	41.9	44.9
Employees			
Employees (annual average)	number	2,965	2,864

¹ EBITDA: Earnings before interest, taxes, depreciation and amortization

² EBIT: Profit from operations (Earnings before interest and taxes)

³ EBT: Earnings before taxes

⁴ Fixed assets: Total of non-current assets less deferred tax assets

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Taskforce supply ship "Berlin" of the German Navy, Hamburg, Germany

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*Dear shareholders,
business partners and employees!*

The first half of 2018 has been satisfactory for the Muehlhan Group overall.

Sales revenue increased slightly by 4% to €124 million. EBIT decreased by €0.7 million to €3.5 million. This decline was largely due to the launch of new activities in Denmark and the associated start-up losses. Earnings attributable to the investors of Muehlhan AG increased by €0.3 million to €1.9 million compared with the prior-year period. Cash flow from operating activities amounts to €1.7 million.

Sales revenue in **Europe** rose. EBIT, however, dropped due to start-up losses from new activities in Denmark. Profitability in **North America** and particularly in the **Middle East** improved. Sales revenue and EBIT declined slightly in the **Rest of the World**.

Maritime business, which is pooled in the **Ship** segment, recorded higher EBIT despite lower sales revenues. Profitability in the **Oil & Gas** business also improved due to an above average increase in EBIT against sales revenue. The **Renewables** segment recorded a noticeable decline in sales revenue and EBIT due to the lack of a follow-up order from a major project completed in the previous year and a late start to the offshore season. Profitability also increased in the **Industry/Infrastructure** business segment, with improved sales revenue and EBIT.

Muehlhan Group's financial position remains stable with robust financing and a high level of Group equity.

Based on the figures for the first half of the year, we believe we will meet the prerequisites for achieving the operational targets set for 2018. We would like to take this opportunity to thank our shareholders, customers and suppliers for the trust they have placed in us, and our employees for their dedication over the last six months.

The Executive Board



Stefan Müller-Arends



Dr. Andreas C. Krüger



James West

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Our Share

Share price shows positive trend

The Muehlhan share performed well in the first half of 2018. The share price jumped from €2.68 per share at the end of 2017 to exceed the €3.00 mark, achieving €3.07 per share at the beginning of the year. In February, the price dropped below the €3.00 mark again, to fluctuate fairly constantly between €2.76 and €3.00 per share until June 30, 2018. Neither the traditionally calm first quarter of the year, the positive results of the 2017 financial year, the recommendation to buy from analysts nor the continuation of the share buy-back program in May 2018 had any major impact on the price of the share.

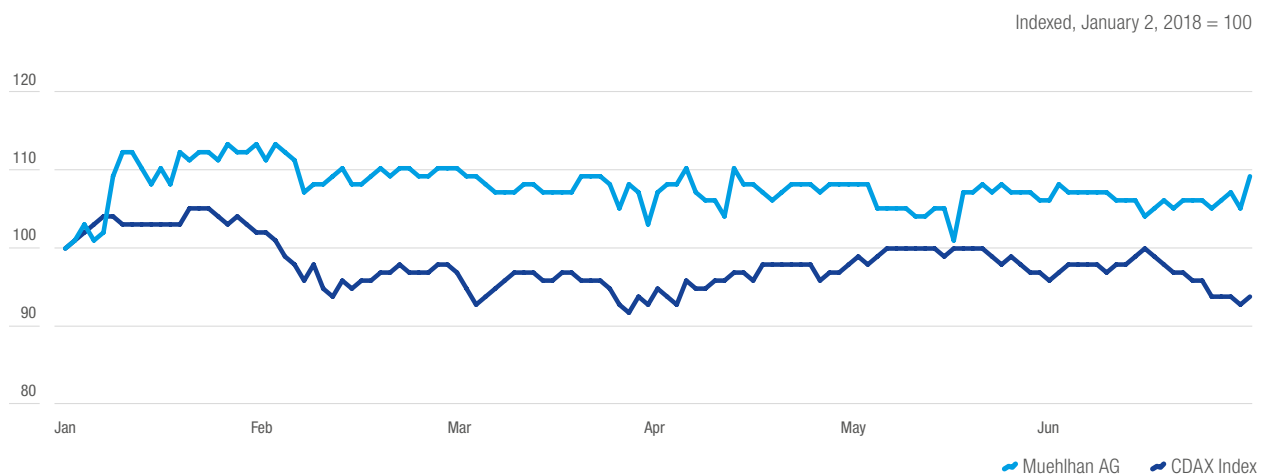
The share closed the overall calm first half of 2018 at €2.96 on June 29, 2018.

The share price climbed 10.4% against December 31, 2017.

Shareholder structure as of June 30, 2018

There were no major changes to the shareholder structure as of June 30, 2018, in comparison with December 31, 2017. More than 50% of the shares remain in the possession of the family that founded the company.

Share performance in the first half of 2018



Group Interim Management Report

for the first half of 2018



Jacket construction for offshore wind power station in Saint-Nazaire, France

Economic Report

Business performance and results of operations

Performance in first half of 2018 in line with expectations

Muehlhan Group closed the first half year of business in 2018 with a €0.7 million decline in the six-month consolidated income before taxes of €2.8 million. After the Group recorded consolidated income before taxes of €0.6 million in the first quarter of the financial year, in line with expectations, the forecast development continued apace in the second quarter.

Sales revenue of €123.6 million was generated between January and the end of June 2018. This represents a 4% increase in sales revenue against the same period of 2017. **EBITDA** (earnings before interest, taxes, depreciation and amortization) amounted to €7.5 million as of June 30 (previous year: €7.9 million). **EBIT** (profit from operations) amounted to €3.5 million and was therefore €0.7 million lower than in the previous year (previous year: €4.2 million), which led to a deterioration in the EBIT margin from 3.5% to 2.8%. **Consolidated net income** after taxes after the first six months of the year decreased by €0.5 million to €1.9 million. The consolidated income attributable to investors of Muehlhan AG after the first six months increased by €0.3 million to €1.9 million, due to a lower share of earnings attributable

to non-controlling interests. Cash flow from operating activities increases from €1.4 million to €1.7 million.

Expansion of activities in Denmark pushes up personnel expenses

The **cost of materials and purchased services** remained virtually unchanged in comparison with the prior-year period at €38.9 million (€39.0 million).

Due to a slight increase in the average number of employees to 2,965 (first half of 2017: 2,864), the Group's **personnel expenses** rose to €59.9 million (previous year: €54.8 million). This increase was primarily due to higher salary costs resulting from the expansion of offshore services and entering the scaffolding market in Denmark.

Other operating expenses decreased by €1.6 million in the first half of the year against the prior-year period to €19.2 million.

Depreciation and amortization rose against the previous year due to capital expenditure, particularly in scaffolding materials, from €3.8 million to €4.0 million in the reporting period.

Business segment breakdown by region

1 st half of 2018 in kEUR	Europe	Middle East	North America	Rest of the World	Holding Company	Reconciliation	Group
External revenue	95,969	10,095	11,107	6,328	84	0	123,583
Intersegment sales	18	0	0	30	1,868	-1,916	0
Sales	95,987	10,095	11,107	6,359	1,952	-1,916	123,583
EBITDA	7,647	1,171	1,195	831	-3,336	0	7,508
Depreciation and amortization	-3,001	-264	-394	-7	-332	0	-3,998
EBIT	4,646	907	801	824	-3,668	0	3,510
Capital expenditures	5,413	154	427	0	107	0	6,101
1 st half of 2017 in kEUR	Europe	Middle East	North America	Rest of the World	Holding Company	Reconciliation	Group
External revenue	90,843	10,848	10,225	6,930	56	0	118,902
Intersegment sales	0	0	0	0	3,241	-3,241	0
Sales	90,843	10,848	10,225	6,930	3,297	-3,241	118,902
EBITDA	8,473	610	1,001	986	-3,124	0	7,946
Depreciation and amortization	-2,725	-323	-424	-38	-249	0	-3,759
EBIT	5,748	287	577	948	-3,373	0	4,187
Capital expenditures	4,879	72	467	0	170	0	5,588

Rounding differences may occur.

Sales revenue of €123.6 million was generated, as usual, largely through the **European** business, whose share of the sales revenue was slightly above the prior-year value at €96.0 million. EBIT in Europe decreased from €5.7 million to €4.6 million due to losses resulting from a late start to offshore activities in the North Sea and start-up costs related to entry into the scaffolding market in Denmark. The holding company's sales revenues were generated primarily through services provided for all European subsidiaries.

Sales revenue in the **Middle East** declined by €0.7 million to €10.1 million in the reporting period. EBIT increased significantly to €0.9 million as it was possible to mitigate the negative effects of the Qatar blockade.

At € 11.1 million, the Muehlhan Group's activities in **North America** generated €0.9 million more of sales revenue in the first half of 2018 than in the previous year. EBIT also developed positively, climbing from €0.6 million last year to €0.8 million.

In the **Rest of the World**, sales revenue decreased in the first half of 2018 against the prior-year period by €0.6 million to €6.3 million. EBIT declined slightly by €0.1 million to €0.8 million.

Business segment breakdown by markets

In the **Ship** segment, sales revenue decreased slightly from €28.8 million to €28.2 million. EBIT, however, climbed from €2.2 million to €2.9 million.

In the **Oil & Gas** segment, on the other hand, sales revenue increased slightly by €3.8 million to €38.8 million due to a slight upswing on the market. EBIT increased accordingly from €1.6 million to €2.1 million.

The **Renewables** segment suffered the lack of a follow-up order from a major project completed in the previous year and the late start of the offshore season, resulting in a steep decline in the sales revenues of €4.2 million to €11.7 million. EBIT also decreased accordingly from €2.8 million to €-0.3 million in the reporting period.

The **Industry/Infrastructure** business posted sales revenues of €44.9 million for the period from the beginning of January to the end of June 2018, compared with €39.2 million for the same period of 2017. EBIT also rose by €0.8 million to €1.9 million.

Net assets and financial position

Capital expenditures

Capital expenditure amounted to €6.1 million in the first half of 2018 and primarily consisted of replacement and expansion investments in the scaffolding business in the Netherlands, Denmark and Germany. In the prior-year period, capital expenditure amounted to €5.6 million.

Higher level of debt and dividend payout

The Muehlhan Group's **net debt** increased to €29.8 million due to the use of credit lines in the amount of €23.0 million as of December 31, 2017. The conditions of the syndicated loan agreement were adhered to at all times.

Despite the positive consolidated income figure (after non-controlling interests) of €1.9 million (previous year: €1.5 million), **equity** declined by €0.2 million to €65.1 million. This was due to a dividend payout amounting to €1.5 million and the impact of the first-time application of IFRS accounting standards.

Events after the Reporting Date

There were no events or new information after the reporting date of material significance for the business and/or for assessing the business.

Forecast and Report on Opportunities and Risks

Outlook

The Executive Board is standing by its published 2018 forecast that Group sales revenue remain constant at around €250 million and that profit from operation (EBIT) will improve slightly to between €8.5 million and €9.5 million.

Opportunities and Risks

From the company's perspective, there are no risks that could threaten the Group as a going concern.

Project losses cannot be ruled out. However, there is currently nothing to indicate that this could occur to any major extent over the rest of the year.

The regions and markets of relevance to the Muehlhan Group continue to vary greatly, as in the past. The Oil & Gas business segment, for instance, is dependent on developments in the price of oil and the impact that this has on the willingness of our customers to invest, particularly in the North Sea. The political developments in the Middle East, particularly the blockade of Qatar, have an effect on the sales revenue and income prospects in the Middle East region.

Competition for qualified executives and quality-conscious technical personnel continues to be high and is increasing in the industries in which Muehlhan is active. Muehlhan's future success therefore depends in part on the extent to which we are successful over the long term in recruiting the required technical professionals, integrating them into existing work processes and retaining them over the long term.

There are no material changes to the Group's opportunities and risks in comparison with the 2017 financial year. We therefore refer you to the detailed report published in the 2017 Annual Report.



Application of surface protection on offshore transformer platform in Saint-Nazaire, France

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Group Financial Statements

as of June 30, 2018

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	06/30/2018	12/31/2017
NON-CURRENT ASSETS		
Intangible assets	20,188	20,245
Property, plant and equipment	39,078	36,974
Financial assets	30	30
Other non-current assets	5,176	4,454
Deferred tax assets	4,053	3,944
Total non-current assets	68,525	65,647
CURRENT ASSETS		
Inventories	4,964	4,080
Trade receivables	61,375	57,303
Income tax receivables	1,689	1,409
Other assets	10,267	8,253
Cash and cash equivalents	8,360	8,766
Total current assets	86,655	79,811
TOTAL ASSETS	155,180	145,458

Rounding differences may occur.

EQUITY & LIABILITIES in kEUR	06/30/2018	12/31/2017
EQUITY		
Subscribed capital	19,500	19,500
Capital reserve	13,694	13,694
Treasury shares	-472	-355
Other reserves	6,084	6,416
Retained earnings	23,889	23,630
Non-controlling interests	2,382	2,385
Total equity	65,077	65,270
NON-CURRENT LIABILITIES		
Pension provisions	781	755
Borrowings	12,005	14,068
Other non-current liabilities	116	25
Deferred tax liabilities	1,102	934
Total non-current liabilities	14,004	15,782
CURRENT LIABILITIES		
Provisions	5,046	4,122
Borrowings	26,194	17,685
Trade payables	22,036	22,442
Income tax liabilities	342	1,059
Other liabilities	22,482	19,098
Total current liabilities	76,100	64,406
TOTAL EQUITY & LIABILITIES	155,180	145,458

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT

in kEUR		1 st half of 2018	1 st half of 2017
Sales revenue		123,583	118,902
Other operating income		1,896	3,768
Cost of materials and purchased services		-38,853	-39,030
Personnel expenses		-59,899	-54,858
Depreciation and amortization		-3,998	-3,759
Other operating expenses		-19,219	-20,836
Profit from operations (EBIT)		3,510	4,187
Financial result		-724	-649
Earnings before taxes		2,786	3,538
Tax result		-850	-1,111
Earnings from continuing operations		1,936	2,427
Earnings from operations to be discontinued		0	-33
Consolidated net income		1,936	2,394
Thereof attributable to non-controlling interests		85	856
Investors of Muehlhan AG		1,851	1,537
EARNINGS PER SHARE in EUR			
Shares	Number	19,342,207	19,199,487
from continuing operations			
basic		0.10	0.08
diluted		0.10	0.08
from operations to be discontinued			
basic		0.00	0.00
diluted		0.00	0.00

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR		1 st half of 2018	1 st half of 2017
Consolidated net income		1,936	2,394
Recyclable items			
Currency translation differences (legally independent entities abroad)		221	-1,664
Future cash flow hedge (effective cash flow hedge)		125	17
Other comprehensive income		346	-1,647
Income taxes on other comprehensive income		-30	-4
Other earnings after taxes		316	-1,652
Total comprehensive income		2,250	742
of which attributable to non-controlling interests		81	631
Investors of Muehlhan AG		2,169	110
Total comprehensive income from continuing operations		2,169	742

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	1 st half of 2018	1 st half of 2017
Consolidated income to investors of Muehlhan AG	1,851	1,537
Depreciation of fixed assets	3,998	3,759
Income from the disposal of fixed assets	-123	-3
Non-cash expenses/income from the allocation of gains/losses to non-controlling interests	85	856
Other non-cash expenses/income	627	1,617
Increase/decrease in provisions	916	-1,534
Cash flow	7,354	6,232
Increase in inventories, trade receivables and other assets	-6,845	-7,893
Increase in trade payables and other liabilities	2,982	4,467
Income taxes paid	-1,744	-1,361
Cash flow from operating activities	1,747	1,446
from discontinued operations	0	-32
Cash flow from the disposal of fixed assets		
for property, plant and equipment	84	31
Capital expenditures		
for intangible assets	-1	-77
for property, plant and equipment	-6,100	-5,511
Interest received	37	45
Cash used in investment activities	-5,980	-5,512
from discontinued operations	0	0
Payments to company owners and non-controlling shareholders (dividends)	-1,623	-1,152
Cash flow from taking up current financial liabilities	8,509	6,589
Repayments of non-current financial liabilities	-2,063	-3,455
Interest paid	-786	-653
Cash flow from financing activities	4,037	1,328
from discontinued operations	0	0
Currency, scope of consolidation and valuation-related changes in cash and cash equivalents	-210	576
Total changes in cash and cash equivalents*	-406	-2,162
Cash and cash equivalents* at the beginning of the period	8,766	8,476
Cash and cash equivalents* at the end of the period	8,360	6,314

* Cash and cash equivalents correspond to the balance sheet item "Cash and cash equivalents".

Rounding differences may occur.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in kEUR	Equity applicable to investors of the parent company					
	Subscribed capital	Capital reserve	Other reserves			
			Retained earnings reserve	Conversion reserve	Cash flow hedge reserve	Currency translation adjustments
As of 01/01/2017	19,500	13,555	9,387	589	-12	1,486
Issue of shares						
Dividends paid						
Other changes			-95			-135
Total comprehensive income					12	-1,439
As of 06/30/2017	19,500	13,555	9,292	589	0	-87
As of 01/01/2018	19,500	13,694	6,574	589	-61	-686
Carryover from changes to accounting standards			-651			
Issue of shares						
Changes in treasury shares						
Dividends paid						
Other changes						
Total comprehensive income					95	224
As of 06/30/2018	19,500	13,694	5,923	589	34	-462

Rounding differences may occur.

			Non-controlling interests	Group equity
Retained earnings	Treasury shares	Equity		
20,614	-708	64,411	3,698	68,109
			1	1
-1,152		-1,152		-1,152
135		-95		-95
1,537		110	631	742
21,134	-708	63,275	4,330	67,605
23,630	-355	62,885	2,386	65,271
		-651		-651
			1	1
	-117	-117		-117
-1,548		-1,548	-75	-1,623
-43		-43	-11	-54
1,850		2,170	81	2,251
23,889	-472	62,695	2,382	65,077

Notes

Information about the company and Group

Muehlhan AG is headquartered at Schlinckstrasse 3, Hamburg, Germany, and registered in the Commercial Register of the Municipal Court of Hamburg under the number HRB 97812. Muehlhan AG and its subsidiaries ("Muehlhan Group") provide surface protection, passive fire protection, scaffolding and access technology, steel construction and insulation services.

Principles for the preparation of the interim consolidated financial statements

The interim consolidated financial statements for the period from January 1 to June 30, 2018, were prepared in accordance with IAS 34 "Interim Financial Reporting" and were not subject to any audit or review by an auditor. The interim consolidated financial statement should be read in conjunction with the consolidated financial statements for the period ending December 31, 2017.

Accounting and valuation methods

The figures for this interim report were determined in accordance with International Financial Reporting Standards (IFRS). The financial statements were prepared based on the going-concern premise.

The accounting and valuation methods were unchanged to those applied in the 2017 consolidated financial statements, with the exception of the first-time application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The first-time application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have had the following impact:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments amends the accounting requirements for classification and measurement of financial assets, for impairment losses on financial assets and for hedge accounting.

This has resulted in no classification changes at Muehlhan.

The effect currently calculated from changes to the valuation of financial assets from the application of the expected credit loss model is recognized as an adjustment in the other reserves opening balance in Group equity in accordance with IFRS guidelines. In the consolidated financial statements for 2018, the findings of the current financial year will be included in calculating the effect of the changeover to increase the informational value. For this reason, the effect of the first-time application of IFRS 9 may differ in the consolidated financial statements for 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers specifies when to recognize and how to measure sales revenues from contracts with customers, as well as the extent of the disclosures required in the notes to the financial statements. The new standard does not distinguish between different types of contracts and services; instead, it lists uniform criteria for when sales revenues from satisfying a performance obligation should be recognized.

The application of IFRS 15 has impacted Muehlhan in the following areas: In certain cases, Muehlhan provides extended guarantees and warranties of up to five years. Providing extended guarantees/warranties leads to a later recognition of sales revenues. Muehlhan also accepts orders for small series, such as applying surface protection to wind turbines. These small series orders may lead to shifts in the recognition of sales revenues within the production period.

The effects of the first-time application of IFRS 15 effective from January 1, 2018, are recognized as an adjustment in the other reserves opening balance in Group equity in accordance with IFRS guidelines.

Income taxes were calculated using the expected income tax rates for the specific countries in conjunction with the earnings before taxes for the first six months of the year.

For the purpose of preparing the Group financial statements, the Executive Board makes judgments, estimates and assumptions that affect the application of accounting principles in the company and the reporting of

assets and liabilities, and income and expenses. The actual amounts may differ from the estimates. The business results for the first six months of the financial year are not necessarily indicative of the results that may be expected for the entire year. Particularly in light of the fact that impairment testing, especially for goodwill, is only performed at the end of the year and takes into consideration the budgeting for the next financial year, which is performed in the fourth quarter.

Expenses regularly incurred during the financial year are only recognized or deferred in the consolidated financial statements to the extent that the deferral would also be appropriate at the end of the year.

Consolidated group

The consolidated group changed as follows against December 31, 2017: Since January 2018, a minority shareholder has held 25% of shares in Muehlhan Bulgaria Ltd., Varna, Bulgaria. There were no other changes to the consolidated group.

Events after the reporting date

There were no events or new information after June 30, 2018, of material significance for the business and/or for assessing the business.

Hamburg, July 31, 2018

Muehlhan AG,
the Executive Board



Stefan Müller-Arends



Dr. Andreas C. Krüger



James West

Responsibility Statement

We confirm to the best of our knowledge that that the consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Group in accordance with the generally accepted accounting principles for interim financial reporting, and that the Group interim management report includes a fair review of the business performance and the position of the Group, together with a description of the main opportunities and risks associated with the expected development of the Group for the remainder of the financial year.

Hamburg, July 31, 2018

Muehlhan AG,
the Executive Board



Stefan Müller-Arends



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FINANCIAL CALENDAR

November 8, 2018

Publication of nine-month figures 2018

IMPRINT

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NOTES

This report is available in German and English. The German version is authoritative.
For more information about the company visit the website at www.muehlhan.com.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding the future development of Muehlhan AG. They reflect the Management's current views and are based on the corresponding plans, estimates and forecasts. We would like to point out that the statements contain certain risks and uncertainties that may lead to the actual results differing significantly from those forecast. Although we are certain that the statements we have made are realistic, we cannot guarantee that future developments will match these statements.

