Muehlhan





Annual Report 2018

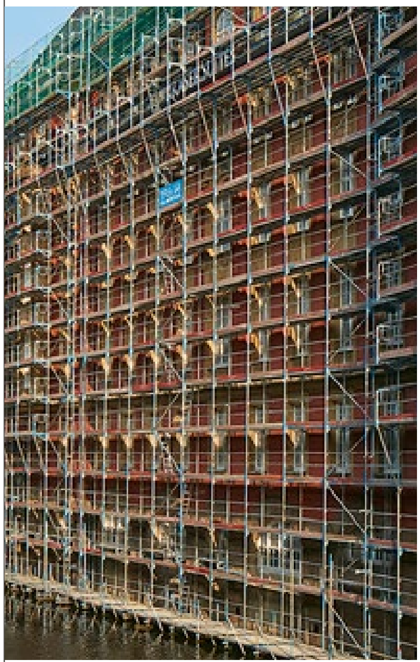
Our services

Surface Protection

We protect your assets under the most severe conditions

Insulation

Professional solutions for heat and cold insulation



Scaffolding

Engineered solutions to fit your purpose

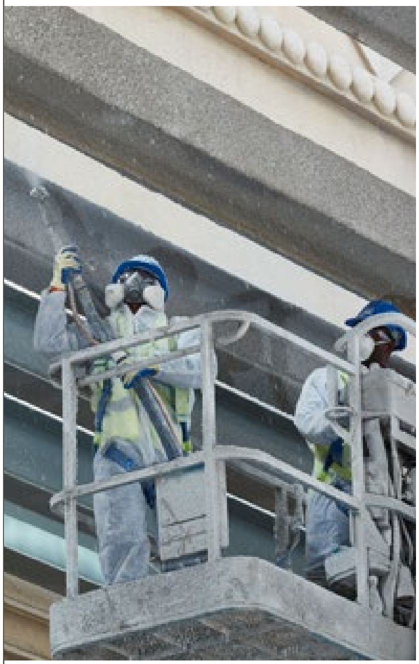
3,000+ Employees
30+ Subsidiaries
4 Business segments
3 Continents

Specialty Access

Special requirements need special solutions

Steel Construction

Competence and quality first time right



Passive Fire Protection

Experienced specialist for all kinds of projects

Vision

We continuously improve our technologies and services to remain the quality leader in our markets and to improve our position in the industry continuously. Our customers, suppliers and employees value us as a professional and dependable partner.

Values

As a company, we are firmly rooted in our tradition of Hanseatic German values. Muehlhan stands for quality, integrity, reliability and respect.

As one of the few full-service providers, **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.

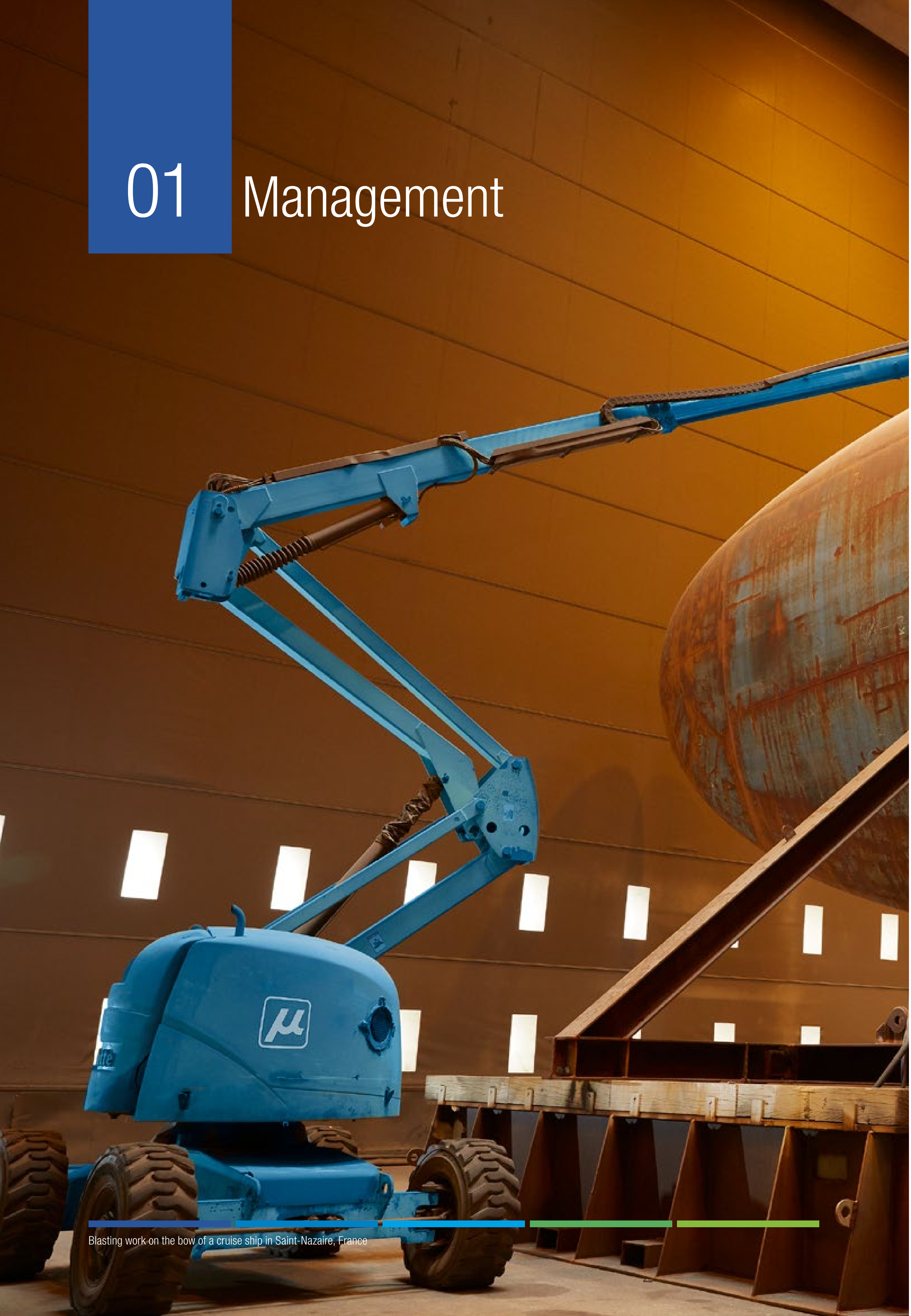
Group key figures

in kEUR		2018	2017
Result			
Sales revenue		267,799	247,718
EBITDA[1]		18,306	16,029
EBIT[2]		10,062	8,529
EBT[3]		8,449	6,373
Consolidated income after non-controlling interests		5,003	4,074
Earnings per share from continuing operations	in EUR	0.27	0.22
Cash flow from operating activities		11,355	15,407
Investment in property, plant and equipment		9,238	13,171
Balance sheet		**12/31/2018**	**12/31/2017**
Total assets		151,114	145,458
Fixed assets[4]		62,856	61,703
Equity		68,258	65,270
Equity ratio	in %	45.2	44.9
Employees		**2018**	**2017**
Employees (annual average)	number	3,037	2,929

[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

Contents

01 Management



Blasting work on the bow of a cruise ship in Saint-Nazaire, France


www.muehlhan.com

Dear Shareholders,

2018 was a successful year for Muehlhan, once again beating some of our internal forecasts. For years, the regular improvement in earnings has demonstrated the effectiveness of our strategic and operating activities, which have been consistently implemented. The result confirms our conviction that we are on the right track and should continue in this direction.



Executive Board

Stefan Müller-Arends
Chairman of the Executive Board, CEO
Hamburg, Germany

Stefan Müller-Arends has a degree in business administration. Following positions as Controller and CFO, including at Rheinbraun AG and the French DMC Group, he served as CEO of packaging group Mauser AG for 11 years. Since 2011, he has been leading the Muehlhan Group as Chief Executive Officer.

Dr. Andreas C. Krüger
Member of the Executive Board, COO
Hamburg, Germany

Dr. Andreas C. Krüger has a doctorate in engineering. As a manager and chairman, he previously headed several German and foreign industrial companies, among them Friatec AG, Mannheim. In 2004, he became a member of the Executive Board in Muehlhan and is responsible for the operating business.

James West
Member of the Executive Board
Aberdeenshire, UK

James West is an engineer. Before he joined Muehlhan Surface Protection Ltd in Aberdeen as Managing Director in 2011, he worked in various positions in the international and British oil and gas industry. Mr. West is responsible for the Oil & Gas segment.

The Group's sales revenue rose by 8.1% to €267.8 million. EBIT of €10.1 million was 18.0% up on the prior-year value. Sales revenue and EBIT were therefore slightly higher than forecast. The EBIT margin improved accordingly from 3.4% to 3.8%. Consolidated profit increased by 18.7% to €5.5 million. After deducting minority interests, earnings of €5.0 million are attributable to Muehlhan's shareholders, which represents an increase of 22.8%. Cash flow from operating activities of €11.4 million was satisfactory, given the revenue growth.

Sales revenue fell in the previous year due to more selective project screening in the course of our strict risk management but went up again sharply in the reporting year – without compromising our risk management standards. This – combined with other measures to improve operations, continuous expansion of the services we offer and our focus on our growth markets oil and gas and renewables (wind power) – explains the steady improvement in earnings that Muehlhan has shown for the past seven years.

The Renewables segment has moved onto a stable growth path, with further increases in sales revenue and income. As in the previous year, the Ship business segment contributed a stable, albeit lower positive result. Positive and rising earnings contributions came from the Oil & Gas and Industry/Infrastructure segments.

We view the Oil & Gas and Renewables business segments as particular growth markets for our company. In the Oil & Gas segment we assume that the slight upturn in the market will continue following the stabilization of oil prices. Positive trends in investment and spending by oil and gas exploitation companies confirm this assessment.

After turbulent early years the Renewables segment is back on a stable and steady growth path. As a full-service provider who supports both wind power station manufacturers and offshore wind farm operators throughout the entire lifecycle of the equipment, we believe Muehlhan is very well positioned to benefit from growth in this exciting market. Entry into the service and maintenance business also reduced dependence on the offshore newbuild business, which is in long-term decline and more exposed to cyclical volatility.

As always, we concentrated on two areas: In addition to the measures to implement our strategy, we worked particularly on operating improvements, such as system-based project controlling to gain greater control over projects. There are numerous measures, which have one thing in common: They cover all the aspects of the organization, they are mostly unspectacular, and they need time and a lot of management energy before they are sustainably established in the organization and have an effect.

We would like to thank our approximately 3,000 employees for their steadfast commitment in a challenging environment. We also want to thank our shareholders, partners and business associates, many of whom have placed their trust in us for many years. We hope that you will continue to accompany and support us on our journey, and we will do everything in our power to fulfill your expectations to the best of our abilities.

Hamburg, March 2019,

Your Executive Board

Stefan Müller-Arends *Dr. Andreas C. Krüger* *James West*

Supervisory Board

Philip Percival
London, UK

Chairman of the Supervisory Board

Dr. Gottfried Neuhaus
Hamburg, Germany

Deputy Chairman of the Supervisory Board
Managing Partner of
Neuhaus Partners GmbH, Hamburg

Andrea Brandt (maiden name Greverath)
Hamburg, Germany

Member of the Supervisory Board
Managing Partner of
GIVE Capital GmbH, Hamburg

Muehlhan continued its positive performance in 2018. Internal targets were achieved and expectations met in full, with €10.1 million of EBIT and an improvement in the EBIT margin from 3.4% to 3.8%. Cash flow from operating activities of €11.4 million was satisfactory given the revenue growth. The Oil & Gas business segment profited from higher demand for maintenance services following the temporary stabilization of oil prices and was able to improve its income significantly. The return to profitability in the Renewables segment was not only confirmed, but increased thanks to the successful entry into the offshore services business. Entering the scaffolding market in Denmark proved to be surprisingly difficult. This depressed the results for the Industry/Infrastructure segment, despite higher sales revenue. In the Ship business segment an industry-wide shortage of qualified steel construction technicians resulted in higher expenses than planned and so in a slight fall in sales revenue and income. All the business segments are expected to continue their positive performance, despite the challenging market conditions, whereby the main chances are still seen in the oil and gas and renewables markets.

The strategic challenges we face in our various markets did not change substantially in 2018 and will continue to occupy the Executive Board and Supervisory Board in the current financial year:

- The maritime sector in Europe continues to focus on the construction of specialty ships, particularly megayachts, cruise ships and naval vessels and on contracts from the wind power industry, which enable it to secure its long-term capacity utilization. As a highly specialized and professional service provider that is known for its exceptionally strong organizational skills, Muehlhan will be able to benefit from this environment.

- The oil and gas market initially stabilized in 2018 thanks to rising oil prices, with positive effects on investment and spending by market participants. In the fourth quarter the oil price then fell sharply. We nonetheless assume that the market will develop positively in the medium and long term, despite any short-term volatility.

- In the wind power market, we see a positive trend that will have a correspondingly positive impact on Muehlhan's future business. Muehlhan has become a full-service provider for the wind energy industry and accompanies the entire lifecycle of offshore wind turbines, from production and assembly to the maintenance of existing installations.

- In the Industry/Infrastructure segment the Group has expanded the regional scope of its services in recent years and extended its service portfolio to offer its customers the range of on-site services they require.

Focal points of Supervisory Board deliberations

As in previous years, in financial year 2018, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. It regularly consulted with the Executive Board and carefully supervised its work. The Supervisory Board and the Executive Board remained in close contact, even between meetings. For example, the Chairman of the Supervisory Board regularly exchanged information about current business performance and major transactions with the Chairman of the Executive Board.

In 2018, the Executive Board's regular written and oral reports to the Supervisory Board concerning business developments within the Muehlhan Group and at Muehlhan AG once again formed the core of the cooperation between the two management bodies. Special attention continued to be given to the direction of the Muehlhan Group and to making adjustments to adapt to the current and expected future market situation. The Executive Board also provided the Supervisory Board with comprehensive reports regarding the financial position, earnings performance, and short-term and medium-term business plans of Muehlhan AG and of the subsidiaries.

A total of eight meetings were held in 2018 and attended by the Executive Board: on February 6, March 20, May 14, June 13, July 10, September 17, October 29, and December 13, 2018. One Executive Board member was excused from the meeting on June 13 and the conference call on September 17. One Supervisory Board member was excused from the meeting on June 13. No decisions were taken. The member was informed about the meeting the next day in the conference call. Otherwise all the members of the Executive Board and Supervisory Board attended all the meetings. Regular topics of discussion at the Supervisory Board meetings included the trend in sales revenue, income and employment as well as the financial position and liquidity trend of Muehlhan AG and the Group.

The meetings also featured discussions of trends in the company's main business segments, taking into account the business situation in each of its international markets.

In cases where the Supervisory Board required further information, this was quickly supplied both verbally and in writing by the Executive Board. Regular exchanges of information and consultations between the Executive Board and the Supervisory Board, including between meetings, ensured that specific questions about important developments and business transactions at Muehlhan could be discussed and dealt with at any time.

In addition to the regular issues, the following topics, in particular, were discussed in detail at the 2018 meetings of the Supervisory Board:

At the Supervisory Board meeting on February 6, 2018 the effects of the asbestos incident in the Netherlands in the last quarter of the previous year were discussed along with a general discussion of the past financial year.

The Supervisory Board meeting on March 20, 2018 dealt with the consolidated financial statements for 2017 and their auditing.

At the meeting on May 14, 2018 the day before the Annual General Meeting, current results were discussed and preparations were made for the Annual General Meeting on the next day.

On June 13, 2018 the performance of the subsidiary Muehlhan Wind Service A/S was discussed. Its results were discussed the following day in a conference call.

Current results and developments were discussed at the Supervisory Board meeting on July 10, 2018.

In a conference call on September 17, 2018 the Supervisory Board was notified of a fire at the premises of a customer of Muehlhan Deutschland GmbH and discussed its potential impact.

The agenda of the Supervisory Board meeting held on October 29, 2018 included the latest results, strategic matters and a new incentive program for management.

The last Supervisory Board meeting of the year on December 13, 2018 discussed and approved the 2019 budget. The Managing Directors of the Polish subsidiary, Muehlhan Polska Sp. Z. o. o., also reported on its current performance.

No committees were set up.

Separate and consolidated financial statements

The financial statements and the management report for Muehlhan AG were prepared in accordance with the requirements of the German Commercial Code (HGB), while the consolidated financial statements and the Group management report were prepared in accordance with International Financial Reporting Standards (IFRS) in conjunction with Article 315e of the German Commercial Code (HGB).

The Supervisory Board commissioned Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the financial statements of Muehlhan AG and the Group pursuant to the resolution adopted by Muehlhan AG's Annual General Meeting on May 15, 2018. Warth & Klein Grant Thornton has audited the consolidated financial statements for the period ending on December 31, 2018, the Group management report for the financial year beginning on January 1 and ending on December 31, 2018, the financial statements of Muehlhan AG for the period ending on December 31, 2018, and the management report for Muehlhan AG for the financial year beginning on January 1 and ending on December 31, 2018, and has given them an unmodified audit opinion.

The audit focused on the following:

- Recognition of sales revenue under IFRS 15, particularly for long-term construction contracts
- Trade receivables from construction contracts
- Measurement of trade receivables and the recognition and measurement of amounts held as security deposits by customers under IFRS 9
- Recognition and measurement of income taxes
- Measurement of goodwill

Pursuant to Article 317, paragraph 4 HGB, the auditors reviewed and found that the Executive Board has set up a monitoring system, that the statutory requirements for early detection of risks posing a threat to the company as a going concern have been met and that the Executive Board has taken appropriate steps to ensure that it can detect trends and avert risks at an early stage.

Muehlhan AG's financial statements and the consolidated financial statements, the management report for Muehlhan AG's financial statements, and the management report for the consolidated financial statements, the proposal for the use of retained earnings and the associated audit reports were sent to each member of the Supervisory Board for their independent review. At the meeting on March 19, 2019 the Supervisory Board once again thoroughly discussed and reviewed all the documents in the presence of the auditors. Upon completion of this review, no objections were raised.

Based on the final results of its reviews, the Supervisory Board has no objections to the financial statements for Muehlhan AG and the consolidated financial statements prepared by the Executive Board, or the results of the financial statement audits, and it approves Muehlhan AG's financial statements and the consolidated financial statements dated 31 December 2018. The financial statements are therefore adopted. The Supervisory Board agrees with the Executive Board's proposal regarding the appropriation of consolidated profit.

Review of the affiliated companies report pursuant to Article 312, paragraphs 2 and 3 German Stock Corporation Act (AktG)

The auditors also reviewed the report on relationships with affiliated companies (affiliated companies report) prepared by the Executive Board pursuant to Article 312 of the AktG and issued the following opinion:

"We have duly examined and assessed the report and hereby certify that:
1. the information in the report is correct, and
2. the payments made by the entity in the transactions listed in the report were not unduly high."

The auditors submitted the audit report to the Supervisory Board. The Supervisory Board examined the affiliated companies report and the audit report for completeness and accuracy. Based on the final results of its examination, the Supervisory Board agrees with the results of the review by the auditors and raises no objections to the statement by the Executive Board at the end of the report, which is reproduced in the Group management report.

Acknowledgments and outlook

For the Muehlhan Group, financial year 2018 was an important stage on the road toward a stable and sustainably profitable business performance. The Executive Board worked successfully to expand the portfolio of services in the company's markets and regions and so established a good basis for addressing future challenges.

The Supervisory Board looks forward to continuing its wholehearted support for the Executive Board's strategy to secure the future of the Muehlhan Group in a sustainable way. We thank the Executive Board and the Group's employees for their work and high level of commitment and we also would like to thank Muehlhan's customers and business partners for their continued confidence during the past financial year.

Hamburg, March 2019,

Philip Percival
Chairman of the Supervisory Board of Muehlhan AG

02 Our Share

Service work on wind turbine

After a steady year the Muehlhan share followed the stock market downwards at the end of the year

Muehlhan shares performed consistently up to November 2018. At the beginning of the year there was a sharp increase in the share price, followed by a sideways movement around the €3.00 mark. The price even rose briefly above the €3.00 mark in January and February. The share then ended trading at €2.96 on June 30, 2018, having increased by 10.4% during the first half of 2018.

In the second half of the year the sideways movement continued around the €3.00 mark, with very variable turnover until the end of November. The share reached its high for the year at €3.14 on July 30, 2018.

In December the Muehlhan share was caught up in the general negative trend resulting from economic and political uncertainty in the markets. Within one month the share fell by 20.4%, closing the year on December 28 at a price of €2.30.

Following a weak December, the share ended the year down by 14.2%.

As of the editorial deadline, Muehlhan AG's market capitalization stood at €48.9 million (XETRA closing price on March 22, 2019: €2.51).

Key figures for the share

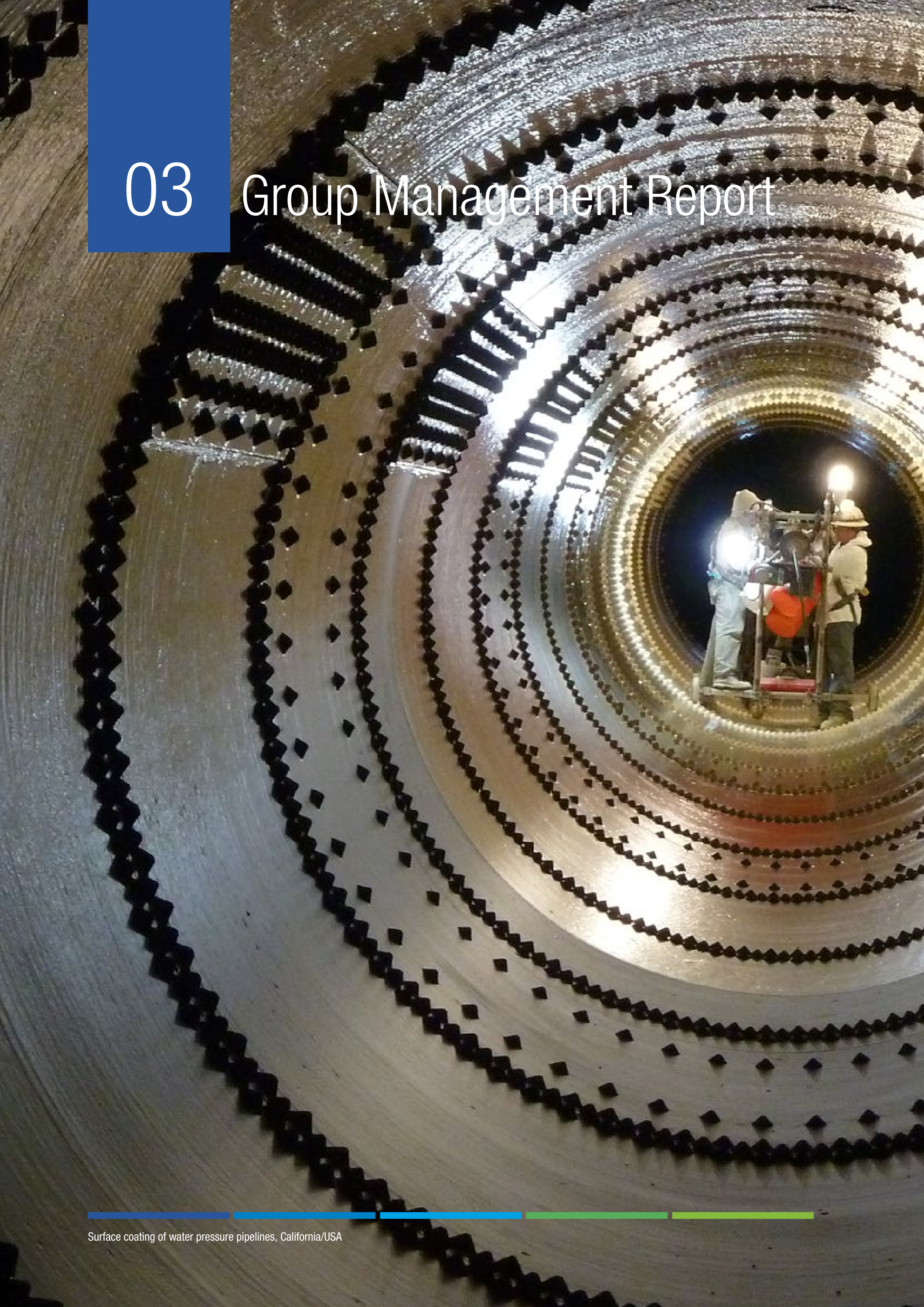
Nominal (accounting) value	No-par-value bearer shares
Number of shares issued	19,500,000
Initial listing	10/26/2006
Issue price	€5.80
High for 2018 (XETRA)	€3.14
Low for 2018 (XETRA)	€2.20
Designated sponsor	Pareto Securities AS, Frankfurt Branch (formerly: equinet Bank AG, Frankfurt)
Coverage	M.M. Warburg Research, Hamburg
Share buyback handled by	Pareto Securities AS, Frankfurt Branch (formerly: equinet Bank AG, Frankfurt)
Market capitalization as of December 31, 2018 (XETRA: €2.30)	€44,850,000

The Muehlhan share is listed on the Open Market of the Frankfurt Stock Exchange.

Shareholder structure as of 31 December 2018

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

Share performance in 2018



03 Group Management Report

Surface coating of water pressure pipelines, California/USA

Taskforce supply ship of the German Navy, Hamburg, Germany

I. Overview

The year 2018 satisfied Muehlhan's internal expectations and forecasts and exceeded them in some cases: sales revenue rose by 8.1% to €267.8 million. EBIT went up by 18.0% from €8.5 million to €10.1 million and the EBIT margin improved accordingly from 3.4% to 3.8%. Consolidated profit increased by 18.7% to €5.5 million, compared with €4.7 million the previous year. After deducting minority interests, earnings of €5.0 million are attributable to Muehlhan's shareholders, which represents an increase of 22.8%. Cash flow from operating activities of €11.4 million was satisfactory given the revenue growth.

The significant and regular earnings improvements are testimony to the effectiveness of the strategic steps taken consistently and sustainably by management. Its steady work to improve numerous operating parameters is having an effect and contributing to the company's success.

Key strategic decisions taken in recent years include the focus on the two growth markets oil & gas and renewables, and expanding and completing the range of services, so that all the services expected of Muehlhan can be offered in all markets. Acquisitions and the establishment of new companies are always subject to these strategic objectives; this also applied to the establishment of Muehlhan Wind Service A/S in 2017, which achieved impressive growth in the reporting year.

At the operations level, management is working on numerous parameters: More precise selection criteria for projects and the strict application of risk management measures will help to avoid project losses. Improved, system-based project controlling will enable us to detect variations from the plan and so take countermeasures at an earlier stage.

The Oil & Gas business segment profited from higher demand for maintenance services following the temporary stabilization of oil prices as well as from internal activities to boost profitability, and was able to improve its earnings significantly. As one of the long-standing full-service providers in this market Muehlhan intends to grow further and should profit from higher demand for all-round maintenance services.

After turbulent early years, the Renewables segment has now moved onto a stable growth path. As a full-service provider which supports both wind power station manufacturers and offshore wind farm operators throughout the entire lifecycle of the equipment, Muehlhan is exceedingly well positioned for continued growth in the various submarkets in the future. Entry into the service and maintenance business also reduced dependence on the offshore newbuild business, which is in long-term decline and more exposed to cyclical volatility.

The Executive Board expects that the Muehlhan Group's upward trend will continue in the future. Our confidence is based both on the greater resilience the Group has developed through strategic restructuring in recent years and on the increasingly wide range of services we offer. From an operating standpoint, our strict risk management and continuous improvements contribute to the Group's success.

II. Group Fundamentals

1. Group structure

Muehlhan AG (MYAG), Hamburg, is the holding company for a total of 35 directly and indirectly held companies in Europe, the Middle East, North America and the Rest of the World. Of this number, 32 companies are currently included in the consolidated financial statements.

Muehlhan AG is a listed corporation traded on the Open Market of Frankfurt Stock Exchange.

As one of the few full-service providers in its industry, the Muehlhan Group offers its customers a broad spectrum of industrial services. Muehlhan combines very strong organizational skills, extensive technical expertise, more than 130 years of experience and exacting quality standards into a professional industrial approach that satisfies the highest quality demands of our customers in a competitive environment still largely characterized by small workshops.

The services we provide range from work on ships, offshore and onshore oil and gas installations, offshore and onshore wind power stations and industrial sites, to work on construction and infrastructure projects.

2. Services

The Muehlhan Group offers the following services:

Surface protection: Muehlhan provides surface protection services in all markets. These play a major part in protecting and maintaining maritime and industrial infrastructure.

They include:

- Cleaning and steel preparation,
- a wide array of blasting processes, including ultra-high-pressure waterjet blasting, dry blasting, ultra-high-pressure wet blasting and spongejet blasting,
- surface metallization,
- using paint systems and adhesive films to coat surfaces.

Passive fire protection: Passive fire protection has become increasingly important in recent years. Applications include industry, infrastructure and the oil and gas industry. Structures with static loads are protected using cementitious, intumescent materials that ensure their stability as long as possible in the event of fire. This keeps load-bearing structures with emergency exits, stairways and roof structures accessible to emergency teams and firefighters for a longer period of time, thereby saving lives.

Scaffolding and access technology: Scaffolding and the closely related access technology are the Group's growth areas since both services are closely linked to the expansion of the Oil & Gas and Renewables business segments. Accordingly, Muehlhan provides both onshore and offshore scaffolding and access technology services. Muehlhan is an important partner for construction companies involved in civil engineering and facade construction, for oil and gas exploitation companies, for companies in the wind power segment and for shipyards. Muehlhan is one of the few companies capable of satisfying the high technical demands placed on the construction of offshore transformer stations and foundations for offshore wind farms and provides special access technologies such as hydraulic lifts, hydraulic work platforms and rope-assisted access systems. In addition, Muehlhan has the know-how and the technical skills to install complex, customized scaffolding and tribune structures.

Steel Construction: The company provides steel construction services for both shipyard and industrial/infrastructure customers. Steel construction services encompass welding work on ships, bridges and offshore facilities as well as installation work on wind power stations, smokestacks, ships, and other industrial facilities. As a result of its high skill level, Muehlhan also provides training programs and courses.

Insulation: Thermal insulation and soundproofing, as well as full coatings and insulation remediation, are particularly important for industrial plants and construction projects and over the long term help to lower costs and to comply with environmental standards.

With the establishment of the Danish subsidiary Muehlhan Wind Service A/S, Middelfart, Denmark, Muehlhan also began offering a full range of services for wind turbines this year. The company's portfolio includes assembly work, installation, services, electrical work and surface protection.

III. Objectives and Strategy

In recent years, the structural shift in the maritime markets and the resulting increase in competition prompted management to refocus its strategy on reducing dependence on the traditional ship newbuilding segment. The Group's earnings performance has shown that this strategy was correct; the implementation process is now largely complete. The strategy includes the following elements:

1. Focusing on expanding the Oil & Gas and Renewables business segments

A key element of the strategy is to expand activities in the oil and gas sector and in the renewables (wind power) industry. The phase of low oil prices over several years had a deep impact on the value chain in the oil and gas industry. Despite the fall in prices in the final quarter of 2018, the sharp increase in the oil price in the reporting year should nevertheless help to clear the backlog of maintenance work and new investment by exploitation companies. Muehlhan still sees opportunities for expanding its own position in this market. The market for renewable energy sources, in particular the offshore wind power segment, will open up new growth areas for Muehlhan in Europe and North America. Muehlhan is working to expand its position as a recognized specialist in surface protection and to leverage its position as a full-service provider – both for wind power station manufacturers and offshore wind farm operators – so that it can benefit from growth in this market.

2. Adjustment and expansion of the range of services offered

Expanding the Oil & Gas, Renewables and Industry/Infrastructure business segments requires adjusting and expanding the range of services offered. Clients in the maritime business generally want surface protection as a stand-alone service. By contrast, oil and gas markets and industrial customers mostly require a complete range of services, comprising scaffolding, insulation, surface protection, fire protection, industrial cleaning and non-destructive material testing. In the Renewables segment, major wind power station manufacturers and wind farm operators are also looking for companies that can offer the broadest possible array of services from a single source. In order to satisfy these requirements, where it is possible and makes sense, Muehlhan is expanding its range of services, adapting them to meet customer needs and improving connections between individual services in order to provide customers with an optimal package of services. One example is the establishment of our subsidiary Muehlhan Wind Service A/S in Denmark in the previous year, which enables us to significantly expand the range of services Muehlhan offers in the wind power station segment and is already an acknowledged service provider for the major wind turbine manufacturers and operators.

3. Profitability and leading market position

The Group's business is primarily concentrates on Europe, the Middle East and North America. Every local commitment is measured against strict criteria such as profitability, sustainability, portfolio range and minimum size. If these are not met over the long term, a location will be sold or shut down. The goal is to increase profitability and, along with it, the Group's long-term shareholder value.

Following the establishment of Muehlhan Wind Service A/S in Denmark and Ruwad Al Athaiba International LLC in Oman, and acquisitions in the scaffolding business in the Netherlands and Denmark, Muehlhan grew organically in the reporting year and concentrated on developing and consolidating the existing companies.

The goal set by management and the Supervisory Board is for the company to achieve a market leadership position in every segment within five to seven years. In what is overwhelmingly a fragmented competitive environment, Muehlhan uses long-term investments in employee training and continuing education, reserve capacity that is available on short notice, technical innovations, higher quality and higher productivity as well as in the financial options available to a Group with international operations, to offset the structural cost advantages enjoyed by some smaller competitors.

4. Quality, safety and environmental protection

Along with traditional customer requirements such as price, efficiency and productivity, short project turnaround times and reliable implementation other increasingly important competitive criteria include extensive and proper documentation of the steps involved in implementing and completing a major project and compliance with all legal provisions regarding environmental protection and occupational safety. Muehlhan does everything in its power to ensure that it is always in compliance with all provisions regarding environmental protection and occupational safety and to reduce accidents to a minimum. These goals are accomplished through effective, regular training and a proactive approach in every segment.

All of this has been combined into the Muehlhan Group's integrated management system, which is certified on a regular basis by Bureau Veritas for compliance with ISO 9001:2015 (Quality Management Systems), DIN EN ISO 14001:2015 (Environmental Management Systems) and OHSAS 18001:2007 (Occupational Health and Safety Management Systems).

This enables Muehlhan to satisfy constantly increasing worldwide customer demands and government regulatory requirements in the areas of quality, on-time delivery, occupational safety, accident prevention and sustainable environmental protection – and therefore competitiveness – at all times. In addition, Muehlhan practices fair forms of communication in line with legal standards with its employees and subcontractors.

5. Financial stability and strong organizational skills

The key characteristics that distinguish the Group from its competitors are its financial stability, financial flexibility for growth initiatives and strong organizational skills. The Group works hard to maintain a stable financial position at all times and to expand it over the long term. From our customers' standpoint, Muehlhan is therefore a reliable, financially stable partner that can be entrusted with one or more major projects. This allows us to constantly improve our strong organizational skills and to take better advantage of synergy and best-practice effects.

IV. Control of the Group

1. Financial and non-financial performance indicators

Muehlhan Group is managed by a three-member Executive Board. The Supervisory Board consists of three members. It advises and supports the Executive Board in the latter's management of the company and regularly discusses major topics such as planning, strategy, business performance and opportunities and risks.

The Muehlhan Group is managed from the Group's Hamburg headquarters on the basis of traditional key financial, asset and earnings figures that are provided on a monthly basis. The main financial performance indicators are sales revenue and EBIT (profit from operations). The Group's operations management is handled primarily by region. Strategic management is carried out in business segments.

Within the Muehlhan Group, particular attention is paid to compliance with accident-prevention regulations, and therefore to avoiding accidents. One of the non-financial performance indicators used by Muehlhan is the accident rate, an internal accident statistic which is defined as the number of accidents per 1 million working hours. Every month, all the operating companies report occupational accidents and the number of hours worked by employees and subcontractors to the Corporate Manager for SHEQ (Safety, Health, Environment and Quality) in Hamburg.

2. Regions

Muehlhan Group currently operates on three continents. The Group has 17 subsidiaries in **Europe**. In the **Middle East,** Muehlhan Group has four operating companies in the United Arab Emirates, Qatar and Oman. Business expansion in the region continues, including the establishment of a company in Saudi Arabia. In **North America**, Muehlhan operates mainly in the states on the West Coast. The region **Rest of the World** refers mainly to the two subsidiaries of MSI that are working on offshore oil rigs off the coasts of Brazil and Africa.

Towers for offshore wind turbines in Sassnitz/Germany

3. Business segments

The **Ship** segment encompasses both the Ship Newbuilding segment and the Ship Repair segment in Europe. The process of consolidation and contraction in this market has largely run its course. The remaining shipyards in Europe concentrate on building specialty ships, particularly megayachts, cruise ships and naval vessels, and on offshore wind turbines, transformer platforms and other components for offshore wind power stations. Muehlhan provides shipping companies and shipyards with high-grade surface coatings for newbuilds and a wide array of surface coating maintenance and renovation services, ranging from last-minute repair work on exterior walls through the complex restoration of water, ballast, fuel and cargo tanks.

The **Oil & Gas** business segment combines business with both offshore and onshore customers in the oil and gas industry. Muehlhan works as a partner to major companies in the offshore oil and gas and petrochemical industries. The Group is continuously expanding the high level of expertise in surface protection, fire protection, insulation and scaffolding it has acquired from its work in these areas.

Muehlhan provides surface protection services to the growing market for **Renewables** – i.e., renewable energy from offshore and onshore wind farms – especially for wind power stations and transformer platforms. In recent years, the Group has become a specialist provider of surface protection for wind towers and thus a coveted partner for leading wind power station manufacturers. Since 2017 Muehlhan has been a full-service provider in this area, offering additional services such as installation and service work via Muehlhan Wind Service A/S in Denmark.

In the **Industry/Infrastructure** business segment, Muehlhan provides long-lasting coating solutions, steel work and scaffolding for industrial customers, for new bridge construction and renovation work, locks, water utility and transportation infrastructure projects and specialty machinery. In addition to working at customers' premises, Muehlhan also operates its own fixed blasting and coating facilities. One increasingly important service is passive fire protection, which is used in large steel structures such as airports, bridges, skyscrapers and industrial buildings.

V. Research and Development

Traditionally, the Muehlhan Group has been a pioneer in developing and applying innovative technologies and is one of the few companies operating in the surface protection segment that is actively engaged in research and development in this field. Its R&D work not only includes in-house projects on improving productivity and profitability, but also collaboration within international standard-setting organizations and cooperative arrangements with various research institutions.

Muehlhan views itself as a market leader in the area of surface protection technology. In addition to holding numerous patents, the Group is actively working on products and equipment aimed at further developing sustainable, environmentally friendly surface protection techniques. The Group has two employees working in this area on a full-time basis and brings in other employees when needed. In addition, the Group works closely with renowned research institutes and other specialized third-party companies. R&D expenses totaled €0.3 million and consisted mainly of expenses for employees.

VI. Economic Report

1. Macroeconomic conditions[1]

The global economy expanded by some 3.7% in the reporting year, roughly the same as in the previous year. However, initial signs of a slowdown became apparent in the final quarter of 2018 and are expected to continue in 2019. China was again the main driver of the global economy, with GDP growth of approximately 6.6%. The euro area reported growth of 2.0% and the United States of 2.9%. Whereas Asia and Europe were slightly down on their previous year's growth rates, U.S. GDP climbed significantly from 2.2% in 2017 to its latest figure of 2.9%.

Political uncertainty in all global regions is expected to weigh on trade, production and capital expenditure and so slow global economic growth significantly. At the same time the probability of unforeseen negative surprises is greater than the probability of positive surprises.

The effects of the financial crisis and great uncertainty about future developments have caused interest rates to remain at an historically low level. Monetary policy is gradually expected to return to normal in the United States and the United Kingdom, however, with rising interest rates as a result.

In 2018 the oil price rose from US$ 67/barrel to around US$ 85/barrel at the end of the third quarter, before falling back to about US$ 50/barrel in the final quarter of 2018. Future price movements will be driven by increasing production capacities on the one hand and numerous political hotspots on the other.

[1] International Monetary Fund: Global Economic Outlook, October 2018

It should be noted that given the existing and increasing risks and changes, all forecasts of future trends are subject to high levels of uncertainty.

2. Industry-specific conditions

In the **Ship** segment, the situation on the world market remains difficult and could remain so for the foreseeable future. There is still significant overcapacity, especially in container shipping, which is proving to be a big challenge for the major shipbuilding countries in Asia. The remaining German shipyards have adapted to the structural change by successfully establishing themselves as manufacturers of specialty ships. This allows them to offset their Asian competitors' lower labor costs with higher added value. They mainly serve niche markets such as naval shipbuilding, cruise ships, roll-on/roll-off ships and megayachts, as well as customers in the wind power segment.

The performance of the oil price in 2018 was initially positive for all companies dependent on the **oil and gas** sector, until the oil price again fell sharply to US$ 50/barrel in the final quarter of 2018. Challenges therefore remain significant for companies active in the oil and gas sector. Cost-cutting measures, including job cuts and the postponement of capital expenditure and maintenance work, increased pressure on margins throughout the value chain. These activities are now largely complete, however, so that maintenance work and investment by the oil exploitation companies is slowly picking up again, also because of the investment backlog and despite the recent slump in the oil price.

As a supplier to this market, Muehlhan has also adapted its organization to the realities of lower demand and higher cost pressures and believes that it is now well equipped to benefit from a resurgence in investment activity.

In the **Renewables** segment, wind turbines with a total capacity of almost 60 GW were installed in Germany in 2018. Offshore wind farms contributed more than 6 GW, compared with 5 GW the previous year. Another 1 GW of offshore power is currently under construction. The sector is performing similarly well in other European countries.[2] The positive trend in the offshore sector is expected to continue in 2019. Onshore capacity is only predicted to increase slightly in the short term. This offers Muehlhan an opportunity to make use of its great experience in surface protection, scaffolding and steel construction. In addition, the establishment of Muehlhan Wind Service A/S wiloffer growth potential in the installation and service business.

The **Industry/Infrastructure** segment provides services to a variety of markets and customers. In the construction sector, Muehlhan has provided scaffolding and passive fire protection services, primarily in the Middle East and Europe. The Group's local subsidiary in the United States is benefiting from a multi-billion-dollar program to repair the steel bridges common there, which require new corrosion protection coatings.

[2] Bundesverband WindEnergie (Federal German trade association for wind power): published on January 21 and January 29, 2019

3. Business performance

Below, we will discuss the business performance, including special developments and events, through reference to income, net assets and financial position.

3.1. Results of operations

3.1.1. Group's earnings performance

For the Muehlhan Group, 2018 performance was positive and in line with expectations. Sales revenue for the reporting year totaled €267.8 million, which was 8.1% up on the previous year.

The cost of materials and purchased services went up in line with sales revenue by 8.1%, from €79.6 millionto €86.0 million. Expenses for employees climbed slightly faster by 9.2% to €127.1 million due to acquisitions and the establishment of new companies in 2017 in countries where wages are disproportionately higher than the Group average. Muehlhan also feels the impact of the shortage of qualified staff and has to invest accordingly in employees to ensure consistent high quality. Since other operating expenses were reduced significantly by €5.5 million to €40.5 million, EBITDA (earnings before interest, taxes, depreciation and amortization) went up disproportionately by 14.2% from €16.0 million to €18.3 million.

Depreciation and amortization increased from €7.5 million to €8.2 million due to increased investments in recent years, particularly for scaffolding.

EBIT rose by 18.0% from €8.5 million to €10.1 million, and the EBIT margin was up accordingly from 3.4% to 3.8%. In addition to an improved market environment, the increase in EBIT reflected the benefits to Muehlhan from the operating improvements introduced in recent years, the focus on growth markets, and from using more selective criteria to screen projects in order to reduce the risk of project losses. The €10.1 million of EBIT was slightly above the Executive Board's earnings outlook of €8.5 million to €9.5 million (previous year: €6.5 million to €8.5 million).

The financial result improved significantly as expected by €0.5 million to €-1.6 million, mainly because of the first-time discounting of project-related security deposits and accruals and deferrals in the previous year. Without this effect in the previous year, the financial result would have been virtually unchanged.

Consolidated profit increased by 18.7% from €4.7 million to €5.5 million, of which €0.5 million is attributable to non-controlling interests (previous year: €0.6 million), so that income attributable to the investors of Muehlhan AG came to €5.0 million (previous year: €4.1 million), which represents an increase of 22.8%.

3.1.2. Results of operations by region

A regional review shows that sales revenue in **Europe** increased by 10% from €192.5 million to €212.1 million in the reporting year. Key factors for the increase were the entry into the scaffolding market in Denmark and the success of the wind service activities, also in Denmark. The successful completion of major projects, operating improvements and the reduction in project losses led to an increase in profitability, with EBIT increasing from €7.5 million in the previous year to €10.3 million in the reporting year, whereby the previous year's figure was depressed by damage in the Netherlands.

In the **Middle East** – which for Muehlhan's purposes includes the United Arab Emirates, Qatar and, since 2017, Oman – sales revenue increased by €2.0 million to €22.8 million for project-related reasons. EBIT for this region was up from €1.3 million to €1.9 million.

In **North America,** business improved year on year, with sales revenue up by €1.0 million to €22.1 million in the reporting year. A key revenue driver was the refurbishment of the Rio Vista bridge in the San Francisco area. Sales revenue in the refinery business was within the expected range. EBIT fell by €0.3 million to €1.8 million for project-related reasons.

In the **Rest of the World,** oil and gas projects off the coast of Brazil and Africa generated €10.8 million in sales revenue (previous year: €13.2 million) and €1.2 million of EBIT (previous year: €1.4 million).

3.1.3. Results of operations by business segment

Sales revenue in the **Ship** business segment fell slightly by €1.8 million to €54.3 million for project-related reasons and partly due to an industry-wide shortage of qualified steel construction specialists. This lack of staff resulted in unplanned expenses, causing EBIT to fall by €1.7 million to €4.1 million.

The **Oil & Gas** business segment managed to increase sales revenue significantly from €73.3 million to €83.5 million in a slightly better market environment. EBIT was reduced in the previous year by damage in the Netherlands and adverse exchange rate movements. In the reporting year, EBIT more than doubled from €2.0 million to €5.2 million.

In the **Renewables** business segment, sales revenue went up by €1.0 million to €33.6 million. EBIT increased by €0.7 million to €3.7 million. The significant improvement in earnings was attributable both to operating improvements and to unrecoverable receivables the previous year.

The **Industry/Infrastructure** business profited from rising investment in maintenance and infrastructure projects, with sales revenue up by €10.8 million to €96.3 million. EBIT rose by €0.2 million to €2.5 million despite the expenses of entering the scaffolding market in Denmark.

3.1.4. Orders on hand

Orders on hand as of the reporting date fell slightly year on year from €215 million to €207 million. One important component was the framework agreement signed the previous year with the oil and gas production company Total S.A. (formerly Maersk Oil) for a fabric maintenance program, which still has four years to run and represents orders of €73.0 million as of the reporting date.

3.1.5. Employees

The average number of employees was 3,037, a slight increase on the previous year (2,929 employees).

3.1.6. Accident rate

As non-financial performance indicator Muehlhan uses the accident rate, an internal accident statistic which is defined as the number of accidents per 1 million working hours. The working environment and the demands on Muehlhan's employees are not without risks; consequently, while Muehlhan can apply a broad set of measures to reduce occupational accidents, it cannot eliminate them entirely. During the reporting year, 63 accidents were reported, yielding an accident rate of 7.1 (previous year: 5.5). Compared to other companies with similar working conditions and risks, these figures are low.

3.2. Net assets and financial position

3.2.1. Capital structure

The table below provides an overview of changes in the capital structure:

	2018		2017	
	In € million	In % of total equity and liabilities	In € million	In % of total equity and liabilities
Equity	68.3	45.2%	65.3	44.9%
Financial liabilities	33.3	22.0%	31.8	21.8%
Trade payables and other liabilities	42.6	28.2%	41.5	28.6%
Total equity and liabilities	151.1	–	145.5	–

The Muehlhan Group's financing is supported by its strong equity base. Despite the dividend payment in 2018 and a decline of €0.7 million due to the first-time application of new IFRS accounting standards, consolidated profit for the year increased equity by €3.0 million.

Financial liabilities consisted mainly of borrowings totaling €30.1 million under the syndicated loan agreement, €15.5 million of which is current and €14.6 million of which is non-current. The non-current portion of the syndicated loan agreement and other bank loans is €15.0 million.

After deducting cash and cash equivalents, net debt totaled €23.4 million (previous year: €23.0 million).

The company was in compliance with the financing terms at all times during the past year.

3.2.2. Capital expenditures

During the reporting year, Muehlhan invested €9.3 million in intangible assets and property, plant and equipment (previous year: €13.7 million). Capital expenditure was mainly for the purchase of scaffolding materials in Germany, the Netherlands and Denmark. In the United States, the company invested in replacements and more environmentally friendly equipment.

3.2.3. Liquidity

The Muehlhan Group's financial management is handled centrally by the holding company. Financial management includes managing liquidity, arranging financing and managing financial risks. Since the local operating units often are required to undergo a prequalification process for major projects, sufficient liquidity and bonding capacity must be maintained on the reporting date, including at individual company level, especially in the United States.

Business expansion meant that the Group's €11.4 million of cash flow from operating activities was considerably lower than previous year's figure of €15.4 million.

During the financial year, Muehlhan invested a total of €9.3 million in property, plant and equipment (previous year: €13.2 million). Cash outflows for financing activities amounted to €1.9 million (previous year: cash outflow of €1.5 million). On the reporting date, cash and cash equivalents stood at €9.9 million, which was €1.1 million higher than in the previous year (€8.8 million). Unutilized credit lines and guarantee facilities totaled €115.5 million on the reporting date (previous year: €71.8 million). In 2018 the Muehlhan Group was therefore in a position to satisfy its payment obligations at all times.

3.2.4. Net assets

As of the reporting date, non-current assets (excluding deferred tax assets) totaled €62.9 million, compared with €61.7 million the previous year. The increase stems from investment in property, plant and equipment. Property, plant and equipment amounted to €37.7 million (previous year: €37.0 million), which represents a ratio of fixed assets to total assets of 24.9% (previous year: 25.4%), including scaffolding with a carrying amount of €20.7 million (previous year: €19.1 million). Non-current assets (excluding deferred tax assets) accounted for 41.6% of total assets (previous year: 42.4%). On the reporting date, trade receivables stood at €59.8 million (39.6% of total assets) and were therefore €2.5 million higher than in the previous year (€57.3 million; 39.4% of total assets).

3.2.5. Overall statement on the Group's situation

To summarize, business was positive during the reporting year. The strategic and operating measures implemented in recent years have resulted in an improvement in consolidated net income and a balanced asset and capital structure. Cash flow from operating activities was satisfactory given the revenue growth.

VII. Forecast and Report on Opportunities and Risks

1. Forecast report

1.1. Forecast by region

In **Europe** we expect a slight increase in sales revenue. More selective project screening and optimized project controlling will enable EBIT to go up faster than revenue. The performance of our subsidiary in Poland will also be monitored critically. The company is suffering from a rapid expansion of the low-wage sector in Poland. This sector depends on immigrants from Ukraine, who work for wages considerably lower than those paid by Muehlhan. It may be necessary to recognize an impairment on the local goodwill.

Sales revenue is expected to increase in the **Middle East**. Although it is virtually impossible to increase sales revenue and EBIT in Qatar due to the current blockade, significant revenue growth is expected in the other countries. Start-up costs mean that EBIT will only improve slightly.

In **North America** we expect a slight increase in sales revenue to be accompanied by lower EBIT. The expected fall in EBIT is project-related. Since Muehlhan regularly participates in tenders for bridge construction and renovation projects, winning a contract may lead to substantial changes in the original budget and may affect EBIT accordingly.

In the **Rest of the World** sales revenue and EBIT are expected to go up slightly.

1.2. Forecast by business segment

In the **Ship** business segment, operating measures and more selective project screening criteria have been implemented. The market has consolidated, so sales revenue on par with 2018 and slightly higher EBIT are expected.

Great market uncertainty in the **Oil & Gas** segment is expected to reduce revenue and EBIT slightly. Because this segment is highly dependent on the price of oil, a significant change in the oil price can result in significant deviations from the plan.

Sales revenue in the **Renewables** segment should increase significantly, especially due to the expansion of service activities. EBIT will fall slightly, however, owing to the start-up costs of a new production plant at the German North Sea coast. In this fast-growing market, major orders and new projects may have a negative impact on earnings in the short term due to capital expenditures but should result in significant improvements in earnings over the medium term.

In the **Industry/Infrastructure** business segment, sales revenue are expected to be higher than in 2018. EBIT is projected to be significantly higher than in 2018.

1.3. Acquisitions and capital expenditure

As in the past, acquisitions and cooperative arrangements will continue to be an option for advancing and implementing our strategic objectives. However, we will apply strict standards in measuring the appropriateness of the purchase price and the strategic and cultural fit.

The main investment planned is a new production line on the North Sea coast in Germany for the Renewables segment.

1.4. Group forecast

In summary, the Executive Board and the Supervisory Board expect profitability to improve further in 2019. Before any impairment loss recognized on the carrying amount of the Polish subsidiary. Management expects Group sales revenue to increase slightly to around €280 million, with Group EBIT increasing slightly to between €10.0 million and €11.0 million.

The accident rate, a non-financial performance indicator, should be better than in the reporting year.

As a project business service provider, Muehlhan cannot completely eliminate exposure to risks that reduce earnings. These may be operating or strategic risks. Operating risks are an unavoidable part of our business. We counter such risks through an appropriate risk management system. Strategic risks result from changes in external factors to which we did not respond properly in a timely manner in the past or to which it was impossible to respond. We counter such risks by taking decisive corrective actions; however, such actions may entail non-recurring expenses. Possible project losses are operating risks, whereas strategic risks could be the development of the shipyard market in Asia, for instance, specifically as with Muehlhan's withdrawal from Singapore in 2015. Based on currently available information, we do not expect any further significant strategic corrective actions to be necessary in the future. However, one should keep in mind that the company may need to make further adjustments if the economic environment in specific markets should deteriorate.

This outlook contains forward-looking statements that do not describe past events but rather reflect our assumptions and expectations. These statements are based on plans, estimates and forecasts currently available to the Executive Board of Muehlhan AG. As a result, the statements are subject to risks and uncertainties. Actual results and performance may deviate significantly from the assumptions made by us today. We assume no obligation to update such statements to take into account more recent information or future events.

2. Risk management system

2.1. No risks that could threaten the Group as a going concern

From the company's perspective, there are no risks that could threaten its existence as a going concern. Listed below are risks that could have a material influence on the Group's net assets, financial position and results of operations. Both our organization and our control systems are designed to optimize the way we deal with existing risks and to address newly emerging risks in a timely manner.

2.2. Maintaining a functioning risk management system

In accordance with Section 91, paragraph 2 of the German Stock Corporation Act (Aktiengesetz/AktG), the Executive Board must take appropriate steps to set up and/or manage a monitoring system that will identify in a timely manner any risks that might threaten the company as a going concern. The company must have an adequate reporting system for this purpose that reports directly to the Executive Board and is continuously expanded and updated.

The Executive Board regularly notifies the Supervisory Board about the company's ongoing business activities and significant risks.

Muehlhan's risk management process consists of a standardized risk identification and reporting system at individual company level. The reported risks are aggregated and consolidated at Group level and presented to the Executive Board. Any material changes from previously reported and/or identified risks are also reported separately, i.e., outside of the regular reporting schedule. The Executive Board evaluates and controls risks on this basis. The risk management process includes deciding, on a case-by-case basis, whether the risk must be avoided, reduced, transferred to others or accepted.

3. Discussion of major individual risks and associated opportunities

3.1. Market and competitor risks and opportunities

Our company is subject to general market risks that may arise from changes in our markets, the introduction of new technologies and coating processes, changing customer needs or increasing competition from market players from related industries or service sectors. In recent years, in particular, our business has also been affected by general economic trends. The Executive Board systematically monitors the relevant markets around the world with risks in mind. The local managing directors and regional managers support the Executive Board in these efforts.

As a service provider, Muehlhan has a relatively high commitment to its existing sites and their economic environment. Negative changes in the economic environment can influence the profitability of a location or company with possible effects on existing goodwill.

Generally speaking, however, it is possible to follow markets to any geographic region at short notice, to set up sites there within a short period of time and to provide flexible support to customers using our own resources, even at the new sites. In turn, this is an opportunity for Muehlhan to generate additional business.

3.2. Risks and opportunities of strategic importance to the company

In the past, the permanent shift to Asia of large-scale shipbuilding and the bulk of the ship repair market represented a strategic risk for the Muehlhan Group. The Group is responding to this and other processes of structural change by closing or decommissioning sites and by expanding regional focal points, developing niche markets and diversifying the range of services it offers. Muehlhan combines its own very strong organizational skills and extensive technical expertise into a professional industrial approach that increases the Group's opportunities for developing new markets in specific countries and products.

3.3. Risks and opportunities associated with economic performance

By increasing reliability, further improvements in coating materials will lead to longer surface maintenance intervals, giving rise to the basic risk of a declining demand for surface protection work. On the other hand, due to ship size, the number of ships and the safety equipment installed (e.g., double-hulled ships), there is an opportunity in the fact that the volume of steel surfaces in the maritime business segments will increase. The same applies to the industrial segments. In particular the additional public funding forecast for the maintenance and repair of transport infrastructure projects in Europe and the United States, especially for steel bridge construction, should stimulate this market.

Where technically feasible, Muehlhan uses steel grid for surface-preparation blasting. Muehlhan would be directly affected by an increase in the price of this process material, but even here only to a very limited extent, since this material can be recycled. There would continue to be a price advantage over a non-reusable material such as copper slag. A risk exists if defective materials are used, as occurred at the Group company in the Netherlands the previous year. Along with numerous other companies in the industry, it was supplied with blasting grit that was contaminated with asbestos. As a result, the holding company, with outside assistance, evaluated and implemented preventive measures in order to avoid any repetition in the future to the extent possible.

Muehlhan has an advanced inventory of equipment that was developed in the past with the help of only a few manufacturers. In principle, there is a risk that one of these manufacturers might cease production. In this case, Muehlhan can find new solutions on short notice. As we worked closely with our suppliers on the development of the equipment in the past and performed a significant share of our own development work, we also have a high degree of in-house expertise. This means that we can produce equipment that is compatible with our existing inventory of equipment within a short period of time, even with new suppliers.

Surface protection is quite labor-intensive. However, energy is also required for air conditioning in large steel structures while work is being performed, for running air compressors that transport abrasives and for powering pumps to generate high-pressure water. Accordingly, Muehlhan is directly affected by higher energy costs. The only way we can counter such developments is by increasing prices for our own services. However, Muehlhan uses environmentally friendly and energy-saving technologies, so that a price increase for energy tends to improve our competitiveness.

3.4. Personnel risks and opportunities

Competition for qualified executives and quality-conscious technical employees continues to be high in the industries in which Muehlhan is active. Experience from previous financial years has demonstrated that the submarkets in which Muehlhan operates are "people businesses" in which individual employees can affect the success of the Group. Our future success therefore depends in part on the extent to which we are successful over the long term at competing with other industries to recruit the required technical professionals from outside the company, integrating them into existing work processes and retaining them over the long term. One approach of our strategy to ensure that we recruit qualified young talent is our participation in academic training programs at universities in Hamburg, Germany, and in Gdansk, Poland.

At the same time, we intend to take advantage of our employees' already high level of identification with our company and its services and to systematically prepare suitable employees from our own ranks for strategically important assignments within the company.

3.5. Financial risks

The companies of the Muehlhan Group also work at fixed prices and sometimes carry out a large portion of their services in advance of payment. Our customers expect this type of (pre-)financing, which has developed into a major component of the services we offer. When the financial crisis started, customers began increasingly to exceed our already generous payment terms, especially in the Middle East; such customer credits have remained at an unacceptably high level ever since. Muehlhan operates in the project business. With major projects, there is always a risk that the contractor will suffer a loss and become insolvent. In Muehlhan's case, this especially affected shipyards in the past. As a result, Muehlhan carefully reviews customers' liquidity situation before accepting orders, manages receivables in a regular, systematic way and insures credit risks on a case-by-case basis, to the extent they are insurable. We plan to continue this practice in the future. Generally speaking, however, defaults – including large losses – cannot be ruled out.

Short-term overdrafts pay interest at floating rates and are subject to the normal risk of interest-rate fluctuations.

The master syndicated loan agreement renewed in July 2017 entails the risk that future variable-rate interest payments will change, with corresponding negative effects on the company's cash flow. Muehlhan countered the risk by entering into an interest rate cap with the same maturity that limits negative effects on cash flow to a certain amount. As of the reporting date, the interest rate cap had a total volume of €14.0 million and therefore covered almost all the non-current portion of the syndicated loan facility and the associated risks. Failure to comply with the ratios ("covenants") contained in the master syndicated loan agreement would also entail risks. There are no indications that the covenants cannot be complied with in full at all times.

Loans to and from subsidiaries outside of the euro area are subject to a basic exchange rate risk which, where possible, is countered by measures aimed at equity financing.

Tax risks have been adequately covered in the consolidated financial statements. Nevertheless, additional tax claims could emerge if the tax authorities' opinion of the law differs from that of the taxed company in particular cases. This applies in particular to the situation of a Greek subsidiary.

Appropriate liquidity planning systems are used to deal with risks from cash flow fluctuations at an early stage.

3.6. Company-specific risks and opportunities

Muehlhan Group companies primarily offer surface protection application services on a project basis. These are often provided in conjunction with other technical work and frequently under considerable time pressure. In some cases, the full scope of the services to be provided only emerges after the work has begun. Muehlhan protects itself from these contingencies by assessing the likelihood of additional costs, such as those resulting from a change in the services required or a change in scope, even in the early stages of the contract negotiations. This assessment is taken into consideration in determining the price for the quotation and subsequently in preparing the final contract documents.

At the same time, the local project managers can count on capable support from the holding company. In many projects, the deployment of Group specialists to address technical, business or legal issues has proven its worth, enabling the company to respond more quickly and in a more personalized manner to the respective customer's needs than would have been the case with external support.

Muehlhan operates in the project business. This means there is always a risk that a project will generate a loss. Precise selection criteria and strict application of risk management measures are supposed to avoid project losses. Improved, system-based project controlling will moreover enable us to detect deviations from the plan and thus enable us take countermeasures at an earlier stage.

3.7. Legal and litigation risks

As a company working on international projects and/or as a group of companies with international operations, Muehlhan is aware that claims by or even against Muehlhan may require a court settlement. Muehlhan has taken legal action against other market players, including customers, in the past and is currently involved in litigation against customers and suppliers.

The company has no knowledge of any legal risks that could threaten the continued existence of the Muehlhan Group.

VIII. Legal Disclosures

1. Existing branch offices

The Muehlhan Group has branch offices in Germany, in addition to the subsidiaries held via the Polish subsidiary Muehlhan Polska Sp. z o.o. Szczecin, and the Danish subsidiary Muehlhan Wind Service A/S, Middelfart. In addition, the Polish company maintains branches in France and Denmark. The Cypriot subsidiary, Muehlhan Cyprus Limited, Limassol, has an independent branch office in Greece. The Danish subsidiary Muehlhan A/S, Middelfart, has a branch office in Slovakia.

2. Relationships with affiliated companies

Pursuant to Article 312 of the German Stock Corporation Act (Aktiengesetz), the Executive Board has prepared a report on relationships with affiliated companies that includes the following final declaration:

“We declare that Muehlhan AG and its subsidiaries received appropriate consideration for all the legal transactions listed, in accordance with the circumstances known to them on the date when the legal transactions were entered into.”

3. Basic features of the compensation system for the Executive Board and the Supervisory Board

The Executive Board’s compensation consists of a fixed component and a variable component. The variable component is based on a balanced scorecard system that includes a short-term component and a long-term component. The short-term component is based on the extent to which the Group’s EBIT target has been met. The long-term component is based on the long-term increase in value for shareholders.

The Supervisory Board’s compensation consists of a fixed compensation component and a variable component that depends on the level of consolidated earnings achieved.

4. Information on treasury shares

With regard to information according to Section 160 sentence 1 (2) AktG, we refer to the explanations in the notes to Muehlhan AG’s separate financial statements published December 31, 2018.

Hamburg, March 19, 2019,

Executive Board

Stefan Müller-Arends *Dr. Andreas C. Krüger* *James West*

04 Consolidated Financial Statements

Museum of the Future, Dubai/United Arab Emirates

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	Notes	12/31/2018	12/31/2017
NON-CURRENT ASSETS			
Intangible assets	1	19,548	20,245
Property, plant and equipment	1, 2	37,696	36,974
Financial assets	23	33	30
Other non-current assets	3	5,579	4,454
Deferred tax assets	4	3,269	3,944
Total non-current assets		**66,125**	**65,647**
CURRENT ASSETS			
Inventories	5	4,840	4,080
Trade receivables	6	59,787	57,303
Cash and cash equivalents	7	9,900	8,766
Income tax receivables	8	936	1,409
Other assets	9	9,526	8,253
Total current assets		**84,989**	**79,811**
TOTAL ASSETS		**151,114**	**145,458**

Rounding differences may occur.

EQUITY AND LIABILITIES in kEUR	Notes	12/31/2018	12/31/2017
EQUITY	10		
Subscribed capital		19,500	19,500
Capital reserve		13,826	13,694
Treasury shares		-537	-355
Other reserves		4,902	6,416
Retained earnings		27,788	23,630
Non-controlling interests		2,779	2,385
Total equity		**68,258**	**65,270**
NON-CURRENT LIABILITIES			
Pension provisions	11	816	755
Financial liabilities	12, 13	15,114	14,068
Other non-current liabilities		0	25
Deferred tax liabilities	4	752	934
Total non-current liabilities		**16,682**	**15,782**
CURRENT LIABILITIES			
Provisions	14	4,679	4,122
Financial liabilities	12, 13	18,141	17,685
Trade payables and contract liabilities	15	25,131	22,442
Income tax liabilities	8	764	1,059
Other liabilities	16	17,459	19,098
Total current liabilities		**66,174**	**64,406**
TOTAL EQUITY AND LIABILITIES		**151,114**	**145,458**

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEAR 2018

in kEUR		Notes	2018	2017
Sales revenue		17	267,799	247,718
Other operating income		20	4,115	10,271
Cost of materials and purchased services		18	-85,981	-79,560
Expenses for employees		19	-127,093	-116,387
Depreciation and amortization		1	-8,244	-7,500
Other operating expenses		20	-40,534	-46,013
Profit from operations (EBIT)			**10,062**	**8,529**
Financial result		21	-1,613	-2,156
Earnings before taxes			8,449	6,373
Tax result		22	-2,928	-1,645
Income from continuing operations			5,521	4,728
Income from discontinued operations			0	-75
Consolidated profit			**5,521**	**4,653**
of which attributable to				
non-controlling interests		10	518	579
investors of Muehlhan AG			**5,003**	**4,074**
EARNINGS PER SHARE IN EUR		24		
Shares	number		19,289,339	19,211,021
in continuing operations				
basic			0.27	0.22
diluted			0.27	0.22
in discontinued operations				
basic			0.00	0.00
diluted			0.00	0.00

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR	Notes	2018	2017
Consolidated profit	25	**5,521**	**4,653**
Recyclable items			
Currency translation differences (legally independent entities abroad)		52	-2,525
Currency translation differences reclassified to the consolidated income statement		7	271
Future cash flow hedge (effective cash flow hedge)		65	-74
Non-recyclable items			
Remeasurement of defined benefit plans		-70	26
Other comprehensive income		**54**	**-2,302**
Income taxes on other comprehensive income		-20	24
Other comprehensive income after taxes		**34**	**-2,277**
Total comprehensive income		**5,556**	**2,376**
of which attributable to non-controlling interests		469	508
Investors of Muehlhan AG		**5,087**	**1,868**
Total comprehensive income from continuing operations		5,556	2,376

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	Notes	2018	2017
Consolidated income to investors of Muehlhan AG		5,003	4,074
Depreciation of fixed assets	1	8,244	7,500
Loss/gain from the disposal of fixed assets	1, 2	196	-239
Non-cash expenses/income from the allocation of gains/losses to non-controlling interests		518	579
Other non-cash expenses/income		1,405	1,464
Increase/decrease in provisions	11, 14	618	-2,767
Cash flow		**15,983**	**10,611**
Increase/decrease in inventories, trade receivables and other assets	5, 6, 9	-3,877	7,120
Decrease in trade payables and other liabilities	15, 16	1,528	347
Income taxes paid	8, 22	-2,279	-2,671
Cash flow from operating activities		**11,355**	**15,407**
from discontinued operations		0	-138
Proceeds from disposals of fixed assets			
in property, plant and equipment		226	576
Capital expenditures			
for intangible assets	1	-26	-484
in property, plant and equipment	2	-9,238	-13,171
Interest received	21	101	71
Cash used in investment activities		**-8,937**	**-13,008**
from discontinued operations		0	0
Payments to company owners and non-controlling shareholders (dividends)	Changes in group equity	-1,623	-1,152
Payments for acquisition of non-controlling interests		0	-4,447
Cash flow from borrowings under current financial liabilities*	12, 26	398	5,966
Cash flow from borrowings under/cash used to repay non-current financial liabilities*	12, 26	964	-183
Interest paid	21	-1,597	-1,648
Cash used in financing activities		**-1,858**	**-1,464**
from discontinued operations		0	0
Currency, scope of consolidation and valuation-related changes in cash and cash equivalents		574	-645
Total changes in cash and cash equivalents		1,133	290
Cash and cash equivalents at the beginning of the period	7	8,766	8,476
Cash and cash equivalents at the end of the period	7	**9,900**	**8,766**

*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

	Equity applicable to equity holders of the parent company					
	Subscribed capital	Capital reserve	Other reserves			
in kEUR			Profit reserves	Conversion reserve	Cash flow hedge reserve	Adjustment from currency translation
As of 01/01/2017	**19,500**	**13,555**	**4,947**	**589**	**-12**	**1,486**
Issue of shares						
Changes in treasury shares			-113			
Contribution to share-based payment		138				
Dividends paid						
Changes in non-controlling interests			1,811			11
Other changes		1	-96			
Total comprehensive income			25		-49	-2,183
As of 12/31/2017	**19,500**	**13,694**	**6,574**	**589**	**-61**	**-686**
Carryover from changes to accounting standards				-680		
Changes in treasury shares			-165			
Contribution to share-based payment		132				
Withdrawal from profit reserves			-753			
Dividends paid						
Other changes						
Total comprehensive income			-70		44	110
As of 12/31/2018	**19,500**	**13,826**	**5,586**	**-91**	**-17**	**-576**

Rounding differences may occur.

Retained earnings	Treasury shares	Equity	Non-controlling interests	Group equity
20,614	**-708**	**59,971**	**3,698**	**63,669**
			1	1
	353	240		240
		138		138
-1,152		-1,152	-147	-1,299
		1,822	-1,674	148
94		-1		-1
4,074		1,867	508	2,375
23,630	**-355**	**62,885**	**2,386**	**65,271**
	-182	-1,027		-1,027
		132		132
753		0		0
-1,548		-1,548	-75	-1,623
-50		-50		-50
5,003		5,087	468	5,555
27,788	**-537**	**65,479**	**2,779**	**68,258**

Notes

I. Company

Muehlhan AG (hereinafter "MYAG" or "the company") and its subsidiaries operate in the Ship, Oil & Gas, Renewables and Industry/Infrastructure sectors, where they provide surface protection, passive fire protection, scaffolding and specialty access technology, steel construction and insulation services.

The company is headquartered at Schlinckstrasse 3, 21107 Hamburg, Germany, and is recorded in the Commercial Register at the Hamburg Municipal Court under HRB 97812.

Steel construction in Gdansk, Poland

II. Application of IFRS

The consolidated financial statements of MYAG as of December 31, 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), as adopted by the European Union, including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the complementary provisions of German commercial law applicable under Article 315e, paragraph 1 of the German Commercial Code (HGB).

The consolidated financial statements follow all IFRSs adopted as of the reporting date whose application is mandatory in the European Union. Compliance with the standards and interpretations ensures that the financial statements present a true and fair view of the Group's net assets, financial position and results of operations.

By preparing the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), MYAG availed itself of the option stipulated in Article 315e, paragraph 3 of the HGB to prepare the consolidated financial statements in accordance with internationally recognized accounting principles and simultaneously to forgo preparing a set of consolidated financial statements in accordance with the accounting principles set forth in the HGB.

III. General comments

In preparing the consolidated financial statements, assets and liabilities are shown at amortized cost, with the exception of certain financial instruments which are measured at fair value. The consolidated income statement within the statement of comprehensive income is prepared using the total-cost method. Assets and liabilities are broken down by maturity.

The consolidated financial statements were prepared in euro in accordance with the going-concern principle.

As the calculations of the individual items included are presented in full figures, rounding differences may occur where amounts are shown in millions or thousands of euros.

IV. New accounting standards

The consolidated financial statements covering the period ending on December 31, 2018 are in compliance with all the mandatory IFRS and IFRIC interpretations adopted by the EU Commission whose application is mandatory as of the reporting date.

These are listed below:

Standard/Interpretation	Note	Effective date	Effect
Annual Improvements to IFRS 2014–2016 Cycle	Amendments and/or clarifications on IAS 28 Investments in Associates and Joint Ventures and IFRS 1 First-time adoption of IFRS	01/01/2018	no material effect
Amendments to IFRS 2 Share-based Payment	Clarifications on the classification and measurement of certain share-based payment transactions	01/01/2018	no material effect
IFRS 9 Financial Instruments	Final version of the new rules for financial instruments, including significant updates on creating a new classification model and impairment rules	01/01/2018	detailed description below this table
IFRS 15 Revenue from Contracts with Customers	Revision of the approach for recognizing revenue from contracts with customers. The revenue recognized by a company is equal to the amount it can expect in exchange for transferring goods and services to a customer. The standard also stipulates requirements for the disclosure of performance surpluses or obligations at contract level. IFRS 15 also requires additional disclosures, including a breakdown of total sales revenue, performance obligations, reconciliation statements and the main assumptions and estimates.	01/01/2018	detailed description below this table
Amendments to IFRS 15 Revenue from Contracts with Customers	Clarifications on IFRS 15	01/01/2018	no material effect
IFRIC 22	Foreign currency transactions and advance consideration	01/01/2018	no material effect

The following new, amended and/or revised published standards and interpretations adopted by the EU Commission have not yet been applied during the reporting year:

Standard/Interpretation	Note	Effective date	Expected effect
IFRS 16 Leases	New lease accounting standard affecting recognition, presentation and disclosures in the notes. In contrast to IAS 17, IFRS 16 will result in the recognition of all lease assets and liabilities on the balance sheet, with the exception of leases with a lease term of twelve months or less and leases of low-value assets. In the income statement, depreciation and interest will be shown instead of other operating expenses from leases.	01/01/2019	detailed description below this table
Annual Improvements to IFRS 2015–2017 Cycle	Amendments and/or clarifications on IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	01/01/2019	no material effect
Amendments to IFRS 9 Financial Instruments	Amendments and/or clarifications on prepayment features with negative compensation	01/01/2019	no material effect
IFRS Conceptual Framework	Amendments to references to the conceptual framework in IFRS	01/01/2020	no material effect
IFRIC 23	Uncertainty concerning income tax treatment	01/01/2019	no material effect

The following new, amended and/or revised published standards and interpretations, which have not yet been adopted by the EU commission, have not yet been applied during the reporting year:

Standard/Interpretation	Note	Effective date	Expected effect
IFRS 17 Insurance Contracts	Accounting for Insurance Contracts	01/01/2021	no impact

The IASB has adopted additional (amendments to) accounting rules not listed here which have not been applied and which will not affect the presentation of Muehlhan's net assets, results of operations and financial position.

First-time application of the respective standards is planned for the date when they go into effect. The Group has decided not to avail of the right to apply the standards and interpretations earlier.

The following standards were applied for the first time in the reporting year:

IFRS 9 Financial Instruments

IFRS 9 has been applied for the first time in the financial year beginning on January 1, 2018. First-time application was carried out retrospectively. In accordance with transition regulations, Muehlhan elected to still represent information for comparison according to IAS 39.

In detail, first-time application of IFRS 9 leads to the following material changes:

Recognition and classification

IFRS 9 introduces a uniform model for the classification of financial assets which rates financial assets in three categories. At the time of acquisition, financial assets are categorized according to type and purpose. The categories are as follows:

- Financial assets measured at amortized cost ("held to collect"),
- financial assets recognized directly with no effect on the income statement ("held to collect and sell"), and
- financial assets at fair value through profit or loss ("other").

IAS 39 classified financial assets in loans and receivables, financial assets available for sale, and financial assets measured at fair value through profit and loss.

According to IFRS 9, financial assets with cash flows consisting of interest and principal payments only are classified depending on the business model:

- Financial assets held to collect contractual payments are measured at amortized cost.
- Financial assets which are generally held, but may also be sold, e.g, to cover a certain demand in liquidity, are recognized directly with no effect on the income statement.
- Financial assets exclusively containing interest and principal payments but are not held within either of the business models above are measured at fair value through profit or loss.

With only a few exceptions, Muehlhan only keeps financial assets to collect contractual cash flows.

Generally, Muehlhan does not keep financial asset with cash flows not consisting of interest and principal payments only. IFRS 9 optionally allows equity instruments to be recognized at fair value through other comprehensive income. If these equity instruments are sold or amortized, their unrealized gains and losses up to that point in time are reclassified to profit reserves and will not be shown on the income statement. Muehlhan applied this option for a derivative transacted in the previous year.

Trade receivables are non-derivative financial assets with fixed or determinable payments not listed on an active market. Under IAS 39, they used to be classified as loans and receivables and were accordingly recognized at amortized cost. Within the scope of IFRS 9, all of these instruments are classified as "measured at amortized cost" and are subject to the effective interest method.

The original valuation categories and carrying amounts of financial assets and liabilities acc. to IAS 39 and the new categories and carrying amounts acc. to IFRS 9 can be viewed in the following table:

in kEUR	Valuation categories acc. to IAS 39	Valuation categories acc. to IFRS 9	Carrying amounts acc. to IAS 39 12/31/2017	Carrying amounts acc. to IFRS 9 01/01/2018
Non-current financial assets				
Other financial assets/investments	held to sell	measured at amortized cost	30	30
Other non-current assets	Loans and receivables	measured at amortized cost	4,454	4,454
Current financial assets				
Trade receivables	Loans and receivables	measured at amortized cost	57,303	56,623
Cash and cash equivalents	Loans and receivables	measured at amortized cost	8,766	8,766
Other financial assets	Loans and receivables	measured at amortized cost	5,300	5,300
Non-current financial liabilities				
Loans and other non-current financial liabilities	measured at cost	measured at amortized cost	14,093	14,093
Current financial liabilities				
Current financial liabilities	measured at cost	measured at amortized cost	17,685	17,685
Trade payables	measured at cost	measured at amortized cost	22,442	22,442
Other financial liabilities	measured at cost	measured at amortized cost	10,668	10,668

Impairment model based on expected credit losses

a) Impairment model

IFRS 9 introduces an impairment model based on expected credit losses which can be used for all financial assets (debt instruments) either measured at amortized cost or recognized directly with no effect on the income statement, while IAS 39 examined these instruments for objective indications of impairment. Objective indications may be severe financial difficulties of the debtor, material changes in the technological, economical and legal environments, and in the market environment of the debtor. For a listed equity instrument, a sustained or significant drop in fair value is an additional objective indicator of possible impairment. Incurred losses are recognized as impairments on the financial asset. The new recognition under IFRS 9 also includes forecasts about the future. Recognition of expected credit losses applies three levels to allocate loss allowances:

Level 1: expected credit losses on financial assets not yet due

Level 1 generally includes new contracts and those for which payments are not yet due. The expected credit losses over the life of the instrument due to a default within the next twelve months are recognized.

Level 2: expected credit losses on due financial assets

A financial asset is classified in Level 2 if it is due or has seen a significant increase in credit risk since initial recognition, but is not credit-impaired. Expected credit losses over the full lifetime of the financial asset due to potential defaults are recognized as a loss allowance.

Level 3: expected credit losses over the full lifetime – credit-impaired

A financial asset is allocated to Level 3 if it is credit-impaired or in default. Expected credit losses over the full lifetime of the financial asset are recognized as a loss allowance. Objective indications that a financial asset is credit-impaired include a table of outstanding receivables by region and other information about key financial difficulties affecting the debtor.

Determining whether the credit risk for a financial asset has increased significantly is largely based on information about overdue payments. Estimates are also made of default probabilities, which use both external rating information and internal information about the credit quality of the financial asset.

A financial asset is transferred to Level 2 when it becomes due or its credit risk has increased significantly since its initial recognition date. The credit risk is estimated on the basis of the default probability. The simplified approach is used for trade receivables, whereby expected credit losses over the full lifetime are recognized on initial recognition.

In Levels 1 and 2 the effective interest income is determined on the basis of the gross carrying amount. As soon as the credit quality of a financial asset is impaired and it is allocated to Level 3, the effective interest income is calculated on the basis of the net carrying amount (gross carrying amount less loss allowance).

b) Measurement of expected credit losses

Expected credit losses are calculated using the following factors:

- Neutral, probability-weighted amount,
- time value of money, and
- reasonable, reliable information (to the extent available without undue cost or effort) as of the reporting date about past events, current circumstances and forecasts of future economic conditions.

Estimates of these risk parameters include all available relevant information. In addition to historical and current information about losses this also includes reasonable and reliable forward-looking information about these factors. The information includes macroeconomic factors and forecasts of future economic conditions.

Derecognition of financial instruments

A financial instrument is derecognized when it can be reasonably assumed that a financial instrument is no longer recoverable in full or in part, e.g., once insolvency proceedings are over or following court decisions. Significant modifications in financial assets (e.g., a change of 10% in the present value of contractual cash flows) result in their derecognition. In the case of receivables from financial services, Muehlhan expects that this will only rarely happen and to a minor extent. If contract terms are renegotiated or modified and this does not result in derecognition, the gross carrying amount of the contract is recalculated and any difference recognized through profit or loss.

Derivative financial instruments

Embedded derivatives are separated from the underlying contract and recognized separately. They are not separated if the underlying contract is a financial asset, if the entire hybrid contract is measured at fair value through profit and loss, or if the embedded derivative is closely linked with the host contract. Under IAS 39, this separation was also made if the underlying contract was a financial asset neither measured at fair value through profit and loss nor the embedded derivative closely linked to the underlying contract.

From the moment IFRS 9 specifications for hedge accounting are met, Muehlhan designates and documents the hedging relationship as a fair value hedge, a cash flow hedge or a hedge for net investments in a foreign operation. The documentation of the hedging relationship includes the aim of its risk management, the underlying hedging strategy, the type of hedging relationship, the hedged risk, the name of the hedging instrument and the hedged item, and an assessment of the criteria for the effectiveness of the hedge, which include the mitigation of economic risk, the effects of credit risk and the appropriate hedging ratio. Under IAS 39, this also included a description of the effectiveness measuring method. Moreover, the requirements of IAS 39 for retrospective and prospective measuring of effectiveness included the appropriate adherence to a range for achieving risk compensation from changes in the fair values or cash flows with respect to the hedged risk. Hedging relationships were considered as highly effective and thus regularly examined as to whether they were highly effective over the whole reporting period for which they were designed.

According to IFRS 9, amounts that were recognized as effective hedging gains/losses in other comprehensive income are taken from the reserves for derivative financial instruments and are added directly to the acquisition costs of the underlying transaction, if the hedged item, such as the expected transaction, leads to the recognition of a non-financial asset or a non-financial liability. IAS 39 did not undertake an according adjustment of acquisition costs.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 determines at which point in time and to what extent revenue from contracts with customers may be recognized and stipulates which disclosures are necessary in the notes to the financial statements. The new standard does not distinguish between different types of contracts and services but merely establishes uniform criteria for when a performance obligation must be performed. Accordingly, sales revenue are to be recognized when control over the agreed goods and services passes to the customer and the customer has use of them. However, for construction contracts, under both IAS 11 and IFRS 15, control may be transferred over time. Sales revenue must be measured at the amount of consideration the company expects to receive. Sales revenue are determined on the basis of a five-step model to be applied to all contracts with customers.

IFRS 15 contains regulations about the identification of contractual surpluses or obligations. These are assets and liabilities from customer contracts resulting from the relationship between the performance of the company and the payment of the customer. Accordingly, a contract liability is the obligation of a company to transfer goods or services, for which it has received a consideration or will receive a consideration, to the customer. For Muehlhan, first-time application of IFRS 15 only leads to an accounting for contract liabilities.

There were no further possible effects of IFRS 15 due to extended guarantees/warranties, small series and product plus service contracts or mobilizing costs.

The requirements stipulated in IFRS 15 will be applied for the first time in the 2018 consolidated financial statements. Previous amounts reported under the previously applicable standards will not change. The cumulative effects from the first-time application of IFRS 15 will be recognized as an adjustment to the opening balance of equity at the beginning of financial year 2018.

The introduction of the following standard as of January 1 will have material effects on the consolidated balance sheet of Muehlhan in particular:

IFRS 16 Leases

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

Muehlhan has reviewed the impact that application of the standard will have on the consolidated financial statements. The review included:

- Recording and auditing all existing lease agreements and evaluating the accounting for these agreements under IFRS 16,
- deciding whether the full retrospective approach under IAS 8 or a modified retrospective approach will be used on first-time application,
- determining whether, and to what extent, simplified accounting rules are admissible and can be implemented,
- assessing whether, and to what extent, new IT systems are required for the new lease accounting, and
- the extent and impact of the disclosures required under IFRS 16.

The new IFRS 16 rules apply to almost all the leases mentioned in note 30, Obligations under operating leases. The first-time application of IFRS 16 will result in a significant increase of approx. €6.0 million in assets (right-of-use asset) and liabilities (lease liabilities) and so to a lower equity ratio.

Muehlhan intends to apply the modified retrospective approach. For this reason the cumulative effect of applying IFRS 16 will be recognized by adjusting the opening balances of profit reserves as of January 1, 2019. Comparative figures have not been adjusted.

Muehlhan also intends to apply the simplified rules for retaining the definition of a lease (modified retrospective approach). 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 IFRC 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.

V. Consolidated group and reporting date for the consolidated financial statements

Consolidated group

The consolidated financial statements include the financial statements of the parent company, MYAG, and the 32 subsidiaries it controls (previous year: 33). MYAG has control if it controls rights at these companies that give it the ability to direct the relevant activities of these companies in order to influence the companies' earnings. Control further requires MYAG to be exposed to variable returns from the subsidiaries and to have the ability to affect those variable returns through its decision-making power. Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control is established over the subsidiary and until the date on which control over the subsidiary ends. Accordingly, the results of operations of the subsidiaries acquired or sold during the year are included in the consolidated income statement and in the Group's other comprehensive income from the date of acquisition and /or until the date of disposal.

The consolidated group changed as follows against December 31, 2017:

The company Muehlhan CR s.r.o. (MCZ), Sviadnov, Czech Republic, was deconsolidated as of end September 2018 and wound up. The deconsolidation effect totaled €-11 thousand and is included under other operating expenses.

At Muehlhan Bulgaria Limited (MBL), Varna, Bulgaria, the equity interest fell to 75% due to the entry of a new shareholder. The non-controlling interests are shown in the corresponding item of the balance sheet and income statement.

With the contract dated February 14, 2018 the shares in Muehlhan Dehan Qatar W.L.L. (MDQ), Doha, Qatar, were transferred within the Group from Muehlhan Surface Protection Middle East L.L.C. (MME), Dubai, UAE, to Muehlhan AG (MYAG), Hamburg, Germany. This transaction had no impact on the consolidated financial statements.

Muehlhan Saudi Arabia LLC, Riadh, Saudi Arabia, was established in the reporting year. Muehlhan Middle East Holding Limited, Dubai, UAE is the sole shareholder. The company has no business activity and will not be consolidated.

The first-time consolidations and deconsolidations will not limit comparability with prior-year financial statements.

Applying passive fire protection

The list of shareholdings as of December 31, 2018 is presented below. In addition, each company is assigned to a cash-generating unit (CGU) and a geographic segment, as well as to the business segments and services.

Symbol	Company	Shareholding in % 2018	Shareholding in % 2017	Held by	CGU
MYAG	Muehlhan AG, Hamburg	Parent company	Parent company		–
AJS	Allround Job Services Sp. z o.o., Szczecin, Poland	100	100	MPL	MPL
CCC	Certified Coatings Company, Fairfield, CA, USA	100	100	MSPU	MCC
GMH	Gerüstbau Muehlhan GmbH, Hamburg, Germany	100	100	MYAG	GMH
MBL	Muehlhan Bulgaria Ltd, Varna, Bulgaria	75	100	MYAG	MD
MCA	Muehlhan Canada Inc., Windsor, Ontario, Canada	100	100	MYAG	–
MCC	Muehlhan Certified Coatings Inc., Fairfield, CA, USA	100	100	MSPU	MCC
MCL	Muehlhan Cyprus Limited, Limassol, Cyprus	51	51	MYAG	MCL
MD	Muehlhan Deutschland GmbH, Bremen, Germany	100	100	MYAG	MD
MDK	Muehlhan A/S, Middelfart, Denmark	100	100	MYAG	MDK
MDQ	Muehlhan Dehan Qatar W.L.L., Doha, Qatar	100*	100*	MYAG	MDQ
MES	Muehlhan Equipment Services GmbH, Hamburg, Germany	100	100	MYAG	–
MF	Muehlhan S.A.R.L., Saint-Nazaire, France	100	100	MYAG	MF
MGB	Muehlhan Industrial Services Ltd., Aberdeen, Scotland, UK	100	100	MYAG	MGB
MGR	Muehlhan Hellas S.A., Athens, Greece	51	51	MYAG	MCL
MIF	Muehlhan Industrial France S.A.R.L., Le Havre, France	100	100	MF	MF
MIS	Muehlhan Industrial Services Inc., Fairfield, USA (formerly: Sipco Surface Protection Inc., Scott, LA, USA (SSP)	100	100	MSPU	–
MME	Muehlhan Surface Protection Middle East L.L.C., Dubai, UAE	100*	100*	MYAG	–
MMEH	Muehlhan Middle East Holding Limited, Dubai, UAE	100	100	MYAG	–
MMF	Muehlhan Morflot OOO, St. Petersburg, Russia	70	70	MYAG	MMF
MNL	Muehlhan B.V., Vlaardingen, Netherlands	100	100	MYAG	MNL
MOM	Ruwad Al Athaiba International LLC, Muscat, Oman	100*	100*	MMEH	PRA
MPL	Muehlhan Polska Sp. z o.o., Szczecin, Poland	100	100	MYAG	MPL
MRO	Muehlhan S.R.L., Galati, Romania	51	51	MYAG	MCL
MSI	Marine Service International AS, Drøbak, Norway	100	100	MYAG	MSI
MSIB	MSI do Brasil Serviços Marítimos Ltda. Brasil, Rio de Janeiro, Brazil	99.8	99.8	MSI	MSI
MSIS	MSI Coating Services PTE Ltd., Singapore	100	100	MSI	MSI
MSPU	Muehlhan Surface Protection Inc., Fairfield, CA, USA	100	100	MYAG	–
MWS	Muehlhan Wind Service A/S, Middelfart, Denmark	51	51	MDK	MWS
MWY	Beschichtungswerk Wyhlen GmbH, Wyhlen, Germany	100	100	MD	MD
PRA	Procon Emirates L.L.C., Abu Dhabi, UAE	100*	100*	MMEH	PRA
PRD	Procon Emirates L.L.C., Dubai, UAE	100*	100*	MMEH	PRA

* 49% of the shares in MME, PRA and PRD are held directly or indirectly via a subsidiary and 51% are managed for the Group by a trustee. 70% of the shares in MOM are held indirectly via a subsidiary and 30% are managed for the Group by a trustee.

As a rule, companies were assigned to CGUs and to the geographic segments based on geographic criteria.

The Group took advantage of its exemption from the disclosure requirement pursuant to Section 264, paragraph 3 of the German Commercial Code (HGB), in conjunction with Section 325 of HGB for Muehlhan Deutschland GmbH, Bremen, Muehlhan Equipment Services GmbH, Hamburg, Beschichtungswerk Wyhlen GmbH, Wyhlen, and Gerüstbau Muehlhan GmbH, Hamburg.

The following companies are not included in the consolidated financial statements:

Geographic segment	Business segment	Service
Holding company	–	–
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding, steel construction
North America	Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
Europe	Ship, Renewables, Industry/Infrastructure	Scaffolding
Europe	Ship, Renewables, Oil & Gas	Surface protection
North America	–	–
North America	Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
Europe	Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
Middle East	Ship, Industry/Infrastructure	Surface protection, scaffolding, fire protection
Holding company	–	–
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
Europe	Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding, fire protection
Europe	Ship, Renewables, Oil & Gas	Surface protection, scaffolding
Europe	–	–
North America	–	–
Middle East	–	–
Middle East	–	–
Europe	Ship, Oil & Gas, Industry/Infrastructure	Surface protection, fire protection
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
Middle East	Industry/Infrastructure	Fire protection
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding, steel construction
Europe	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
Rest of the World	Oil & Gas	Surface protection
Rest of the World	Oil & Gas	Surface protection
Rest of the World	Oil & Gas	Surface protection
North America	–	–
Europe	Renewables	Wind service
Europe	Industry/Infrastructure	Surface protection
Middle East	Industry/Infrastructure	Fire protection
Middle East	Industry/Infrastructure	Fire protection

Symbol	Company	Shareholding in %		Equity in kEUR		Result in kEUR	
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	2018	2017
MFP	Muehlhan Grand Bahama Ltd., Nassau, Bahamas	100	100	0.1	0.1	0.0	0.0
MPM	Muehlhan Project Management GmbH, Hamburg	51	51	37.1	93.0	-55.9	18.0
MKSA	Muehlhan Saudi Arabia LLC, Riadh – Saudi Arabia	100	–	116	–	0	–

As in previous years, Muehlhan Grand Bahama Ltd., Bahamas, and Muehlhan Project Management GmbH, Hamburg, are not included in the consolidated group. The two companies are immaterial for an assessment of the net assets, financial position and results of operations of the Group, since the balance sheet and income statement items for these entities, both individually and in aggregate, comprise less than 1% in the consolidated financial statements of Muehlhan AG. Muehlhan Saudi Arabia LLC, Saudi-Arabia, was only founded in the reporting year and is as yet without business activity.

The shareholding in MPM is held indirectly via MCL.

Reporting date for the consolidated financial statements

The financial year of the Group, the parent company and all subsidiaries included in the consolidated financial statements coincides with the calendar year.

Steel construction work

VI. Consolidation methods

Consolidation of the subsidiaries

The equity of the subsidiaries is consolidated using the purchase method of accounting. The cost of the acquisition is measured at the fair value of the assets acquired and the liabilities incurred and/or assumed on the transaction date. In the initial consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognized at the fair value on the acquisition date, irrespective of the size of any non-controlling interests. The excess of the purchase price of the acquisition over the Group's share in the net assets measured at fair value is reported as goodwill. If, upon remeasurement, the costs of acquisition are lower than the fair value of the net assets of the acquired subsidiary, the resulting difference is recognized directly in profit or loss. Acquisition-related transaction costs are expensed when they are incurred.

Elimination of intercompany accounts

Intragroup receivables and payables are eliminated. Any currency-translation differences arising from such eliminations during the reporting period are recognized in profit or loss.

Expense and income consolidation and elimination of intercompany profit and loss

To eliminate intercompany profit and loss, intercompany sales and intra-group earnings are offset against the related expenses. Unrealized intra-group profits and losses are eliminated with a corresponding effect on net income.

Deferred taxes

Deferred taxes are recorded to reflect consolidation effects.

Applying passive fire protection

Currency translation

Foreign-currency transactions in the separate financial statements of consolidated Group companies are translated at the exchange rate applicable on the date of the transaction. On the balance sheet, non-derivative (monetary) items denominated in foreign currencies are translated at the mid-rate on the reporting date; exchange rate gains and losses are recognized as income or expenses on the income statement. Non-monetary items in a foreign currency that are measured at fair value are translated at the rate applicable at the time the fair value is determined. Non-monetary items measured at acquisition or production cost are converted at the exchange rate on the initial recognition date.

The assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated into euro at the mid-rate on the reporting date. Income and expenses are translated at average annual rates. Differences arising from the translation of net assets at exchange rates different from those in the previous year are recognized in other comprehensive income and are reported separately under equity in the currency-translation reserve. When disposing of a foreign operation, all currency-translation differences aggregated under equity that are allocable to the Group from that operation will be reclassified to the income statement. The goodwill of foreign subsidiaries is shown in local currency. Differences arising from the conversion into euro are reported in the currency translation reserve.

Income statement items are translated into euro using the weighted average rate of exchange for the year.

The euro exchange rates for the main currencies are shown in the following table:

	ISO code	Exchange rate on reporting date	Average rate	Exchange rate on reporting date	Average rate
		12/31/2018	2018	12/31/2017	2017
United Arab Emirates dirham	AED	4.21	4.33	4.40	4.18
Brazilian real	BRL	4.24	4.33	3.97	3.65
Danish krone	DKK	7.47	7.45	7.45	7.44
British pound	GBP	0.90	0.89	0.89	0.88
Polish zloty	PLN	4.30	4.27	4.19	4.24
Qatar rial	QAR	4.17	4.29	4.38	4.20
US dollar	USD	1.14	1.17	1.20	1.14

Other consolidation methods

The gain or loss and every component of other comprehensive income is allocated to the shareholders of MYAG and to the non-controlling interests. This applies even if it results in a negative balance for the non-controlling interests.

The separate financial statements of domestic and foreign companies included in the consolidated group are prepared in accordance with accounting and valuation methods that are applied consistently throughout the Group.

The significant accounting and valuation methods applied during preparation of the consolidated financial statements are presented below. The methods described are used consistently, unless indicated otherwise.

Changes pursuant to IAS 8

In the past the goodwill arising from the acquisition of a foreign operation was presented in the Group's reporting currency. Since 2018 the goodwill arising in connection with the acquisition of a foreign operation is presented in the functional currency in accordance with IAS 21.47 and translated at the exchange rate on the reporting date pursuant to IAS 21.39 and 42. The resulting translation differences are recognized through other comprehensive income and presented in the currency translation adjustments. The first-time translation at the exchange rate on the reporting date in 2018 resulted in an adjustment of €-0.6 million.

Coating of the Lake Britton Bridge, California/USA

VII. Significant accounting and valuation principles

Intangible assets

Intangible assets with an identifiable useful life are recognized at cost and amortized on a straight-line basis over their useful life. The useful life is usually between three and 17 years. The residual values and useful lives of intangible assets are reviewed at least on every consolidated reporting date. If expectations deviate from current estimates, any adjustments are accounted for as changes in accounting estimates in accordance with IAS 8.

If an intangible asset is disposed of or if no further benefit can be expected from use of the asset or its disposal, the carrying amount of the intangible asset will be derecognized. The gain or loss from disposal of the intangible asset is the difference between the net realizable value and the carrying amount and is recognized in profit or loss on the date of derecognition.

Goodwill and intangible assets with an indefinite useful life

The positive difference between the cost of acquiring a company and the fair value of the Group's interest in the net assets of the acquired company at the time of acquisition is defined as goodwill. Any goodwill arising from a company acquisition is recorded under intangible assets pursuant to IFRS 3 and, in accordance with IAS 38.107, is not subject to amortization. An impairment test is carried out at least once a year and may lead to an impairment loss.

There are no other intangible assets with an indefinite useful life.

Property, plant and equipment

Property, plant and equipment are valued at the cost of acquisition or production less depreciation and, if applicable, impairments. The depreciation period is based on the useful life and within the Group depends on the type of asset:

Type of property, plant and equipment	Useful life
Buildings	5 to 50 years
Technical equipment and machinery	2 to 15 years
Other equipment, operating and office equipment	2 to 15 years

Depreciation is carried out on a straight-line basis unless another depreciation method would more closely reflect the actual future economic life.

If expectations deviate from current estimates, any adjustments are accounted for as changes in accounting estimates in accordance with IAS 8.

Property, plant and equipment are tested for impairment if there is reason to believe that the assets may be impaired.

If a fixed asset is disposed of or if no further benefit can be expected from use of the asset or its disposal, the carrying amount of the asset will be derecognized. The gain or loss from disposal of the fixed asset is the difference between the net realizable value and the carrying amount. It is recognized in profit or loss on the date of derecognition.

Repair and maintenance costs are expensed when incurred. Major renovations and improvements are capitalized if the criteria for the recognition of an asset are met. In principle, leased assets classified as finance leases on the basis of the respective lease agreements are initially shown as fixed assets at the lower of the fair value or the present value of the minimum lease payments, and net of accumulated depreciation in subsequent accounting periods.

Impairment of non-financial assets

Assets with an indefinite useful life, as well as goodwill, are not subject to depreciation and amortization; they are tested for impairment at least once a year. Impairment tests are performed on property, plant and equipment and other intangible assets with a finite useful life if there is reason to believe that impairments are warranted. In order to determine whether there is a requirement to record the impairment of an asset, the recoverable amount of the respective asset (the higher of the fair value less costs to sell and the value in use) is compared with the carrying amount of the asset. If the recoverable value is lower than the carrying amount, the difference is recognized as an impairment loss. If the recoverable amount for the individual asset cannot be estimated, then the calculation will be carried out at the level of the cash-generating unit (CGU) to which the respective asset is allocated. The amount is allocated to the specific cash-generating units and/or to the smallest group of cash-generating units on a reasonable and consistent basis. If the reason for the recognized impairment no longer applies, a reversal of the impairment loss not exceeding the amortized cost is recorded. No such reversal of impairment loss is made with respect to goodwill. For the impairment test, the acquired goodwill associated with a merger is allocated to the cash-generating unit or the group of cash-generating units expected to benefit from the synergies of the combination. Muehlhan AG determines a cash-generating unit's recoverable amount on the basis of the discounted cash flow (value in use).

Financial instruments

A financial instrument is a contract that results in a financial asset for one entity and in a financial liability or an equity instrument for another entity. As a rule, financial instruments recognized as financial assets or financial liabilities are presented separately. Financial instruments are recognized as soon as Muehlhan becomes a party to the financial instrument. For market-standard purchases and sales of financial assets the trading date is used both for first-time recognition and derecognition.

Financial instruments are recognized for the first time at fair value. For subsequent measurement, the financial instruments are assigned to one of the measurement categories defined in IFRS 9 Financial Instruments (financial asset at amortized cost, financial assets at fair value through other comprehensive income or financial asset at fair value through profit or loss). Transaction costs directly attributable to the purchase or the issue are included in the measurement of the carrying amount if the financial instrument is not measured at fair value through profit or loss.

Financial assets

Recognition and classification

Financial assets particularly include trade receivables, receivables from banks and cash in hand. Financial instruments are classified according to the business model for which they are held and their cash flow characteristics.

The business model is determined at the portfolio level and depends on the intentions of management and on past transactions. Cash flows are examined at the level of the individual instrument.

a) Financial assets at amortized cost

Financial assets carried at amortized cost are non-derivative financial assets with contractual payments consisting solely of principal and interest on the nominal amount and which are held with the intention of collecting the contractually agreed cash flows, such as trade receivables or cash and cash equivalents (business model "held to collect"). Cash and cash equivalents particularly include cash in hand and checks. Cash and cash equivalents are the same as the item cash and cash equivalents in the consolidated cash flow statement.

After first-time recognition these financial assets are measured at amortized cost using the effective interest method, less any loss allowances. Gains and losses are recognized in consolidated income if the loans and receivables are impaired or derecognized. The interest effects of applying the effective interest method and translation differences are also recognized through profit or loss.

Muehlhan holds almost only financial assets at amortized cost.

b) Financial assets at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual payments consisting solely of principal and interest on the nominal amount and which are held both with the intention of collecting the contractually agreed cash flows or for resale to achieve a defined liquidity objective (business model “held to collect and sell”). This category also includes equity instruments not held for trading and for which the option of recognizing fair value changes in other comprehensive income has been exercised.

After initial measurement, financial assets in this category are measured at fair value through other comprehensive income, whereby unrealized gains and losses are recognized in other comprehensive income. When debt instruments in this category are disposed of the cumulative gains and losses from fair value measurement recognized in other comprehensive income are recycled through profit or loss. Interest received from financial assets measured at fair value through other comprehensive income is included as interest income and recognized in profit or loss using the effective interest method. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are not recognized in profit or loss, but reclassified to profit reserves on disposal.

Loss allowances of financial assets

Every reporting date, a loss allowance is recognized for financial assets not measured at fair value through profit and loss, which reflects the expected credit losses for this instrument. The expected credit loss approach uses three levels to allocate loss allowances.

Level 1: expected credit losses on financial assets not yet due

Level 1 generally includes new contracts and those for which payments are not yet due. The expected credit losses over the life of the instrument due to a default within the next twelve months are recognized.

Level 2: expected credit losses on due financial assets

A financial asset is classified in Level 2 if it is due or has seen a significant increase in credit risk since initial recognition, but is not credit-impaired. Expected credit losses over the full lifetime of the financial asset due to potential defaults are recognized as a loss allowance.

Level 3: expected credit losses over the full lifetime – credit-impaired

A financial asset is allocated to Level 3 if it is credit-impaired or in default. Expected credit losses over the full lifetime of the financial asset are recognized as a loss allowance. Objective indications that a financial asset is credit-impaired include a table of outstanding receivables by region and other information about key financial difficulties affecting the debtor.

Determining whether the credit risk for a financial asset has increased significantly is largely based on information about overdue payments. Estimates are also made of default probabilities, which use both external rating information and internal information about the credit quality of the financial asset.

A financial asset is transferred to Level 2 when it becomes due or its credit risk has increased significantly since its initial recognition date. The credit risk is estimated on the basis of the default probability. The simplified approach is used for trade receivables, whereby expected credit losses over the full lifetime are recognized on initial recognition.

In Levels 1 and 2 the effective interest income is determined on the basis of the gross carrying amount. As soon as the credit quality of a financial asset is impaired and it is allocated to Level 3, the effective interest income is calculated on the basis of the net carrying amount (gross carrying amount less loss allowance).

Measurement of expected credit losses.

Expected credit losses are calculated using the following factors:

- Neutral, probability-weighted amount,
- time value of money, and
- reasonable, reliable information (to the extent available without undue cost or effort) as of the reporting date about past events, current circumstances and forecasts of future economic conditions.

Estimates of these risk parameters include all available relevant information. In addition to historical and current information about losses this also includes reasonable and reliable forward-looking information about these factors. The information includes macroeconomic factors and forecasts of future economic conditions.

Effective interest method

The effective interest method is a method for calculating the amortized cost of a financial asset and allocating interest income to the relevant periods. The effective interest rate is the interest rate used to discount estimated future cash receipts (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) to the carrying amount over the expected life of the financial instrument or a shorter period, if applicable. Income is recognized on an effective interest basis for debt instruments.

Derecognition of financial assets

A financial instrument is derecognized when it can be reasonably assumed that a financial instrument is no longer recoverable in full or in part, e.g., once insolvency proceedings are over or following court decisions.

Significant modifications in financial assets (e.g., a change of 10% in the present value of contractual cash flows) result in their derecognition. If contract terms are renegotiated or modified and this does not result in derecognition, the gross carrying amount of the contract is recalculated and any difference recognized through profit or loss.

Netting of financial instruments

Financial assets and financial liabilities are netted and the net amount reported in the consolidated balance sheet if an enforceable legal right to offset the recognized amounts currently exists and the intention is either to settle the net amount or to extinguish the corresponding liability at the same time as the asset is recovered.

Financial liabilities

Financial liabilities particularly include trade payables, liabilities to banks and other liabilities.

Financial liabilities at amortized cost

After initial recognition the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Muehlhan does not hold such liabilities.

Derivative financial instruments

Embedded derivatives are separated from the underlying transaction and recognized separately. They are not separated if the underlying transaction is a financial asset, if the entire hybrid contract is measured at fair value through profit and loss or if the embedded derivative is closely linked with the host contract.

Derivative financial instruments are recognized at fair value on initial recognition and every subsequent reporting date. The fair value of listed derivatives is their positive or negative market value. If market values are not available they are calculated using acknowledged mathematical models, such as discounted cash flow or option pricing models. Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

When the transaction is concluded, the Group documents the hedging relationship between the hedging instrument and the hedged item, the aim of its risk management, the underlying hedging strategy, the type of hedging relationship, the hedged risk, the name of the hedging instrument and the hedged item and an assessment of the criteria for the effectiveness of the hedge, which include the mitigation of economic risk, the effects of credit risk and the appropriate hedging ratio. IFRS 9 no longer requires a documented description of the method of measuring effectiveness.

Hedge accounting for an individual hedging relationship is to be ended prospectively when it no longer meets the criteria of IFRS 9. Possible reasons for ending hedge accounting include the absence of an economic relationship between the hedged item and the hedging instrument, the disposal or termination of the hedging instrument, or a change in the documented aim of risk management for a specific hedging relationship. Cumulative hedging gains and losses from cash flow hedges remain in reserves and are only derecognized on maturity if the hedged future cash flows are still expected. In other cases the cumulative hedging gains and losses are derecognized immediately through profit or loss.

Scaffolding in Hamburg/Germany

Muehlhan only uses derivative financial instruments to hedge financial risks resulting from operating businesses or refinancing activities. One interest rate risk was hedged in the reporting year.

Muehlhan meets the criteria of IFRS 9 and designates the derivative financial instrument as a hedge against certain risks of fluctuating cash flows associated with a recognized liability (cash flow hedges).

The effective after-tax portion of changes in the fair value of the cash flow hedge is initially recognized in other comprehensive income.

Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. If the net realizable value of inventories on the reporting date is lower than the carrying amount, inventories are written down to the net realizable value and an impairment is reported on the income statement. If the net realizable value of previously impaired inventories rises, the resulting reversal of impairment loss is recognized as a reduction in the cost of materials or as an increase in inventories. Net realizable value is the estimated proceeds that can be obtained from sales in the ordinary course of business, less the estimated costs until completion and estimated disposal and selling expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and other highly liquid financial assets with a maturity not exceeding three months. At the present time, bank balances not required immediately to finance current assets are invested for a term of up to three months. The carrying amount shown on the balance sheet for cash and cash equivalents is equal to their market value. The total amount of cash and cash equivalents, excluding current account liabilities, is equal to the total liquid assets shown in the cash flow statement. Utilized overdraft facilities are shown on the balance sheet under current financial liabilities.

Pension provisions and similar obligations

In addition to defined contribution plans which, apart from current contributions, do not involve any further pension commitment, there are also defined benefit plans, for which the required provision in Germany relates exclusively to a pension commitment to a retired former managing director of a subsidiary. In addition, in some countries – for example, in France and Poland – there are statutory requirements to set up provisions for pension commitments. A defined benefit pension plan generally specifies the amount of pension benefits an employee will receive upon retirement; this amount depends on one or more factors, such as age, length of service or salary. Pension provisions are generally calculated by an independent actuary using the projected unit credit method. The amount recognized on the reporting date is the present value of the defined benefit obligation (DBO). This actuarial determination of the present value of accumulated plan benefits takes into account not only current pension payments and vested rights to future pension payments as of the reporting date, but also expected future increases in salaries and pensions.

Any effects from remeasurement of defined benefit pension plans are recognized immediately in other comprehensive income.

The provision is reduced by the amount of any plan assets.

Current and past service costs are shown under expenses for employees, while net interest expense relating to interest payments on the defined benefit obligation and any plan assets is shown under financing costs.

The present value of the defined benefit obligation (DBO) is calculated by discounting the expected future payments at the interest rate applicable to top-rated corporate bonds denominated in the currency in which payments have to be made and at maturities matching those of the pension obligations.

Contribution payments made under defined contribution plans are shown under expenses for employees; a provision or a liability is recorded only for the amounts outstanding on the reporting date.

Other provisions and contingent liabilities

In accordance with IAS 37, other provisions are set up for any risks discernible on the reporting date or obligations to third parties based on past transactions or events whose amounts or maturities are uncertain. The amounts reported under provisions are the best estimates of the settlement amounts; these amounts are not netted against positive performance contributions. Provisions are set up only if the Group has a legal or de facto obligation to a third party. They are also set up for onerous contracts. A contract is deemed to be onerous if the unavoidable costs exceed the benefit expected from the contract.

If the interest effect from discounting is material, non-current provisions are stated at their discounted settlement amount on the reporting date. Any increases in provisions resulting purely from the compounding of interest are recognized as interest expense on the income statement. The settlement value also includes cost increases that must be recognized on the reporting date pursuant to IAS 37.

Contingent liabilities are potential or current obligations for which an outflow of resources with economic benefits is unlikely or for which the amount of the obligation cannot be estimated with adequate certainty. Contingent liabilities are generally not recognized on the balance sheet.

Income taxes

Income taxes include both current income taxes payable immediately and deferred taxes. Current and deferred taxes are recognized on the consolidated income statement unless they relate to items that are recognized either in other comprehensive income or directly in equity. In the latter case, the current and/or deferred taxes are also recognized in other comprehensive income or directly in equity.

Deferred taxes resulting from temporary differences in the amounts shown in the separate balance sheets prepared for tax purposes and the corresponding figures for the individual companies calculated in accordance with IFRS, as well as from consolidation entries, are netted separately for each taxable entity and shown either as deferred tax assets or liabilities. If separate netting for each taxable entity is not possible when making consolidation entries, the Group tax rate is applied. Moreover, deferred tax assets may also include claims for tax reductions deriving from the expected utilization of existing loss carryforwards in future years if there is sufficient certainty that they will be realized. Deferred taxes are calculated using the tax rates for reversal that apply and will enter into force or have been adopted in the respective countries on the reporting date. No deferred taxes are recognized for temporary differences relating to shares in subsidiaries if the date of reversal of the temporary differences can be controlled by the Group and it is likely that these will not be reversed in the foreseeable future. Deferred tax assets are recorded only to the extent that the respective tax benefits are likely to materialize. If this criterion is not met, impairment losses are recognized based on past earnings and business expectations for the foreseeable future.

Current income taxes for domestic Group companies were calculated at a corporate tax rate of 15.5% (previous year: 15.5%) and a trade tax rate of 15.8% (previous year: 15.8%). Foreign deferred tax rates ranged from 10.0% to 35.5% (previous year: 8.8% to 33.0%) and the domestic deferred tax rate was 31.5% (previous year: 31.5%).

Provided that the conditions set forth in IAS 12.74 have been met, deferred tax assets and liabilities are netted. Basically, this applies if the deferred taxes relate to income taxes that are levied by the same taxing authority and on the same taxable entity within the meaning of IAS 12.74 and current taxes can be netted against each other.

Share-based payment

The Group has granted a number of share-based payments to employees for settlement using equity instruments of the parent company.

When share-based compensation is granted that will be settled through equity instruments, the fair value calculated is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

Research and development costs

Any intangible asset resulting from research is not recognized. The IAS 38 requirements for capitalizing development costs are not satisfied, because it is generally impossible to separate research and development costs, marketability and/or technical feasibility cannot be assumed and there is no guarantee of a future economic benefit.

Expenses for research and development work are recognized as expenses in the period in which they are incurred.

Government grants

Government grants in property, plant and equipment are treated as deferred income and recognized as income over the expected useful life of the related asset.

Leases

The determination as to whether an agreement is or includes a lease is made on the date when the agreement is concluded, based on the economic substance of the agreement. It requires assessing whether the fulfillment of the contractual agreement is dependent on use of a specific asset or assets and whether the agreement grants a right to use the asset, even if this right is not expressly stated in the agreement.

Leases are classified as finance leases if essentially all of the rewards and risks typically associated with ownership are transferred to the lessee. All other leases are classified as operating leases.

At the beginning of the lease term, finance leases are reported as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. The minimum lease payments must be divided into a financing portion and a principal repayment portion in order to produce a constant interest rate for the remaining liability. The asset should be depreciated over the shorter of the lease term or the useful life of the asset.

The Group has only immaterial finance leases.

With operating leases, the leased property is not capitalized. Instead, the lease payments are expensed on a straight-line basis over the lease term. The Group's main operating leases are for the rental of business offices, technical equipment and vehicles.

Income recognition

Sales revenue is recognized when control of distinct goods or services is transferred to the customer, i.e., when the customer is able to determine the use of the transferred goods or services and essentially derives the remaining benefit from them. This is on condition that a contract with enforceable rights and obligations exists and that receipt of consideration is probable, given the creditworthiness of the customer. Sales revenue corresponds to the transaction price to which Muehlhan expects to be entitled. Variable consideration is included in the transaction price if it is highly probable that a significant portion of revenue will not be returned as soon as the uncertainty concerning the variable consideration no longer exists. The amount of variable consideration is calculated using either the expected value method or at the most probable amount, whichever most accurately estimates the variable consideration. If the period between the transfer of the goods or services and the date of payment exceeds twelve months and either or both parties derive a significant benefit from the financing, the consideration is adjusted for the time value of money. If a contract covers several distinct goods or services the transaction price is allocated to the performance obligations on the basis of the respective individual transaction prices. If individual transaction prices cannot be observed directly, they are estimated. Sales revenue for every performance obligation is either recognized at a point in time or over time.

a) Revenue from providing services

Revenue is recognized on a straight-line basis over time, or if the performance obligation is not satisfied on a straight-line basis, according to the percentage of completion. Invoices are sent in accordance with the terms of the contract; payment terms are generally within 30 days of the invoice date.

The estimate of the percentage of completion is particularly important when this method is used; it may also entail estimates of the scope of delivery or performance necessary to satisfy the contractual obligations. These key estimates comprise estimated total costs, total sales revenue, contract risks – including technical, political and regulatory risks – and other relevant variables. Changes in estimates can increase or reduce sales revenue when the percentage of completion method is used. An estimate is also required of whether the continuation or termination of a contract is the most probable scenario. For this estimate all the relevant facts and circumstances are taken into account for each individual contract.

b) Revenue from the sale of goods

Sales revenue is recognized at the time control passes to the buyer, generally when the goods are delivered. Invoices are sent as of this date; payment terms are generally within 30 days of the invoice date.

c) Interest income

Interest is recognized as expense and/or income on an accrual basis. Interest expenses and income are recognized on a pro-rata basis, applying the effective interest method.

d) Dividend income

Dividends are reported on the date of the decision to make a distribution.

Transport of offshore wind turbines in Esbjerg/Denmark

VIII. Notes to the balance sheet

1. Intangible assets

FIXED ASSET MOVEMENT SCHEDULE 2018

	Acquision and production costs					
in kEUR	As of 01/01/2018	Additions	Currency translation differences	Disposals	Reclassifications	As of 12/31/2018
I. Intangible assets						
1. Concessions, industrial and similar rights and assets	2,934	26	-6	0	0	2,954
2. Goodwill	36,724	0	-779	0	0	35,945
	39,658	**26**	**-785**	**0**	**0**	**38,899**
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third-party land	10,872	427	-113	0	0	11,186
2. Technical equipment and machinery	80,555	6,901	275	-3,556	-3,336	80,839
3. Other equipment, operating and office equipment	8,615	1,607	17	-1,410	3,336	12,165
4. Prepayments and equipment under construction	14	303	6	-2	0	321
	100,056	**9,238**	**185**	**-4,968**	**0**	**104,511**

Rounding differences may occur.

FIXED ASSET MOVEMENT SCHEDULE 2017

	Acquisition and production costs					
in kEUR	As of 01/01/2017	Additions	Currency translation differences	Disposals	Reclassifications	As of 12/31/2017
I. Intangible assets						
1. Concessions, industrial and similar rights and assets	3,288	157	5	-516	0	2,934
2. Goodwill	36,397	327	0	0	0	36,724
	39,685	**484**	**5**	**-516**	**0**	**39,658**
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third-party land	9,768	802	-44	-531	877	10,872
2. Technical equipment and machinery	73,728	10,741	-1,882	-2,356	324	80,555
3. Other equipment, operating and office equipment	13,141	931	-487	-4,930	-40	8,615
4. Prepayments and equipment under construction	477	697	1	0	-1,161	14
	97,114	**13,171**	**-2,412**	**-7,817**	**0**	**100,056**

Rounding differences may occur.

Accumulated depreciation and amortization						Carrying amounts	
As of 01/01/2018	Additions	Currency translation differences	Reclassifications	Disposal	As of 12/31/2018	As of 12/31/2018	Previous Year
-2,559	-114	6	0	0	-2,667	288	375
-16,854	0	169	0	0	-16,685	19,260	19,870
-19,413	**-114**	**175**	**0**	**0**	**-19,352**	**19,548**	**20,245**
-5,175	-542	-390	0	0	-6,107	5,078	5,697
-52,334	-6,349	151	3,336	3,514	-51,682	29,155	28,221
-5,573	-1,239	-9	-3,336	1,133	-9,024	3,141	3,042
0	0	0	0	0	0	323	14
-63,082	**-8,130**	**-248**	**0**	**4,647**	**-66,813**	**37,697**	**36,974**

Accumulated depreciation and amortization					Carrying amounts	
As of 01/01/2017	Additions	Currency translation differences	Disposals	As of 12/31/2017	As of 12/31/2017	Previous Year
-2,872	-166	-6	485	-2,559	375	416
-16,854	0	0	0	-16,854	19,870	19,542
-19,726	**-166**	**-6**	**485**	**-19,413**	**20,245**	**19,958**
-4,994	-444	-27	290	-5,175	5,697	4,774
-48,782	-5,875	722	1,601	-52,334	28,221	24,946
-9,605	-1,015	419	4,628	-5,573	3,042	3,536
0	0	0	0	0	14	477
-63,381	**-7,334**	**1,114**	**6,519**	**-63,082**	**36,974**	**33,733**

Goodwill

In accordance with IAS 36, an impairment test was performed in the past financial year. This involved allocating goodwill to cash-generating units (CGUs).

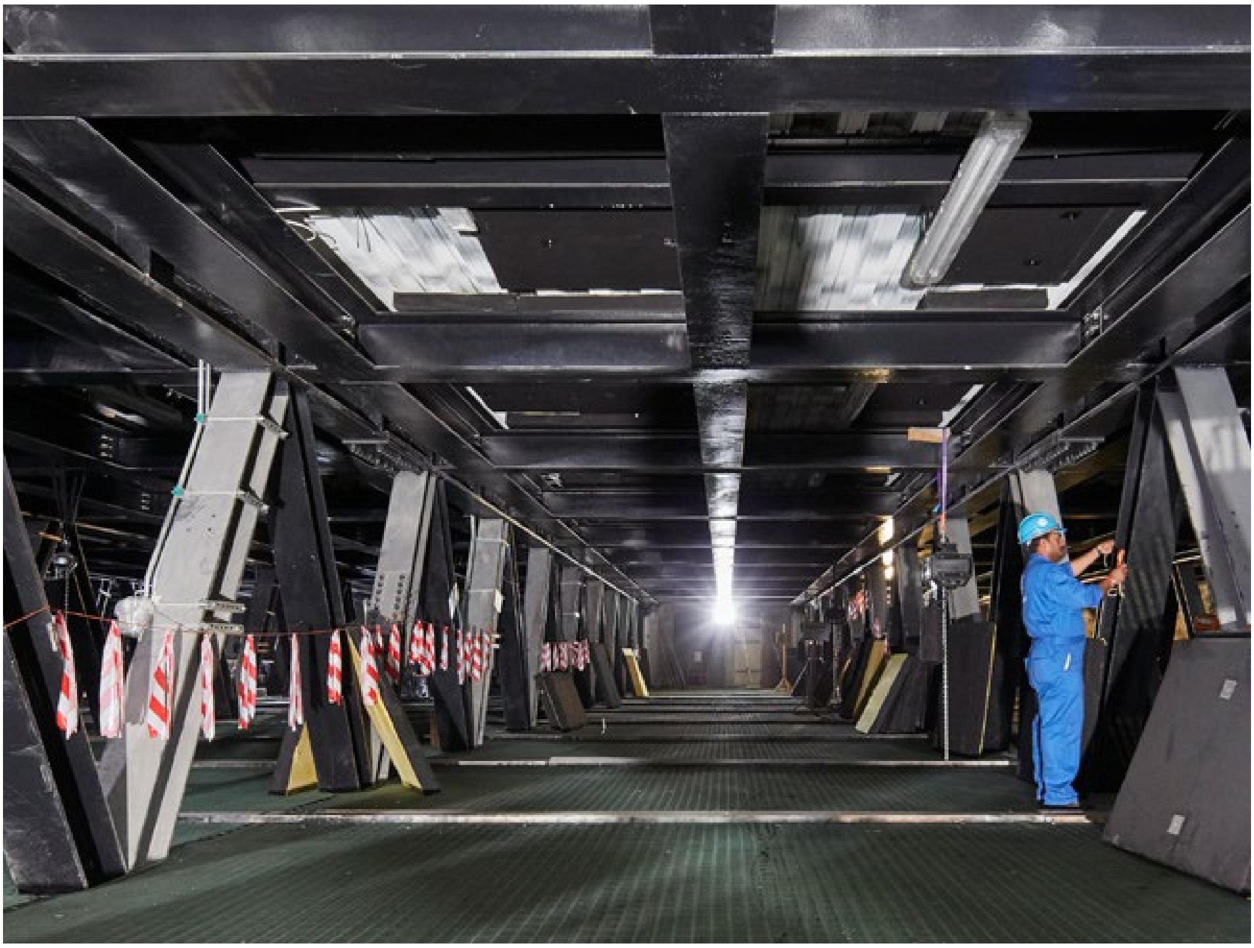
An overview of the allocation of the Group companies to CGUs and an allocation to geographic segments and services can be found under "Consolidated group" in Section V.

Sales revenue and EBIT summarized by CGU and geographic segment are listed under note 17, "Sales revenue and segment reporting".

The following table shows the changes by geographic segment:

In EUR million	12/31/2018	Impairment/ additions	Currency translation differences	12/31/2017
Europe	16.7	0.0	-0.8	17.5
Middle East	0.8	0.0	0.2	0.6
Rest of the World	1.8	0.0	0	1.8
TOTAL	19.3	0.0	-0.6	19.9

In the past, the goodwill arising from the acquisition of a foreign operation was presented in the Group's reporting currency.



Fire protection work in the Convention & Exhibition Center, Muscat/Oman

Since 2018 the goodwill arising in connection with the acquisition of a foreign operation has been presented in the functional currency in accordance with IAS 21.47 and translated at the exchange rate on the reporting date pursuant to IAS 21.39 and 42. The resulting translation differences are recognized through other comprehensive income and presented in currency translation adjustments.

Based on the carrying amount of the goodwill allocated to the CGUs, two major items stand out: the MD CGU, with €7.2 million of goodwill (previous year: €7.2 million), and the MPL CGU, with €5.8 million of goodwill (previous year: €6.3 million; change due to presentation in functional currency and the related translation difference). Together, the two CGUs accounted for 66.1% (previous year: 67.9%) of total goodwill as of December 31, 2018.

Goodwill for the respective units was tested for impairment by applying the DFC (discounted cash flow) method to the value in use based on four-year business plans (Level III valuation). The business plans were drawn up in the fourth quarter of 2018 and have been approved by the Executive Board and the Supervisory Board. The business plans are based on historic data such as experience with existing customer relationships and incorporate assumptions regarding market trends. To the extent possible, projections are based on expected sales revenue and income for each customer.

There are uncertainties regarding the underlying assumptions used in the CGU calculations, particularly with respect to: growth of sales revenue during the budget period, the trend in the EBIT margin during the budget period, the discount factor (interest rate) and the growth rate on which the cash flow projections beyond the budget period are based.

The discount rate used in the calculations was the weighted average cost of capital (WACC) for each unit after taxes. The discount rates used for the units fell into the following ranges:

Region	2018	2017
Germany	7.1%	7.3%
Poland	8.7%	9.1%
Rest of Europe	6.6% – 15.0%	6.8% – 17.7%
Middle East	9.7% – 10.8%	9.5% – 9.6%
Rest of the World	8.4%	8.5%

The weighted average cost of capital rates reflect the current market estimates of the specific risks allocable to the respective cash-generating units. These were determined on the basis of the weighted average cost of capital customary for the respective industries. The interest rate was further adjusted to take into account market estimates of all risks specifically allocable to the CGUs for which estimates of future cash flows were not adjusted. We assumed perpetuity growth rates of 0.5% for Europe (previous year: 0.5%), 1.5% for the Middle East (previous year: 1.5%) and 0.0% for the Rest of the World (previous year: 0.0%). Only for Russia was a higher growth rate of 2.5% assumed (previous year: 2.5%). The growth rates are based on the nominal growth rates used and reflect long-term, market-specific inflation rates that were adjusted to reflect the specific business segments' expected trends.

Sensitivity of assumptions used

As part of a sensitivity analysis for CGUs to which substantial goodwill has been allocated, the particularly sensitive parameters – EBIT margin and discount rate (weighted average cost of capital/WACC) – were tested. A decrease in the EBIT margin of three percentage points or an increase in the WACC of four percentage points would result in an impairment loss at the PRA CGU of €0.6 million and €0.2 million, respectively. A lower decrease in the EBIT margin and/or a lower increase in the WACC would not lead to any impairment loss. In the previous year the threshold for an impairment loss was four percentage points of EBIT margin and nine percentage points of WACC.

After careful consideration, management has concluded that the negative changes are unlikely to occur.

2. Property, plant and equipment

No impairment losses on property plant and equipment were recognized or reversed in the reporting year or in the previous year. Borrowing costs were not capitalized. Some items of non-current assets were reclassified within property, plant and equipment in the reporting year. This change in allocation is shown as a reclassification in the statement of non-current assets. This had no effect on income.

As in the previous year, no finance leases are included under property, plant and equipment.

The gross carrying amount of prepayments and equipment under construction included €0.3 million (previous year: €0.1 million) in property, plant and equipment under construction.

There were no order commitments in property, plant and equipment as of the reporting date (previous year: €0.0 million).

3. Other non-current assets

Other non-current assets largely consist of non-current project-related security deposits from customers.

4. Deferred tax assets and liabilities

The company's deferred taxes pertain to the following items:

Steel construction work

in kEUR	Deferred tax assets		Deferred tax liabilities	
	As of 12/31/2018	12/31/2017	As of 12/31/2018	12/31/2017
Accumulated tax loss carryforwards	3,659	3,682	0	0
Intangible assets	12	44	0	0
Property, plant and equipment	394	393	737	615
Trade receivables	77	76	899	726
Other assets	26	61	1	20
Pension provisions	80	82	81	0
Financial liabilities	0	5	192	261
Provisions	42	15	0	0
Trade payables and contract liabilities	70	90	0	0
Other liabilities	142	186	76	4
Netting acc. to IAS 12.74	-1,234	-691	-1,234	-691
TOTAL	3,269	3,944	753	934

In Germany there were €14.8 million of trade tax loss carryforwards (previous year: €14.8 million) and €14.4 million of corporation tax loss carryforwards (previous year: €13.9 million) as of the reporting date. There were €13.8 million of tax loss carryforwards abroad (previous year: €17.0 million).

According to the medium-term forecasts of the companies involved, a tax benefit of €3.7 million (previous year: €3.7 million) will accrue over the next five years which we have already capitalized since there is a high probability that the companies in question will have taxable profit against which the deferred tax assets can be utilized. Overall, in Group companies that reported a loss in the previous year or the current year, a surplus of deferred tax assets totaling €2.0 million was recognized (previous year: €2.1 million).

The future use of these tax benefits depends exclusively on the generation of future taxable income. There is substantial evidence that this income will be generated, including long-term customer loyalty, detailed budgets and long-term contracts. In addition to the deferred tax assets recognized for loss carryforwards, there are also domestic corporation tax losses in the amount of €7.9 million (previous year: €7.5 million) and trade tax losses of €8.4 million (previous year: €8.5 million) whose realization is not sufficiently certain and for which therefore no deferred tax assets have been recognized. Based on current laws, the loss carryforwards cannot expire. As of the reporting date, foreign loss carryforwards for which no deferred tax assets have been recognized totaled €5.1 million (previous year: €6.8 million) and in most cases may be utilized without restriction within three to 15 years.

There are taxable temporary differences relating to investments in subsidiaries (outside basis differences) totaling €1.1 million (previous year: €1.0 million) for which no deferred tax liabilities have been recognized in accordance with IAS 12.39 because there are no plans to either distribute profits or to dispose of the investments.

5. Inventories

Inventories may be broken down as follows:

in kEUR	12/31/2018	12/31/2017
Raw materials, consumables and supplies	4,762	4,013
Prepayments	78	67
TOTAL	4,840	4,080

No impairment losses were recognized on raw materials, consumables and supplies (previous year: €0.1 million).

6. Trade receivables

Trade receivables include the following items:

in kEUR	12/31/2018	12/31/2017
Receivables from services rendered	48,466	47,525
Receivables from construction contracts	26,930	21,991
Prepayments received on work in progress	-15,609	-12,212
TOTAL	59,787	57,303

As a rule, receivables from services rendered are due and payable within 30 days. In exceptional cases, the time to maturity may be up to one year. Receivables from construction contracts have the same maturities.

Overdue trade receivables for which no loss allowances has been recognized totaled €16.5 million as of the reporting date (previous year: €17.1 million).

Regarding trade receivables that are due, trade receivables that are not due and trade receivables for which no impairment loss has been recognized, there is no evidence, as of the reporting date, that the debtors will not satisfy their payment obligations. Any change in creditworthiness since the payment terms were granted is taken into account when testing trade receivables for impairment. There is currently no significant concentration of the default risk.

The following table shows loss allowances to trade receivables that are recognized through profit or loss on the consolidated income statement:

in kEUR	2018	2017
Loss allowances – as of January 1	-5,644	-4,771
Additions (loss allowances)	-805	-3,477
Reversals (other operating income)	1,010	1,720
Derecognition of impaired receivables	2,867	805
First-time application of IFRS 9 (expected loss model)	-680	n/a
Currency translation difference	90	79
Loss allowances – as of December 31	-3,163	-5,644

As of the reporting date, the company had credit insurance for €4.3 million (previous year: €5.7 million) of trade receivables.

7. Cash and cash equivalents

Cash and cash equivalents amounted to €9.9 million as of December 31, 2018 (previous year: €8.8 million) and aside from available cash and sight balances also included overnight deposits. Interest on overnight deposits averaged 0.1% (previous year: 0.1%) on the reporting date. As of the reporting date, there were no drawing restrictions.

8. Income tax receivables and liabilities

All income tax receivables and income tax liabilities are due within one year.

9. Other assets

The other financial assets included in other assets can be broken down as follows:

in kEUR	12/31/2018	12/31/2017
Security deposits	1,992	1,490
Receivables due from damage claims/insurance compensation payments	1,895	1,380
Receivables related to employees	441	833
Credits with suppliers/bonuses	272	185
Creditors with debit balances	146	223
Other financial assets	611	1,189
TOTAL	5,357	5,300

Receivables due from damage claims primarily consist of a claim against a supplier that had delivered blasting material contaminated with asbestos, leading to significant cleaning and disposal expenses as well as downtime costs.

Other non-financial assets consist of the following:

in kEUR	12/31/2018	12/31/2017
Deferrals and accruals	1,466	1,353
Other tax receivables	1,249	1,311
Receivables related to employees	338	5
Other non-financial assets	1,115	284
TOTAL	**4,168**	2,953

All other financial and non-financial assets are due within one year. For initial and subsequent measurement see note 23. Financial instruments.

During the reporting year, impairment losses of €0.1 million were recognized (previous year: €0.2 million). No additional impairment losses were necessary for financial or non-financial assets that were neither overdue nor impaired. There were no other significant financial or non-financial assets that were overdue but not impaired. Additions to and reversals of impairments are recognized through profit or loss in other operating income or expenses.

10. Equity

Subscribed capital

The share capital reported for the parent company is equal to the share capital reported for the Group. It is divided into 19,500,000 no-par-value bearer shares, each with a proportional amount of the share capital of €1.00 per share. The share capital is fully paid in.
Pursuant to the resolution adopted by the Annual General Meeting on May 24, 2016, the parent company's authorized capital amounts to €9,750 thousand (previous year: €9,750 thousand).

Capital reserve

The main element of the capital reserve comes from the compensation program for the Group's senior managers (see "Treasury shares").

Treasury shares

Muehlhan AG's Annual General Meeting on May 19, 2015 passed a resolution again authorizing the Executive Board to acquire treasury shares with a nominal value of up to €1.95 million. A buyback of company shares started in May 2018. 219,856 treasury shares were purchased for €647,252 in the reporting year. No shares were purchased in the previous year.

In 2018, 171,860 shares (previous year: 149,943 shares) were transferred under the Employee Program. Treasury shares are shown separately as deduction items totaling €537 thousand (previous year: €355 thousand). Treasury shares are measured at the average price on the reporting date.

In January 2010, Muehlhan AG introduced a new compensation program for the Group's top management level. The program has two components: a performance bonus and a value bonus. A balanced scorecard is used to measure eligibility for the performance bonus. If various agreed criteria are met at the level of the company and the Group, a cash bonus is paid. The amount of the value bonus is based on measurement of the sustainable increase in the equity of both the respective company and the Group. The beneficiary is allocated a virtual share portfolio, its value equal to the identified amount of value bonus for previous years. The shares are transferred to the recipient of the bonus in four equal tranches in the years following the year of assessment. For any transfer to take place in subsequent years, the beneficiary must still be employed by the Group. Any future negative virtual share allocations will be netted against existing claims. Once a year, the agreement can be terminated. The value bonus is recognized in accordance with IFRS 2 Share-based Payment. In 2018 a tranche of 171,860 shares (previous year: 149,943 shares) with a value of €299 thousand (previous year: €240 thousand) was transferred to the bonus beneficiaries. The fair value of the shares to be issued is measured at the share price on the grant date. The total cost of the value bonus will be divided over the four periods from the grant date until the shares vest. In 2018 the Group recognized an associated expense of €465 thousand (previous year: €402 thousand). The issuance of rights to shares is recognized in equity under capital reserves. As of the reporting date, Muehlhan AG held 198,566 treasury shares (previous year: 150,570 treasury shares).

Other reserves

Other reserves are made up of profit reserves, conversion reserve, cash flow hedge reserve and currency translation adjustments.

Profit reserves changed in the reporting year due to the valuation of treasury shares, a reclassification to retained earnings and effects from the remeasurement of net debts from defined benefit obligations (after tax) which are recognized here without effect on income.

The conversion reserve results from the first-time preparation of IFRS consolidated financial statements. First-time application of IFRS 9 reduced other reserves by €680 thousand).

The cash flow hedge reserve results from an interest rate cap arranged in the previous year. The change in the reporting year is the result of the current valuation.

The currency translation adjustment relates to foreign currency effects presented in equity.

Retained earnings

The main changes in retained earnings are the dividend payment in 2018 and the consolidated profit attributable to the shareholders of Muehlhan AG.

A dividend of €0.08 per share with dividend rights was distributed in 2018 for the financial year 2017. In the previous year the distribution came to €0.06 per share. With the Supervisory Board's approval, the Executive Board will propose to the Annual General Meeting that for financial year 2018, a dividend of €0.10 per share be distributed on the €19,500,000.00 of shares with dividend rights. As a result, the total dividend distribution will be €1,950,000.00, less the dividend on treasury shares. Payment of this dividend will be dependent on approval by the Annual General Meeting on May 15, 2019. The dividend liability will be recognized after approval by the Annual General Meeting in financial year 2019.

Non-controlling interests

MMF, MGR, MCL, MRO, MBL and MWS had non-controlling interests as of the reporting date. Muehlhan AG holds a 75% stake in MBL, a 70% stake in MMF and 51% stakes in MWS, MGR, MCL and MRO respectively. With the exception of MBL (previous year: stake of 100%) there were no changes in the equity interests compared with the previous year.

The following table shows the items of the balance sheet and the income statement, including income after taxes, of the principal companies with non-controlling interests for the financial year, pursuant to IFRS 12:

in kEUR	MCL	MMF
	12/31/2018	12/31/2018
Non-current assets	3,197	239
Current assets	5,091	2,173
Equity	2,864	1,476
of which non-controlling interests	1,450	393
Non-current liabilities	0	4
Current liabilities	5,424	932
	2018	2018
Sales revenue	17,847	5,370
EBIT	859	802
Income after taxes	541	703
of which non-controlling interests	265	211
Income after taxes, previous year	196	271
of which non-controlling interests	96	81

The income after taxes must be allocated to the other shareholders in accordance with their respective shareholdings. During the reporting year, €75 thousand of dividends were distributed to non-controlling interests (previous year: €147 thousand).

11. Pension provisions

Pension provisions totaled €0.8 million (previous year: €0.8 million). There are no plan assets.

Defined benefit pension commitments

There is a defined benefit pension commitment for a retired former managing director of a subsidiary in Germany. In addition, there are some minor pension commitments under defined benefit commitments in Poland and France.

The calculation of the provision for defined benefit retirement plans is based on the projected unit credit method, in accordance with IAS 19. The present value of the defined benefit obligation (DBO) is calculated by actuaries based on assumptions about life expectancy, increases in salary and retirement income, employee turnover, changes in the interest rate and other computational parameters. After deducting unrecognized service costs, the obligation is accrued under pension provisions.

Actuarial gains and losses based on empirical adjustments and changes in actuarial assumptions are recognized in equity under other comprehensive income in the period in which they occur, with no effect on the income statement. Past service costs are recognized in profit or loss.

The discount factor is an important parameter for calculating the amount of the provision for pensions and similar obligations. For pension obligations, it is determined based on the yields on senior fixed-interest corporate bonds observable in the financial markets on the reporting date.

Through the plans, the Group is normally exposed to the following actuarial risks:

Interest rate risk

A decline in the coupon rate will result in an increase in the plan liability.

Longevity risk

The present value of the defined benefit obligation under the plan is determined based on the best possible estimate of the expected mortality of the employee beneficiary, both during the employment contract and after it has ended. An increase in the life expectancy of the employee beneficiary will lead to an increase in the plan liability.

Salary risk

The present value of the defined benefit obligation under the plan is determined based on the future salaries of the employee beneficiaries. Therefore, increases in the salaries of the employee beneficiaries will lead to an increase in the plan liability.

Inflation risk

Some pension benefits are indexed to inflation and higher inflation will lead to an increase in the plan liability.

The present value of the defined benefit obligation under pension commitments was calculated based on the following actuarial assumptions:

in %	Germany		Poland		France	
	2018	2017	2018	2017	2018	2017
Discount rate	1.4	1.2	3.0	3.3	1.6	2.5
Future increases in salaries and pensions	2.0	2.0	3.0	3.0	–	–
Inflation rate	–	–	2.5	2.5	2.0	2.0

Employee turnover was taken into account.

The assumptions used to calculate the pension obligation in Germany are based on the “2018G Actuarial Tables” of Klaus Heubeck. A retirement age of 65 is assumed. The assumptions used to calculate the pension obligation in Poland are based on assumptions by Poland’s Central Statistical Office (GUS) and the Government Social Insurance Agency (ZUS). The assumed retirement age is 65 for men and 60 for women.

The Group’s pension provisions changed as follows:

in kEUR	2018	2017
As of January 1	755	635
Current service cost	47	112
Interest expense for vested pension entitlements	30	43
Pension benefits paid	-82	-64
Actuarial gains and losses	70	21
Exchange differences	-4	8
As of December 31	**816**	755

The actuarial gains and losses resulted from the change in financial assumptions.

Oakland Bay Bridge in California/USA

Sensitivity analyses

Holding the calculation method constant, a 1% change in the aforementioned actuarial assumptions would not result in any material change in the DBO. As a result, we will dispense with a detailed presentation of the sensitivity analysis.

Risk-balancing strategy

Since the amount of the obligation is low, Muehlhan AG has dispensed with a detailed risk management strategy for pension provisions, instead applying the general risk management concept.

Future payments

For 2019 and the following years, the pension payment is expected to be at the same level as in the reporting year.

Pension commitments under defined contribution pension plans and government pension plans

Aside from the ongoing contribution payment, defined contribution pension commitments will not lead to any additional pension obligations. Expenses for defined contribution pension plans in Germany did not exceed €50 thousand (previous year: did not exceed €50 thousand).

12. Financial liabilities

The carrying amounts of financial liabilities can be broken down as follows:

in kEUR	12/31/2018	12/31/2017
Non-current		
Liabilities to banks	15,114	14,068
TOTAL	**15,114**	14,068
Current		
Liabilities to banks	18,141	17,685
TOTAL	**18,141**	17,685

In July 2017 Muehlhan AG replaced its existing syndicated loan agreement for Group financing with a new syndicated loan agreement for a total credit line of €65.0 million, lead managed by Commerzbank AG. The loan is divided into three tranches. Tranche A is a term loan for €20.0 million maturing in 2022. Tranche B is a bullet loan for €20.0 million maturing in 2022 with a one-year renewal option. Tranche C (€25.0 million, with the option of increasing by up to another €25.0 million) is a revolving loan that is available until mid-2022 to finance working capital requirements, with the option of renewing until mid-2023. All the tranches pay interest at EURIBOR plus a margin of 2.0% to 3.5%, dependent on performance indicators. The main subsidiaries have provided guarantees to the banking syndicate as collateral for the loan. No tangible collateral was provided. Muehlhan AG has committed to comply with terms and conditions for the financing. In addition to obligations to notify the banking syndicate, these primarily include compliance with an equity ratio, a net debt ratio and an interest coverage ratio. The financing terms and conditions were satisfied in the previous year and during the current financial year. The loans were measured at amortized cost after allowing for the transaction costs (€0.5 million). The loans totaled €30.1 million on the reporting date (previous year: €25.6 million). In addition, the subsidiaries had other non-current and current liabilities to banks.

The Muehlhan Group has credit lines totaling €66.4 million (previous year: €70.5 million). These include loans with scheduled monthly payments of principal and interest, as well as freely available bank credit lines, some of which can also be used for guarantees. Additionally, it has guarantee facilities totaling €112.8 million (previous year: €108.5 million) from Euler Hermes Kreditversicherungs AG, Zurich Versicherung Aktiengesellschaft and Zurich Insurance Public Limited Company, USA. In addition to liabilities to banks totaling €33.3 million (previous year: €31.8 million), guarantee credits totaled €30.5 million as of December 31, 2018 (previous year: €75.0 million). On the reporting date, aside from cash and cash equivalents, the company had at its disposal unutilized loan, overdraft and guarantee facilities in the amount of €115.5 million (previous year: €71.8 million). The effective interest rate on financial liabilities averaged 3.50% during the financial year (previous year: 3.16%). As the effective interest method was applied, the figures shown on the balance sheet were equal to the fair value.

The term loans will result in cash outflows of €4.1 million in 2019 (previous year, for 2018: €4.2 million) and €4.1 million in 2020 (previous year, for 2019: €4.1 million). In the period thereafter (two to five years), the cash outflow will total €12.2 million (previous year: €10.3 million).

The scope of the Group's finance leases is insignificant.

13. Derivative financial instruments

As a cash flow hedge, Muehlhan AG has entered into an interest rate cap transaction ("cap") to limit the variable interest rate on a portion of the syndicated loan. As of the reporting date, the fair value of the cap was €-24 thousand (previous year: €-89 thousand). The cap and the syndicated loan have matching maturities. In the consolidated statement of comprehensive income, the effect of the cap in the reporting year was €65 thousand (previous year: €-74 thousand).

14. Provisions

The changes in provisions are shown in the following table:

in kEUR	As of 01/01/2018	Utilization	Reversal	Addition	Currency translation effect	As of 12/31/2018
Employees	1,248	-1,113	-16	2,982	17	3,119
Warranty	1,147	-650	-110	525	-1	910
Tax risks	1,307	-912	0	88	7	491
Litigation	91	-21	0	0	0	70
Anticipated losses	143	-143	0	12	0	12
Other	186	-180	-6	71	7	77
TOTAL	**4,122**	**-3,019**	**-132**	**3,679**	**30**	**4,679**

The provisions have the following maturities:

in kEUR	As of 12/31/2018	Due < 1 year	Due 1–5 years	Due > 5 years
Employees	3,119	2,287	34	798
Warranty	910	441	469	0
Tax risks	491	491	0	0
Litigation	70	70	0	0
Anticipated losses	12	12	0	0
Other	77	77	0	0
TOTAL	**4,679**	**3,378**	**503**	**798**

15. Trade payables and contract liabilities

All liabilities have a term to maturity of one year or less. Trade payables include contract liabilities of €3.4 million and result from payments received without any obligations having been performed to date. As of January 1, 2018 there were no contract liabilities. The performance obligations shown as contract liabilities will be satisfied in 2019. Income is allocated to contract liabilities using the percentage of completion method.

Servicing wind turbines

16. Other liabilities

The other financial liabilities included in other liabilities can be broken down as follows:

in kEUR	12/31/2018	12/31/2017
Liabilities to employees	8,432	8,560
Sales bonuses/bonuses	172	0
Liabilities to non-controlling interests	126	0
Security deposits	45	130
Liabilities from the purchase of property, plant and equipment	19	462
Debtors with credit balances	6	299
Other financial liabilities	986	1,217
TOTAL	**9,786**	10,668

Other non-financial liabilities can be broken down as follows:

in kEUR	12/31/2018	12/31/2017
Liabilities for other taxes	3,659	3,101
Deferrals	509	1,507
Liabilities from social security	1,515	1,685
Liabilities to employees	1,378	884
Prepayments received	173	723
Other non-financial liabilities	439	530
TOTAL	**7,673**	8,430

All other financial and non-financial liabilities are due within one year.

IX. Notes to the income statement and the cash flow statement

17. Sales revenue and segment reporting

Muehlhan generates sales revenue by providing services in the areas of surface protection, passive fire protection, scaffolding and access technology, steel construction and insulation. For a more detailed description of the geographic segments, please refer to the comments in the Group management report. The overview in Section V, Consolidated group, shows which services are provided by each geographic segment.

Segment reporting is based on the management approach, in accordance with IFRS 8. Management control and, therefore, internal reporting are both organized primarily by geographic region. The Group's activities are broken down into the geographic regions of Europe, the Middle East, North America and Rest of the World. Central functions and consolidation effects are shown separately in order to ensure that they are reconciled to the Group as a whole. The Muehlhan Group's internal reporting distinguishes the following business segments: Ship, Oil & Gas, Renewables and Industry/Infrastructure. Reporting is broken down by external revenue and EBIT (profit from operations) in line with the accounting and valuation methods discussed in these notes.

Assets and liabilities are not broken down by segment, as this information is not collected for internal reporting purposes. The same applies to income taxes paid/income tax refunds. The financial result is primarily allocated to the holding company.

Intersegment sales and revenues are always reported at prices that would also apply to arm's length transactions. Depending on where the respective companies are headquartered, external revenue come primarily from:

in kEUR	2018	2017
Denmark	65,510	45,069
Germany	53,390	47,366
Netherlands	26,897	23,134
USA	22,074	20,956
Poland	20,359	24,666
Other	79,569	86,527
TOTAL	**267,799**	247,718

Other countries each account for less than 10% of the Group's external revenue.

Breakdown by geographic segment

The MSI Group, which is allocated to Rest of the World, generally provides offshore services in international waters.

Floating crane "Saipem 7000",
Rotterdam/Netherlands

2018

in kEUR	Europe	Middle East	North America	Rest of the World	Holding company	Reconciliation	Group
External revenue	212,014	22,840	22,074	10,739	132	0	267,799
Intersegment sales	126	0	0	30	4,087	-4,244	0
Sales revenue	212,140	22,840	22,074	10,770	4,219	-4,244	267,799
EBITDA*	16,562	2,497	2,597	1,225	-4,575	0	18,306
Depreciation and amortization	-6,231	-634	-830	-14	-535	0	-8,244
EBIT**	10,331	1,863	1,767	1,211	-5,110	0	10,062
Investment in property, plant and equipment	**7,988**	**252**	**784**	**5**	**209**	**0**	**9,238**

2017

in kEUR	Europe	Middle East	North America	Rest of the World	Holding company	Reconciliation	Group
External revenue	192,524	20,748	21,056	13,221	168	0	247,718
Intersegment sales	15	57	2	0	6,627	-6,701	0
Sales revenue	**192,540**	**20,806**	**21,058**	**13,221**	**6,795**	**-6,701**	**247,718**
EBITDA*	12,958	1,910	2,879	1,401	-3,119	0	16,029
Depreciation and amortization	-5,496	-614	-826	-45	-518	0	-7,500
EBIT**	**7,462**	**1,296**	**2,052**	**1,356**	**-3,637**	**0**	**8,529**
Investment in property, plant and equipment	**11,834**	**318**	**683**	**11**	**324**	**0**	**13,171**

* EBITDA: Earnings before interest, taxes, depreciation and amortization
** EBIT: Earnings before interest and taxes

Breakdown by business segment

The following table provides a breakdown of external revenue and EBIT by business segment:

	External revenue		EBIT	
in kEUR	2018	2017	2018	2017
Ship	54,317	56,165	4,088	5,740
Oil & Gas	83,471	73,260	5,178	1,977
Renewables	33,582	32,572	3,674	2,991
Industry/Infrastructure	96,311	85,504	2,510	2,272
Central divisions/ consolidation	118	217	-5,389	-4,451
TOTAL	267,799	247,718	10,062	8,529

The companies are allocated to business segments and services based on their business activities during the reporting year. Knowledge and the necessary materials and equipment can be transferred quickly within the Group, meaning it is generally quite feasible to enter new business segments and to provide additional services. Such flexibility means we are well equipped to satisfy customer needs.

Sales revenue is generated almost exclusively by providing services in the regions and business segments mentioned. Contracts with customers include both fixed prices and variable payments as work is completed. For contracts with variable payments the work completed is billed monthly. Payments on account are agreed for fixed-price contracts, especially if the performance obligation is satisfied over a longer period.

Work has begun on contracts for a total of €26.9 million. Revenue of €111.6 million is expected from these contracts, of which €67.3 million has been

Steel bridge construction

or is expected to be performed in 2019 but has not yet been billed. Contracts with forecast revenue of €35.4 million will be performed in 2020 and other contracts with a volume of €8.9 million will be performed after 2020. Guarantees and warranty obligations exist for the statutory periods or those customary in the industry.

No costs have been capitalized for acquiring contracts. On the reporting date, costs in connection with the performance of customer contracts are reported under trade receivables.

18. Cost of materials and purchased services

This item may be broken down as follows:

in kEUR	2018	2017
Expenditures for raw materials, consumables and supplies	-42,636	-42,550
Cost of purchased services	-43,345	-37,010
TOTAL	-85,981	-79,560

19. Expenses for employees

The average number of employees was:

Number	2018	2017
Europe (incl. central divisions)	2,315	2,265
Middle East	602	545
North America	105	104
Rest of the World	15	15
TOTAL	3,037	2,929

Expenses for employees include:

in kEUR	2018	2017
Wages and salaries	-107,127	-96,520
Social security and pension benefits	-19,967	-19,866
TOTAL	-127,093	-116,387

Expenses for research and development, which consists mainly of expenses for employees, totaled €0.3 million for the financial year (previous year: €0.3 million).

20. Other operating income and expenses

Other operating income (2018: €4.1 million; previous year: €10.3 million) consist mainly of income from the reversal of loss allowances for trade receivables (€1.0 million; previous year: €1.7 million). Exchange gains totaled €0.8 million (previous year: €1.3 million).

Other operating expenses consisted of:

in kEUR	2018	2017
Travel expenses	-7,716	-6,885
Rent	-6,037	-5,514
Consultancy fees	-4,083	-4,349
Motor vehicle expenses	-4,000	-3,129
Repairs	-3,828	-3,849
Insurance	-2,457	-2,992
Training and other HR activities	-1,872	-1,560
Exchange rate losses	-1,264	-1,333
Loss allowances for trade receivables	-805	-3,477
Other operating expenses	-8,472	-12,925
TOTAL	-40,534	-46,013

The aforementioned currency gains and losses relate to translation adjustments within the meaning of IAS 21.52a.

21. Financial result

The financial result included €0.1 million (previous year: €0.1 million) of interest income and total financing expenses consisting of interest expense and guarantee fees of €1.7 million (previous year: €2.2 million).

22. Tax result

Taxes on income may be broken down as follows:

in kEUR	2018	2017
Current income tax expense	-2,457	-2,004
Deferred taxes (expense; previous year: income)	-471	359
TOTAL	-2,928	-1,645

Reconciliation of theoretical and actual tax expenses:

in kEUR	2018	2017
Earnings before taxes from continuing operations	8,449	6,373
Theoretical tax expense at MYAG's tax rate 31.5%	-2,661	-2,007
Differing foreign tax rates	694	797
Tax-free income and non-deductible expenses	-246	205
Loss allowance for and/or non-recognition of deferred tax assets	-231	-491
Effects of amortization of goodwill	-29	-16
Effects of changes in tax rates	-3	-397
Effects of previously unrecognized deferred tax assets on tax loss carryforwards and temporary differences	56	210
Prior period tax income (previous year: Expense)	-572	93
Other	63	-39
Income tax expense for continuing operations recognized on the income statement	**-2,928**	**-1,645**
Effective tax rate	34.7%	25.8%

23. Financial instruments

Muehlhan carries financial assets and liabilities almost exclusively at amortized cost using the effective interest method, less impairments. Gains and losses are recognized in consolidated income if the loans and receivables are impaired or derecognized. The interest effects of applying the effective interest method and translation differences are also recognized through profit or loss.

Equity interests must be measured at fair value. Amortized cost is a reasonable estimate of fair value for the recognized equity interests, since there is not sufficient more recent information available to measure fair value.

24. Earnings per share

Earnings per share are calculated as follows:

		2018	2017
Consolidated income allocable to investors of Muehlhan AG	in kEUR	5,003	4,074
Plus/minus earnings from discontinued operations	in kEUR	0	74
Consolidated profit	in kEUR	**5,003**	**4,149**
Average number of ordinary shares	number	19,289,339	19,211,021
Earnings per share from continuing operations	in EUR	**0.26**	**0.22**

Since there were no potential ordinary shares as of the reporting date, basic and diluted earnings per share are identical.

25. Consolidated statement of comprehensive income

The item "Future cash flow hedge" amounting to €-24 thousand contains a tax component of €-20 thousand (previous year: €24 thousand). As in the previous year, the item "Currency translation difference" does not contain a tax component. The currency translation differences reclassified and recognized in the consolidated income statement resulted partly from the deconsolidation of the Czech subsidiary MCZ.

26. Consolidated cash flow statement

The following table shows the reconciliation of the items contained under cash outflow/inflow from financing activities, in accordance with IAS 7.44A et seq.:

		Changes affecting cash flow		Non-cash changes		
in kEUR	12/31/2017	Repayments	Borrowings	Changes due to exchange rate fluctuations	Change in fair value	12/31/2018
Non-current financial liabilities	14,068	-4,070	5,034	62	20	15,114
Current financial liabilities	17,685	-11,104	11,502	58	0	18,141
Total liabilities from financing activities	**31,754**	**-15,174**	**16,536**	**120**	**20**	**33,255**

X. Other disclosures

27. Risk management

Capital risk management

The Muehlhan Group pursues the goal of securing the entire amount of shareholders' equity reported on the balance sheet for the long term, while generating a reasonable return on capital employed. At the same time, external minimum capital requirements are taken into account. In order to secure the equity shown on the balance sheet, the Group may, among other things, change dividend payments to shareholders (see note 10, Equity). The objectives, guidelines and procedures are the same as in the previous year. The Group pursues the goal of generating a reasonable return on capital by continually adjusting and expanding the range of services offered, through efficient corporate management and through organic growth and acquisitions.

As of December 31, 2018, the Group had a consolidated equity ratio of 45.2% (previous year: 44.9%). Every month, external minimum capital requirements are reviewed in connection with the syndicated loan agreement (see note 12, Financial liabilities).

Financial risk management

The parent company performs various treasury services for the Group companies. On the one hand, it prepares a liquidity forecast at regular intervals; on the other hand, a cash pooling system is used whenever it is structurally possible to do so. In addition, the parent company administers, monitors and issues loans and provides bonding capacity, both on its own and in cooperation with specialized outside companies. We assess the specific risk exposures as follows:

Default risk

Default or credit risks exist when contractual partners do not meet their obligations. Muehlhan regularly analyzes the creditworthiness of every major debtor and grants credit limits on this basis. As the Muehlhan Group operates worldwide and has a diversified customer base, there are no significant concentrations of default risk. The Muehlhan Group's maximum default risk is equal to the carrying amount of all financial assets plus the not yet invoiced portion of contract performance bonds issued minus receivables covered by credit insurance and prepayments received (see note 6, Trade receivables).

Currency risk

More than 64% (previous year: more than 67%) of the Group's sales revenue are generated in euros or Danish krone, which scarcely fluctuates in relation to the euro. Basically, the remaining sales revenue generated in foreign currencies are offset by expenses in the same currencies, meaning that the currency risk from operations for the other Group companies is limited to the respective companies' contribution to income. This does not apply to the MSI Group, whose operating business has exposure to foreign currency risks involving the Brazilian real, the Norwegian krone, the US dollar and the euro. The Polish companies are exposed to currency risks between the Polish zloty and the currencies of the countries in which they operate. The issuance of intragroup loans from the holding company to foreign subsidiaries, and vice-versa, also involves currency risks.

The Group generally does not hedge this risk. The Group reported an exchange rate loss of €0.5 million for 2018 (previous year: gain of €0.1 million).

IFRS 7 requires a sensitivity analysis of each type of market risk to which the company is exposed; in addition, the materiality principle must be observed, in line with IAS 1. Sensitivity analyses are used to determine which effects a change in the respective risk variables would have on profits/losses and on equity on the reporting date. The periodic effects are determined by relating the hypothetical changes in the risk variables to the position on the reporting date. It is assumed that the position on the reporting date is representative of the entire year. The sensitivity analysis showed that there was no material exchange rate risk.

Liquidity risk

Liquidity planning systems ensure early detection of any risks from cash flow fluctuations. The new syndicated loan agreement concluded last year has effectively improved the Group's liquidity situation and provides flexibility for financing growth projects (see note 12, Financial liabilities).

Interest rate risk

Interest rate risk exists because of potential changes in the market rate of interest; such risk may lead to a change in the fair value of financial instruments with fixed interest and to fluctuating interest payments on financial instruments with variable interest. The Group has no fixed interest financial instruments. Financial instruments at floating rates of interest primarily include the syndicated loan (see note 12, Financial liabilities) and cash and cash equivalents. A portion of the syndicated loan is hedged against additional interest rate increases above a defined interest rate (see note 13, Derivative financial instruments).

The main variable interest rate risk positions are shown in the following table:

in kEUR	12/31/2018	< 1 year	1–5 years	> 5 years
Cash and cash equivalents	9,900	9,900	0	0
Financial liability	33,255	18,141	15,114	0
Net risk position	**23,355**	**8,241**	**15,114**	**0**

The interest rate risk is shown by means of a sensitivity analysis in accordance with IFRS 7. This presents the effects of a change in market interest rates on consolidated profit.

A 100 basis point (50 basis point) increase/decrease in the relevant interest rates would have changed consolidated profit as of December 31, 2018 as follows:

	12/31/2018	
in kEUR	+ 100 BP	- 50 BP
Effect on earnings	-399	244

The negative or positive effect of a 100 basis point (50 basis point) increase/decrease in the base rate is mainly due to the discounting of non-current assets and liabilities.

28. Discretionary decisions and estimates

To fulfill our duties when preparing the consolidated financial statements, we sometimes have make discretionary decisions, assumptions and estimates that affect the amounts of assets and liabilities, income, expenses and contingent liabilities reported, as well as how these are classified. Estimates and discretionary decisions are reassessed continually and are based on historical experience and other factors, including expectations about future events that appear reasonable given the circumstances. The Group makes assumptions and estimates about the future. Actual values may differ from the assumptions and estimates in particular instances. Adjustments are reported as gains or losses on the date when more information becomes available.

On the reporting date, management essentially made the following future-oriented assumptions and identified discretionary decisions and major sources of uncertainty relating to estimates which may give rise to a significant risk that a substantial adjustment will have to be made within the next financial year to the assets and liabilities shown:

- Testing goodwill for impairment: The impairment test for goodwill is based on forward-looking assumptions. The Group conducts these tests annually and more often if there is evidence that a goodwill impairment might have occurred. It entails measuring the recoverable amount for the cash-generating unit, which is the higher of the fair value less costs of disposal and the value in use. Calculating the value in use involves making adjustments and estimates relating to the projection and discounting of future cash flows. Although management believes the assumptions used to calculate the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses which could adversely affect the net assets, financial position and results of operations.

- Impairments: The Group tests its non-current assets for impairment. Above all, such a test involves making estimates of future cash flows. A future change in economic and financial circumstances may lead to lower cash flows and thus to an impairment.

- Loss allowances: The Group recognizes loss allowances for credit-impaired receivables to reflect expected losses due to customers' insolvency. The Group bases its assessment of the appropriateness of loss allowances for credit-impaired receivables on the maturity structure of receivable balances and past empirical data on the derecognition of receivables, customers' creditworthiness and changes in payment terms. If the customers' financial situation deteriorates, the actual amounts that have to be derecognized could exceed expectations.

- Income taxes: The Group has a duty to pay income taxes in various countries. Key assumptions are therefore required to calculate the worldwide provision for income taxes. For some business transactions and calculations, the ultimate level of taxation cannot be determined conclusively during the normal course of business. If the ultimate level of taxation of these business transactions differs from the initial assumptions, this will affect actual and deferred taxes in the period in which the level of taxation is determined conclusively. Estimates are required in order to set up tax receivables and provisions and to assess the recoverability of deferred tax assets resulting from loss carryforwards. In particular, when judging the recoverability of deferred tax assets, there is uncertainty regarding the amount and probability of future taxable income.

  Deferred tax assets and liabilities are measured on the basis of statutory tax rates for the future financial years in which the Group expects the temporary differences to reverse. If the tax rate changes, the effect of the new tax rate on deferred tax assets and liabilities is recognized in profit or loss in the reporting period in which the tax rate change is enacted.

- Fair value of derivative financial instruments and other financial instruments: The fair values of derivatives and other financial instruments not traded in an active market are determined using appropriate measurement techniques selected from a wide variety of methods. The valuation parameters required to value the instruments on the reporting date are based as far as possible on available market terms and conditions and as little as possible on company-specific data. The Group uses the present value method to determine the fair value of financial assets available for sale that are not traded in active markets.

- Pension provisions: Pension obligations for benefits to employees are covered by plans that are classified and reported as defined benefit plans. Retirement pension expenses are calculated in accordance with actuarial methods based on assumptions about the interest rate, life expectancy, salary and pension trends, employee turnover and other calculation parameters. Changes in assumptions may affect the future amount of pension expenses.

- Other provisions: Other provisions are recognized on the date when an obligation to external third parties is probable and can be reliably estimated. The Group measured provisions in accordance with IAS 37. For other provisions, estimates are made regarding the amount and likely utilization.

- Revenue recognition: Some revenues from the provision of services are reported using the percentage of completion method. Here, the Group estimates the ratio of services already performed as of the reporting date to the total amount of services to be performed.

- Accounting for acquisitions: When acquiring equity stakes, estimates are required in order to determine the fair value of assets and liabilities.

- Useful life: The expected useful life of property, plant and equipment is based on assumptions and estimates.

29. Related party transactions

Transactions between affiliated companies have been eliminated upon consolidation and are not discussed in these notes. Transactions with related parties are conducted at terms that would also apply to arm's length transactions. Only a small number of transactions involved unconsolidated Group companies (sales revenue of unconsolidated companies with consolidated companies: €0.1 million; previous year: €0.1 million).

The composition of the Executive Board and the Supervisory Board is discussed in note 34, Executive Board, and note 33, Supervisory Board. Supervisory Board member Mrs. Andrea Brandt (maiden name: Greverath) is also a related party within the meaning of IAS 24.9. Mrs. Brandt and the companies controlled by her are referred to as "Greverath Property" in the following paragraphs. In 2018, the Group's expenses relating to Greverath Property totaled €259 thousand (previous year: €268 thousand) and consisted of rent, real estate taxes and Supervisory Board compensation (see note 34, Supervisory Board).

As of the reporting date, liabilities to Greverath Property totaled €3 thousand (previous year: €11 thousand).

30. Obligations under operating leases

The company rents and leases office space, production halls, technical equipment, office equipment and vehicles. The lease agreements generally have residual terms not exceeding five years. Some contracts contain a renewal option under which the term of the agreement may be extended if the contractually agreed term has not yet expired. In most cases, premature termination is also possible. Existing price adjustment clauses merely refer to passing on tax and operating cost adjustments. Some contracts contain an option to purchase the asset at the current market price at the end of the contract. The agreements are customary in the industry. The respective obligations to make lease payments will lead to cash outflows of €2.2 million over the next year (previous year: €2.3 million, adjusted) and cash outflows totaling €4.8 million for the following period (up to 5 years) (previous year: €4.0 million, adjusted) and in the period after five years to cash outflows of €1.4 million (previous year: €1.8 million, adjusted). These are minimum lease payments.

A leasehold agreement exists for land in the United Kingdom. Its residual term is 92 years. The lease payments total €5.7 million, of which €62 thousand will fall due over the next year and €5.3 million after five years.

31. Other financial commitments and contingent liabilities

On the reporting date, performance bonds issued entailed the customary contingent liabilities. There were no other financial obligations of material significance as of the reporting date.

32. Auditors' fees

The Annual General Meeting appointed Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the consolidated financial statements for financial year 2018. In 2018, the auditors' total fees amounted to €125 thousand for financial statement auditing services (previous year: €124 thousand) and €28 thousand for other audit-related services (previous year: €4 thousand), bringing the total amount charged for all services to €153 thousand (previous year: €126 thousand).

33. Executive Board

The following persons were members of the parent company's Executive Board:

- Mr. Stefan Müller-Arends, Chairman of the Executive Board, St. Augustin
- Dr. Andreas C. Krüger, Member of the Executive Board, COO, Hamburg
- Mr. James West, Member of the Executive Board, responsible for the Oil & Gas segment, Aberdeenshire, UK

One Executive Board member may represent the company jointly with another Executive Board member or an authorized signatory (Prokurist), with the authority to enter into legal transactions on behalf of the company, including legal transactions with a third party where he is acting as the legal representative of such third party. The compensation for the Executive Board covered by Muehlhan AG totaled €1,388 thousand for the financial year, including €819 thousand of ongoing fixed compensation, €285 thousand of ongoing variable compensation and €285 thousand of expenses for the bonus program (previous year: €1,351 thousand, including €823 thousand of fixed compensation, €323 thousand of variable compensation and €205 thousand of expenses for the bonus program). Expenses relating to the bonus program constitute share-based compensation; the other compensation consists of payments that are due in the short term.

34. Supervisory Board

During the reporting year, the following persons were members of the Supervisory Board:

- Mr. Philip Percival, London, UK (Chairman)
- Dipl.-Ing. Dr. Gottfried Neuhaus, Managing Shareholder of Neuhaus Partners GmbH, Hamburg (Vice Chairman)
- Mrs. Andrea Brandt (maiden name: Greverath), Managing Partner of GIVE Capital GmbH, Hamburg

The Supervisory Board was paid €64 thousand for reimbursement of expenses for the financial year (previous year: €63 thousand). As in the previous year, €50 thousand of which is the fixed component while the variable component accounted for €14 thousand (previous year: €13 thousand). Payments to reimburse expenses are payable within the short term.

35. 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 the reporting date.

36. Approval of the financial statements

The consolidated financial statements and the Group management report of Muehlhan AG are published in the electronic version of the Federal Gazette (Bundesanzeiger). On March 19, 2019 the consolidated financial statements and the Group management report were approved for publication by the Executive Board.

Hamburg, March 19, 2019,

Executive Board

Stefan Müller-Arends *Dr. Andreas C. Krüger* *James West*

05

Additional Information

Convention & Exhibition Center, Muscat/Oman

Muehlhan AG, Hamburg

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT AS OF 31 DECEMBER 2018

Independent Auditor's Report*

To Muehlhan AG, Hamburg

Audit Opinions

We have audited the consolidated financial statements of Muehlhan AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss and statement of consolidated comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Muehlhan AG, Hamburg, for the financial year from 1 January 2018 to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible

Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.

for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.

Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamburg, 19 March 2019

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Von Oertzen	*Pritsch*
Wirtschaftsprüfer	*Wirtschaftsprüfer*
[German Public Auditor]	*[German Public Auditor]*

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CONTACT

Muehlhan AG
Schlinckstrasse 3
21107 Hamburg, Germany
Phone +49 (0)40 752 71-0
Fax +49 (0)40 752 71-123
www.muehlhan.com

Investor Relations
Frithjof Dorowski
Phone +49 (0)40 752 71-166
investorrelations@muehlhan.com

FINANCIAL CALENDAR

May 6, 2019	Publication of 1st quarter figures 2019
May 15, 2019	Annual General Meeting Muehlhan AG
August 2, 2019	Publication of half-yearly report 2019
November 7, 2019	Publication of nine-month figures 2019

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NOTES

The Annual Report is published in German and English. The German version is authoritative.
For further information about the company visit the website at www.muehlhan.com.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements related to the prospects and progress of Muehlhan AG. These statements reflect the current views of the management and are based on projections, 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.

Annual Report 2018

Muehlhan