



Interim report for the first half of

2019

As one of the few full-service providers in its industry, **Muehlhan Group** offers its customers a broad range of services designed to meet the exacting quality standards expected in professional industrial services. Our customers benefit from our exceptional organizational skills, on-time delivery, the technical expertise that differentiates us from our competitors, and our more than 130 years of experience.

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 3,000 employees at over 30 locations** worldwide, we generated €268 million of sales revenue in 2018.

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 2019	1 st half of 2018
Result			
Sales revenue		138,512	123,583
EBITDA ¹		8,833	7,508
EBIT ²		4,480	3,510
EBT ³		3,673	2,786
Consolidated profit after non-controlling interests		1,627	1,851
Earnings per share from continuing operations	in EUR	0.08	0.10
Cash used in/cash flow from operating activities		-5,202	1,747
Investment for property, plant and equipment		3,323	6,100
Balance sheet			
Total assets		170,266	151,114
Fixed assets ⁴		69,481	62,856
Group equity		67,759	68,258
Equity ratio	in %	39.8	45.2
Employees			
Employees (annual average)	number	3,067	2,965

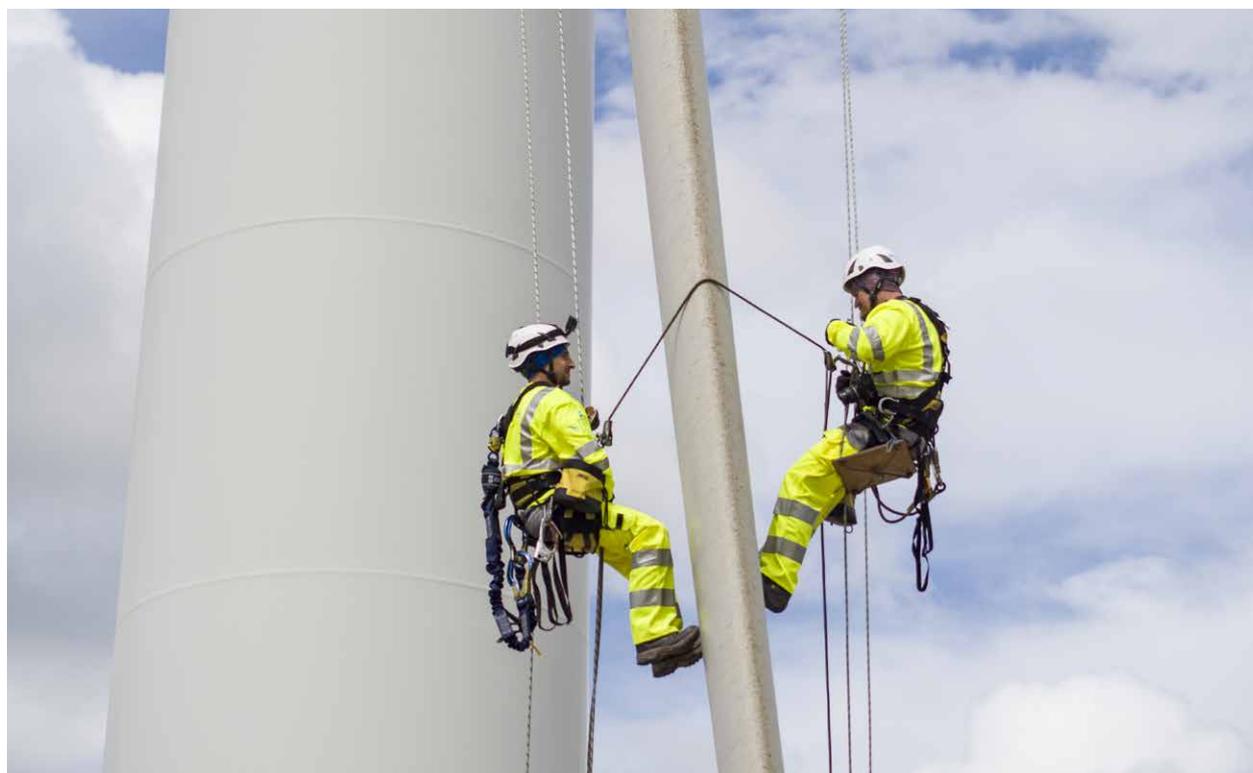
¹ EBITDA: Earnings before interest, taxes, depreciation and amortization

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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Service work on wind turbine

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*Dear shareholders,
business partners and employees!*

The first half of 2019 has been satisfactory for Muehlhan Group.

Sales revenue increased by 12.1% to €138.5 million. EBIT increased by €1.0 million to €4.5 million. The EBIT margin rose accordingly from 2.8% to 3.2%. Compared to the prior-year period, consolidated profit attributable to investors of Muehlhan AG after the first six months dropped by €0.2 million to €1.6 million due to increased tax expenses. Cash flow from operating activities amounts to €-5.2 million and results from an increase in sales revenue and from temporary special effects.

Sales revenue in **Europe** rose. Positive developments in the offshore business and the reorganization of the scaffolding business in Denmark led to a disproportionate increase in EBIT. Profitability and EBIT in **North America** and the **Middle East** dropped for project-related reasons. Sales revenue and EBIT in the **Rest of the World** were improved due to increased profitability.

Maritime business, which is pooled in the **Ship** segment, recorded a disproportionately higher EBIT with increased sales revenue. Profitability in the **Oil & Gas** business also improved due to a rise in EBIT with a slight reduction in sales revenue. In the **Renewables** segment sales revenue increased significantly due to production start in Cuxhaven and the expansion of the range of services for wind farms. EBIT, however, remained on prior-year level due to start-up losses. Profitability also improved 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 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 2019. 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.

Hamburg, July 2019

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 2019. The share price climbed from €2.38 in January up to €2.53, then fluctuated over the course of the first quarter between €2.45 and €2.55. Following slight gains in the last days of March, the Muehlhan share climbed on March 29, 2019, the day the Annual Report 2018 was published, to close at €2.80 per share.

At the beginning of April, the share climbed again, to €2.90, and fluctuated between €2.82 and €2.94 per share until mid-June 2019. The share price only dipped below this on the day after the Annual General Meeting.

At the end of the second quarter, and concluding a calm first half of the year, the price of the Muehlhan share declined slightly, closing at €2.80 on June 28, 2019.

The Muehlhan share price rose 21.7% over the course of the first half of 2019 against December 28, 2018.

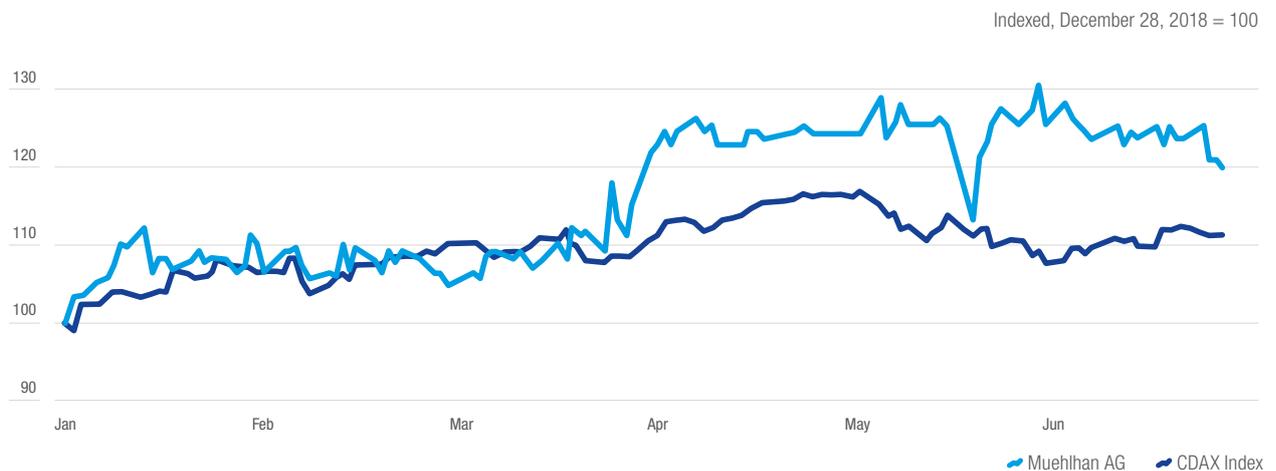
Shareholder structure as of June 30, 2019

There were no major changes to the shareholder structure as of June 30, 2019, in comparison with December 31, 2018. More than 50% of the shares remain in the possession of the family that founded the company.



Surface protection work on a ship hull

Share performance in the first half of 2019



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Group Interim Management Report

for the first half of 2019



Surface protection work on a steel bridge

Economic Report

Business performance and results of operations

Performance in first half of 2019 in line with expectations

Generating €4.5 million in consolidated income after the first six months of 2019, Muehlhan Group reported an €1.0 million increase compared to the previous year's results. Thus, after reporting profit from operations of €1.2 million in the first three months – which was in line with expectations – the forecast development continued in the second quarter of the year.

Sales revenue of €138.5 million was generated between January and the end of June 2019. This represents an increase of 12.1% or €14.9 million compared with the prior-year period in 2018. **EBITDA** (earnings before interest, taxes, depreciation and amortization) amounted to €8.8 million on June 30, 2019 (previous year: €7.5 million). **EBIT** (earnings before interest and taxes) amounted to €4.5 million and was therefore €1.0 million above the prior year (previous year: €3.5 million), which led to an improvement in the EBIT margin from 2.8% to 3.2%. **Consolidated profit** after taxes after the first six months of the year decreased by €0.8 million to €1.2 million due to provisions formed for potential tax arrears. For the same reason, consolidated profit attributable to investors of Muehlhan AG after the first six months declined by €0.2 million to €1.6 million. Cash flow from operating activities amounts to €-5.2 million compared to €1.7 million in the comparison period. The negative cash flow results from an increase in sales revenue and from temporary special effects.

Business segment breakdown by region

1 st half of 2019 in kEUR	Europe	Middle East	North America	Rest of the World	Holding Company	Reconciliation	Group
External revenue	108,633	11,928	10,988	6,836	127	0	138,512
Intersegment sales	122	0	0	0	2,140	-2,262	0
Sales revenue	108,755	11,928	10,988	6,836	2,267	-2,262	138,512
EBITDA	9,462	852	954	1,056	-3,491	0	8,833
Depreciation and amortization	-3,263	-285	-503	-7	-295	0	-4,353
EBIT	6,199	567	451	1,049	-3,786	0	4,480
Investment in property, plant and equipment	2,783	67	29	0	444	0	3,323

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 revenue	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

Rounding differences may occur.

Expansion of activities leads to increased expenses

The **cost of materials and purchased services** amounted to €45.7 million and was thus up €6.8 million on the prior year (€38.9 million). This disproportionate increase is down to increased use of subcontractors and the increased use of materials. This frequently happens at the beginning of major projects.

Due to a slight increase in the average number of employees to 3,067 (first half of 2018: 2,965), the Group's **expenses for employees** rose to €66.3 million (previous year: €59.9 million). The increase is a result of higher expenses for wages and salaries in Denmark due to the expansion of offshore services, among other things. Moreover, Muehlhan increasingly feels the general lack of skilled employees and accordingly is forced to spend more money in this area.

At €19.9 million, **other operating expenses** for the first half of the year remained almost level with the prior-year period (€19.2 million).

At €4.4 million, **depreciation and amortization** were €0.4 million above the prior-year level. This is mainly a result of the implementation of IFRS 16 Leases as of January 1, 2019, and the associated increase in depreciation and amortization while other operating expenses decreased.

Tax expenses as a consequence of building a risk provision for a tax dispute put considerable strain on the **tax result**.

As in the past, Group sales revenue – amounting to €138.5 million – was generated largely through the **European business**, whose share of the sales revenue was up on the prior year by 13.3% at €108.6 million. EBIT in Europe increased from €4.6 million to €6.2 million due to the positive development of the offshore business and the reorganization of the scaffolding business in Denmark, which was operating at a loss last year. The holding company's sales revenue results primarily from services rendered for all subsidiaries.

Sales revenue in the **Middle East** increased in the reporting period by €1.8 million to €11.9 million. EBIT declined for project-related reasons from €0.9 million to €0.6 million.

Compared to the prior-year period, Muehlhan Group's activities in **North America** remained almost constant in the first half of 2019, with €11.0 million (previous year: €11.1 million). Due to unforeseen difficulties in the recruitment of skilled employees for a project outside of California, EBIT decreased by €0.3 million to €0.5 million.

Compared with the prior-year period, sales revenue in the **Rest of the World** rose in the first half of 2019 by €0.5 million to €6.8 million. EBIT rose slightly, too, by €0.2 million to €1.0 million.

Business segment breakdown by markets

In the **Ship segment**, sales revenue rose from €28.8 million to €32.3 million. EBIT climbed from €2.9 million to €4.5 million.

In the **Oil & Gas segment**, sales revenue sank slightly by €0.5 million to €38.3 million. EBIT, however, rose lightly from €2.1 million to €2.3 million.

Sales revenue in the **Renewables segment** increased significantly by €8.7 million to €20.4 million due to production start in Cuxhaven and the expansion of the range of services for wind farms. EBIT, however, remained on prior-year level with €-0.3 million due to start-up losses.

The **Industry/Infrastructure** business posted sales revenue of €48.2 million for the period from the beginning of January to the end of June 2019, after €44.9 million for the same period of 2018. EBIT improved by €0.6 million to €2.5 million.

Net assets and financial position

Capital expenditures

Capital expenditures in the first half of 2019 amounted to €3.3 million and mainly consisted of expenditures buying replacements for scaffoldings and surface protection equipment. Capital expenditures of the prior-year period amounted to €6.1 million.

Higher debts and dividend payments

Muehlhan Group's **net debt** rose to €33.4 million (from €23.4 million as of December 31, 2018) due to the financing of higher sales revenue in the summer months. The conditions of the syndicated loan agreement have been kept at all times.

Equity came down by €0.5 million to €67.8 million due to the dividend payment in May 2019, which amounted to €1.9 million.

Forecast and Report on Opportunities and Risks

Outlook

The Executive Board stands by the forecast given for 2019 and still expects that the Group's upward trend will continue with a slow but steady increase in profitability. With a marginally increased sales revenue of approximately €280 million, the company also expects EBIT to increase slightly to between €10.0 million and €11.0 million.

Opportunities and Risks

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

Project losses can generally not be excluded. However, there is currently nothing to indicate that such losses could occur to any major extent over the rest of the year.

As in the past, the regions and markets of relevance to Muehlhan Group continue to vary greatly. 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 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 2018 financial year. We therefore refer you to the detailed report published in the 2018 Annual Report.



Steel construction and application of passive fire protection in Dubai

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Consolidated Financial Statements

as of June 30, 2019

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	06/30/2019	12/31/2018
NON-CURRENT ASSETS		
Intangible assets	19,599	19,548
Property, plant and equipment	43,140	37,696
Financial assets	33	33
Other non-current assets	6,709	5,579
Deferred tax assets	3,891	3,269
Total non-current assets	73,372	66,125
CURRENT ASSETS		
Inventories	5,334	4,840
Trade receivables	69,484	59,787
Cash and cash equivalents	8,155	9,900
Income tax receivables	725	936
Other assets	13,196	9,526
Total current assets	96,894	84,989
TOTAL ASSETS	170,266	151,114

Rounding differences may occur.

EQUITY & LIABILITIES in kEUR	06/30/2019	12/31/2018
EQUITY		
Subscribed capital	19,500	19,500
Capital reserve	14,021	13,826
Treasury shares	-721	-537
Other reserves	5,409	4,902
Retained earnings	27,182	27,788
Non-controlling interests	2,368	2,779
Total equity	67,759	68,258
NON-CURRENT LIABILITIES		
Pension provisions	827	816
Financial liabilities	28,194	15,114
Other non-current liabilities	2,475	0
Deferred tax liabilities	541	752
Total non-current liabilities	32,037	16,682
CURRENT LIABILITIES		
Provisions	4,931	4,679
Financial liabilities	13,383	18,141
Trade payables and contract liabilities	24,255	25,131
Income tax liabilities	1,339	764
Other liabilities	26,562	17,459
Total current liabilities	70,470	66,174
TOTAL EQUITY & LIABILITIES	170,266	151,114

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT

in kEUR	1 st half of 2019	1 st half of 2018
Sales revenue	138,512	123,583
Other operating income	2,251	1,896
Cost of materials and purchased services	-45,693	-38,853
Expenses for employees	-66,251	-59,899
Depreciation and amortization	-4,353	-3,998
Other operating expenses	-19,986	-19,219
Profit from operations (EBIT)	4,480	3,510
Financial result	-807	-724
Earnings before taxes	3,673	2,786
Tax result	-2,515	-850
Consolidated profit	1,158	1,936
of which attributable to non-controlling interests	-469	85
investors of Muehlhan AG	1,627	1,851
EARNINGS PER SHARE in EUR		
Shares	number	
basic	19,260,245	19,342,207
diluted	0.08	0.10
	0.08	0.10

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR	1 st half of 2019	1 st half of 2018
Consolidated profit	1,158	1,936
Recyclable items		
Currency translation differences (legally independent entities abroad)	494	221
Future cash flow hedge (effective cash flow hedge)	10	125
Other comprehensive income	504	346
Income taxes on other comprehensive income	9	-30
Other comprehensive income after taxes	513	316
Total comprehensive income	1,671	2,250
of which attributable to non-controlling interests	-364	81
Investors of Muehlhan AG	2,035	2,169
Total comprehensive income from continuing operations	1,671	2,169

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	1 st half of 2019	1 st half of 2018
Consolidated profit to investors of Muehlhan AG	1,627	1,851
Depreciation of fixed assets	4,353	3,998
Loss/gain from the disposal of fixed assets	630	-123
Non-cash income/expenses from the allocation of losses/gains to non-controlling interests	-469	85
Other non-cash income/expenses	988	627
Decrease/increase in provisions	-263	916
Cash flow	6,866	7,354
Increase in inventories, trade receivables and other assets	-14,674	-6,845
Increase in trade payables and other liabilities	4,987	2,982
Income taxes paid	-2,381	-1,754
Cash used in/cash flow from operating activities	-5,202	1,747
Proceeds from disposals of fixed assets in property, plant and equipment	849	84
Capital expenditures for intangible assets	-26	-1
in property, plant and equipment	-3,323	-6,100
Interest received	11	37
Cash used in investment activities	-2,489	-5,980
Payments to company owners and non-controlling shareholders (dividends)	-1,971	-1,623
Cash used to repay/cash flow from borrowings under current financial liabilities*	-4,735	8,509
Cash flow from borrowings under/cash used to repay non-current financial liabilities*	13,155	-2,063
Interest paid	-692	-786
Cash flow from financing activities	5,757	4,037
Currency, scope of consolidation and valuation-related changes in cash and cash equivalents	189	-210
Total changes in cash and cash equivalents	-1,745	-406
Cash and cash equivalents at the beginning of the period	9,900	8,766
Cash and cash equivalents at the end of the period	8,155	8,360

* Proceeds and payments are shown on a net basis. Unnetted amounts are explained in the notes to the consolidated financial statements.

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			
			Profit reserves	Conversion reserve	Cash flow hedge reserve	Adjustment from currency translation
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
As of 01/01/2019	19,500	13,826	5,586	-91	-17	-576
Changes in treasury shares						
Withdrawal from retained earnings		195	99			
Dividends paid						
Other changes						
Total comprehensive income					19	389
As of 06/30/2019	19,500	14,021	5,685	-91	2	-187

Rounding differences may occur.

			Non-controlling interests	Group equity
Retained earnings	Treasury shares	Equity		
23630	-355	62,885	2,386	65,271
		-651		-651
		0	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
27,788	-537	65,479	2,779	68,258
	-184	-184		-184
-294		0		0
-1,924		-1,924	-47	-1,971
-15		-15		-15
1,627		2,035	-364	1,671
27,182	-721	65,391	2,368	67,759

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, 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, 2019, 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 statements should be read in conjunction with the consolidated financial statements for the period ending December 31, 2018.

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 same accounting and valuation methods were applied as for the 2018 consolidated financial statements, with the exception of the first-time application of IFRS 16 Leases. The first-time application of this standard had the following effects:

IFRS 16 Leases

IFRS 16 Lease replaces IAS 17 Leases and three related interpretations. Under IFRS 16 Leases, all rental and lease agreements that satisfy the criteria set forth in the standard lease are recognized as right-of-use asset and lease liabilities on the balance sheet.

The new IFRS 16 rules apply to almost all the leases mentioned in the notes to the 2018 Annual Report under note 30 'Obligations under operating leases'. The first-time application of IFRS 16 Leases resulted in a significant increase in assets (rights of use) and liabilities (lease liabilities) and thus to a lower equity ratio.

Muehlhan applied the modified retrospective approach as of January 1, 2019. A uniform discounting rate was therefore chosen for lease liabilities and rights of use were recognized in the corresponding amount. Muehlhan also applied the simplified rules for retaining the definition of a lease. This means the Group will apply IFRS 16 to all contracts signed before January 1, 2019 that have been identified as leases pursuant to IAS 17 and IFRS 4.

The covenants the Group has to satisfy under the loan agreements will continue to be calculated at the currently valid level using retroactive accounting.

Remarks

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 of 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 did not change against December 31, 2018.

Events after the reporting date

There were no events or new information of material significance for the business and /or for assessing the business after June 30, 2019.

Hamburg, July 31, 2019

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 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, 2019

Muehlhan AG,
the Executive Board



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FINANCIAL CALENDAR

November 7, 2019

Publication of nine-month figures 2019

LEGAL NOTICE

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REMARKS

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding the future development of Muehlhan AG. These statements reflect the Management's current views and are based on the corresponding plans, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee.

