Muehlhan




Annual Report

2021

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

2,800+ 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 specialists for all your 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. 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.

The **Muehlhan Group** is one of a few full-service providers that offer their customers a broad spectrum of industrial services with professional industrial quality standards. Our customers benefit from our exceptional organizational skills, on-time delivery, the technical expertise that differentiates us from our competitors, and 140 years of experience.

Our **Renewables, Ship, Construction/Infrastructure** and **Oil & Gas** business segments offer first-class solutions for services for wind turbines, access technology and scaffolding, surface protection, passive fire protection, steel construction and insulation. With **more than 2,800 employees at over 30 locations** worldwide, we generated nearly €300 million of revenues in 2021.

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		2021	2020
Results			
Revenues		298,516	260,382
Earnings from operations before depreciation and amortization (EBITDA)		27,205	14,403
Earnings from operations (EBIT)		16,742	3,035
Earnings before income taxes (EBT)		14,884	1,336
Consolidated income attributable to shareholders of Muehlhan AG		8,270	305
Earnings per share from continuing operations	in EUR	0,43	0,02
Cash flow from operating activities		-5,019	11,759
Investment in property, plant and equipment (without leases)		4,232	4,311
Balance sheet		**12/31/2021**	**12/31/2020**
Total assets		147,948	161,596
Fixed assets[1]		38,357	63,490
Equity		77,336	69,164
Equity ratio	in %	52,3	42,8
Employees		**2021**	**2020**
Employees (annual average)	number	2,818	2,790

[1] Fixed assets: total of non-current assets less deferred tax assets

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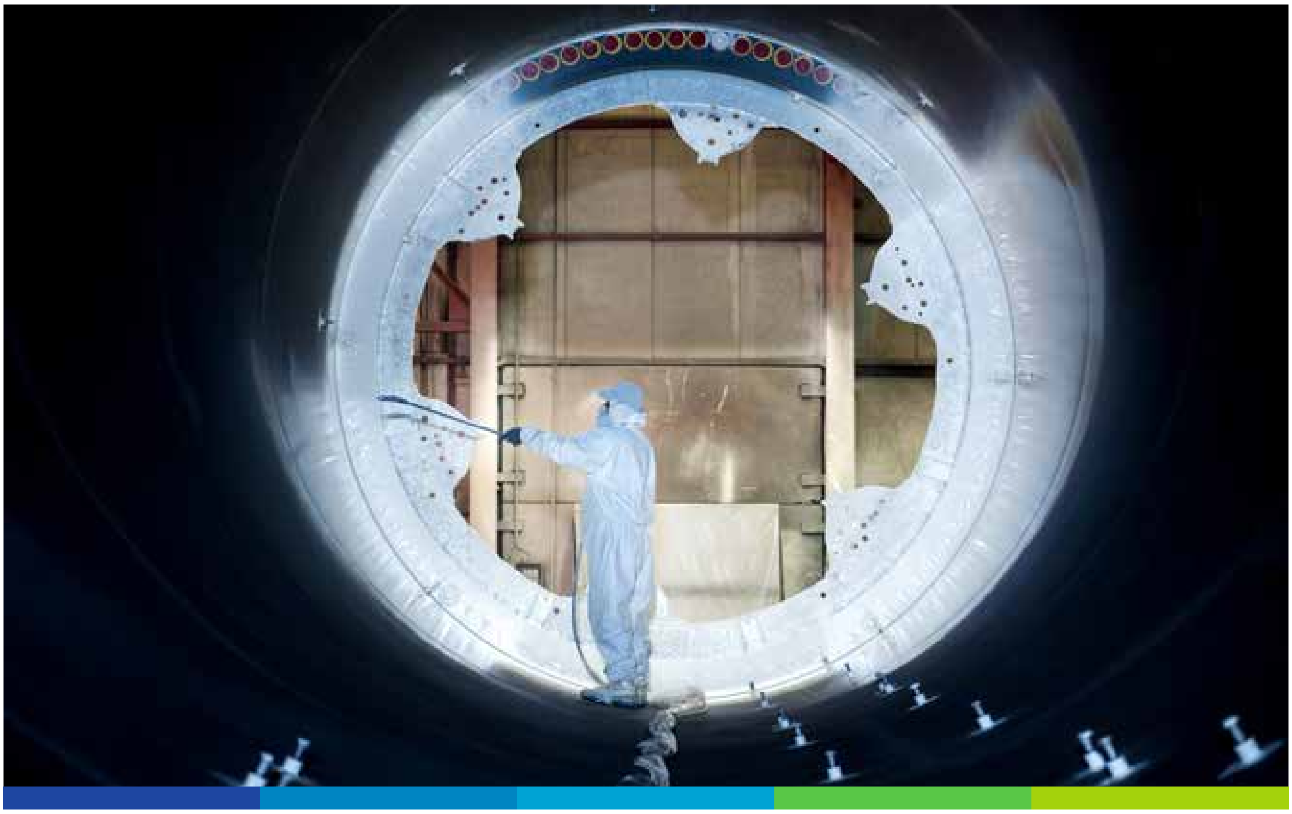
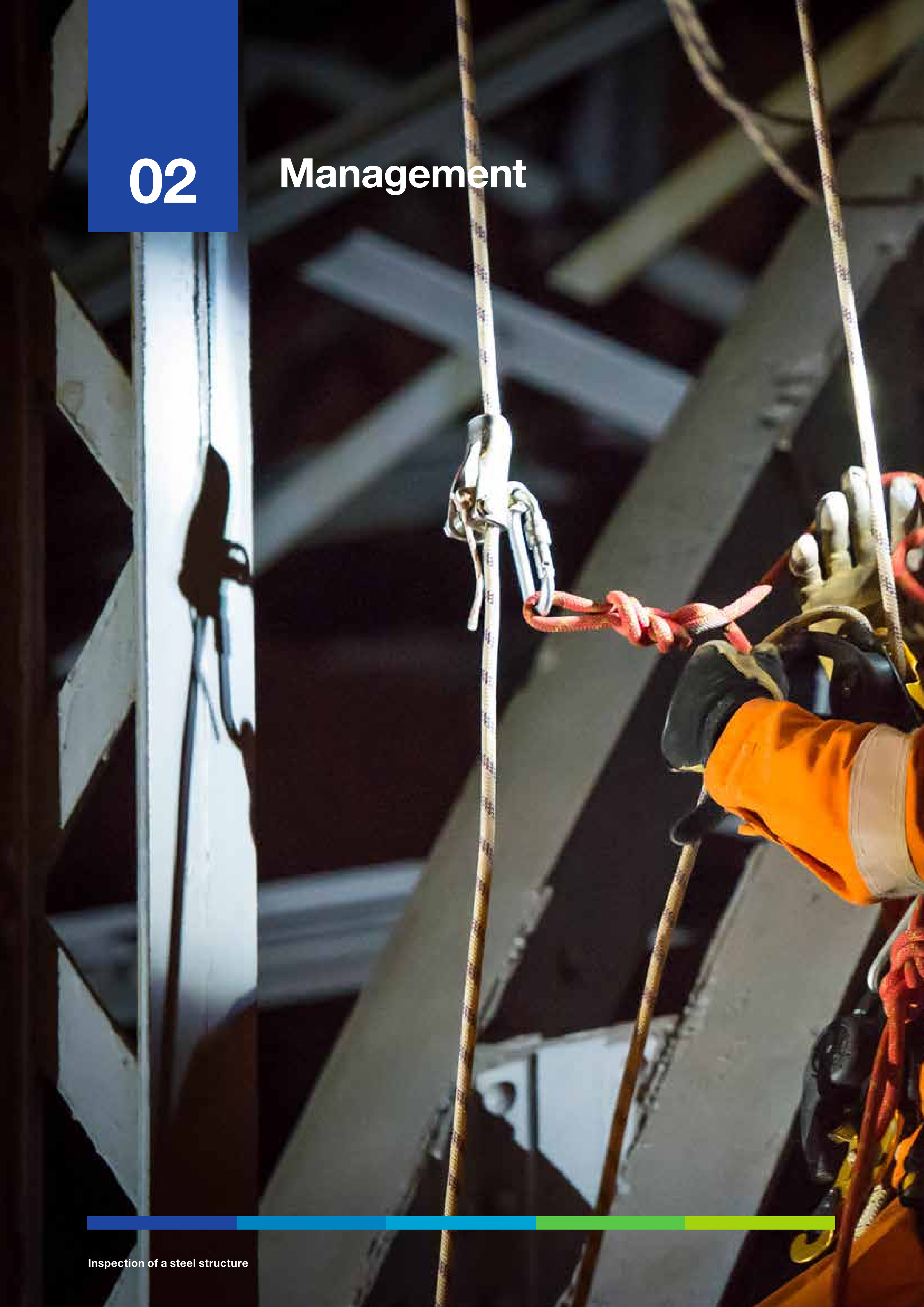


Surface protection work on a wind turbine

02 Management



Inspection of a steel structure



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 eleven years. Since 2011, he has been leading the Muehlhan Group as Chief Executive Officer.

Gautam Arya
Member of the Executive Board, COO
Dubai, United Arab Emirates

Gautam Arya holds a degree in engineering and attended an executive program at Stanford University. He joined Muehlhan in Singapore in 2001 and became responsible for the Middle East business in 2008. In 2022, Mr. Gautam Arya also became a member of the Executive Board and is responsible for the operating business.

Thorsten Hell
Member of the Executive Board, CFO
Hamburg, Germany

Thorsten Hell has a degree in business studies. He joined Muehlhan AG in 2012 after holding various roles in managerial accounting at TA Triumph-Adler Group and Körber Group in Hamburg. He became Head of Controlling in 2013 and has been responsible for the finance function since 2017, culminating in his appointment as CFO at the start of 2022.

Dear shareholders,

2021 was a year of important changes for Muehlhan. In the regular course of adapting the Group strategy to continuous changes in the market and competitive environment, the Executive Board and Supervisory Board decided to focus the Group's activities on a smaller number of core business areas. The scaffolding business in and around Hamburg and the North Sea oil and gas activities were sold, in order to concentrate on Muehlhan's growing core businesses in the market for renewable energy from offshore and onshore wind farms, on maritime business and infrastructure projects. Other changes concerned the composition of the Executive Board. After 17 years as a member of the Muehlhan Group's Executive Board, Dr. Andreas C. Krüger retired as of June 30, 2021. James West also stepped down from the Executive Board and took his retirement with effect from January 1, 2022. Mr. West was a key element of the Muehlhan management team for eleven years. Our thanks go to both colleagues for their tireless dedication and all their excellent, dependable work over so many years. Mr. Gautam Arya and Mr. Thorsten Hell joined the Executive Board as new members on January 1, 2022. Mr. Arya previously led Muehlhan's Middle East activities and is now responsible for day-to-day operations as Chief Operating Officer (COO). Mr. Hell was previously Head of Finance and Controlling at Muehlhan and is now Chief Financial Officer (CFO). In addition to these changes, the focus of the Executive Board's work in 2021 was again on coping with the COVID-19 pandemic and implementing continuous improvements by adjusting many operating parameters and business processes. The Executive Board is convinced that the decision to concentrate on the core business areas is correct and will make the Group more resilient and more profitable.

Revenues in the reporting year came to €298.5 million, which was slightly above our expectations and higher than revenues in the pre-pandemic year of 2019. Operating EBIT was a satisfactory €9.8 million. It was supplemented by the results of selling and deconsolidating three subsidiaries, whereby it should be emphasized that the disposal proceeds of €31.9 million were significantly higher than the deconsolidation result of €11.7 million in total. Then there were other special effects, including an impairment loss on goodwill, so Group EBIT came to €16.7 million in total. Consolidated income was €9.8 million and the consolidated income attributable to shareholders of Muehlhan AG was €8.3 million. Cash flow from operating activities was negative due to the required financing of revenue growth and the tendency of customers to defer payables to the following year. The proceeds of company disposals are included in cash flow from investing activities.

In the 2021 financial year, the Renewables, Construction/Infrastructure and Oil & Gas segments all increased both revenues and EBIT compared with the previous year. The Ship business segment significantly increased its EBIT, although revenues were slightly lower.

The Renewables segment is particularly notable with revenue growth of nearly 30%. As a full-service provider that 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. The expansion of service and maintenance business also reduced dependence on the offshore newbuild business, which is showing less growth over the long term and is more exposed to cyclical volatility.

The market for renewable energy sources, in particular the service business in the offshore wind power segment, offers Muehlhan new growth areas in Europe and other parts of the world. We are working to expand our position in the industry as a recognized specialist in surface protection and to leverage our position as a full-service provider for wind turbine manufacturers and offshore wind farm operators in order to benefit from growth in this market.

The aim is to maintain and develop our strong market position in the Ship and Construction/Infrastructure segments, where we are leaders in some areas. This will be supplemented by adjusting and expanding the range of services offered, in order to meet customer wishes as fully as possible.

After selling its North Sea activities, the Oil & Gas business segment is concentrating its activities on oil rigs off the coast of Brazil and Africa and in the Gulf of Mexico. These activities were strengthened in the reporting year by the acquisition of one company.

In addition to structuring and implementing the strategic focus and coping with the impact of the pandemic, we devoted ourselves to operating improvements, as in previous years. The continuous improvement of project controlling and the standardization of the system landscape are just two examples of the numerous measures that all have one thing in common – they cover all the aspects of the organization, they are mostly unspectacular, and they take 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 2,800 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 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 2022

The Executive Board

Stefan Müller-Arends *Gautam Arya* *Thorsten Hell*



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 (née Greverath)
Hamburg, Germany

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

The year 2021 was again dominated by the COVID-19 pandemic. Three companies were sold in the second half of the year as part of a strategic focus on core services and markets. The operating result was in line with expectations, although COVID restrictions still made themselves felt. There were also disposal proceeds and other special effects. Revenues of €298.5 million in 2021 were higher than before the pandemic in 2019. EBIT came to €16.7 million compared with €3.0 million the previous year, and includes operating income of €9.8 million – a significant year-over-year improvement – as well as the results of deconsolidation and other special effects. The EBIT margin for the operating result was 3.3%. Cash flow from operating activities was negative at €-5.0 million due to higher revenues, particularly in the wind turbine business. A strategic focus on core business units took place in financial year 2021. This entailed the disposal of the scaffolding business in the Hamburg region and of the North Sea oil and gas activities. Muehlhan will concentrate in future on the Ship and Construction/Infrastructure segments and on renewable energy from offshore and onshore wind farms (Renewables). The success and strong growth of this business segment shows that this is the right strategy. The Supervisory Board will make a proposal at the Annual General Meeting to distribute a dividend of €0.75 per share for 2021 and so let shareholders participate in both the operating result and the income from the divestments.

There were two changes in the Executive Board for age reasons. Dr. Krüger took his well-earned retirement as of June 30, 2021, and Mr. West stepped down as of January 1, 2022. The Supervisory Board thanks the two Executive Board members most sincerely for their good and dependable work over many years and wishes them all the best for the future.

The dominant topic in the reporting year, apart from the effects of the COVID-19 pandemic, was the strategic realignment of the Group. The Supervisory Board and Executive Board were guided here by the aim of reinforcing the Company's profitability and financial strength by developing its position as a strategic partner to the growing wind power industry, and continuing to consolidate its historically strong position as a service provider to the European markets for superyachts, cruise ships and naval vessels. Individual units that were not part of the Muehlhan Group's core business were sold in the reporting year as a result.

The strategic challenges now facing the business segments are described below and will preoccupy the Executive Board and Supervisory Board again in the current financial year:

- The **wind power market** (Renewables) will maintain the momentum of recent years going forward, according to market participants, and continue to grow. This will have a correspondingly positive impact on Muehlhan's other business in this area. This market opens up new growth areas for Muehlhan in Europe, North America and other parts of the world. Muehlhan is working on expanding its position as a recognized industry specialist in the area of surface coatings and the provider of a broad service portfolio and therefore on establishing itself as a partner both to wind turbine manufacturers and operators of wind farms.

- The **maritime sector** (Ship) in Europe focuses on the construction of specialty ships, in particular megayachts, cruise ships and naval vessels, and on contracts from the wind power industry. The process of consolidation and contraction in this market seemed to have run its course, but is gaining momentum again due to the sharp fall in demand for cruise ships as a result of the pandemic. As a highly specialized and professional service provider with excellent organizational skills, Muehlhan meets demand for high-grade surface coatings for newbuilds and offers a wide array of surface coating maintenance and renovation services, ranging from last-minute repair work on exterior walls to the complex restoration of water, ballast, fuel and cargo tanks.

- In the **Construction/Infrastructure** segment, the Group has expanded and focused the regional scope of its services in recent years, so as to be in a position to offer customers the range of services they require on-site. The scaffolding business in and around Hamburg was not part of the core business and was sold.

- A strategic review was carried out of the **Oil & Gas** segment, since Muehlhan's lack of critical mass during a long phase of low oil prices, particularly in the North Sea oil and gas market, made it impossible to achieve satisfactory profitability and a leading market position. As part of this process the North Sea oil and gas business was sold at the end of the reporting year. In the future, Muehlhan will concentrate its oil and gas activities on offshore oil rigs off the coasts of Brazil and Africa and in the Gulf of Mexico.

The expectation is that thanks to the restructuring, the business segments will be able resume their positive trend of recent years. Despite the ongoing restrictions due to the pandemic, the Muehlhan Group reported significant year-over-year growth again, but was not able to match the earnings achieved before the pandemic.

As in prior years, and alongside the pandemic, there are further risks from political crises and their impact on global trade and value chains.

Focal points of Supervisory Board deliberations

As in previous years, in financial year 2021 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 2021, 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. The effects of the COVID-19 pandemic on the performance and results of the Muehlhan Group were monitored particularly closely in 2021. The future direction and strategy of the Muehlhan Group were also discussed intensively. The Executive Board also provided the Supervisory Board with comprehensive reports regarding the effects of the pandemic and the financial position, earnings performance, and short-term and medium-term business plans of Muehlhan AG and of its subsidiaries.

A total of nine meetings were held in 2021 on February 11, March 23 and 30, May 17, June 16, July 13, October 19 and December 14 and 17, 2021. The meeting on December 17, 2021, was only attended by the Supervisory Board members. All the other meetings were attended by all the Supervisory Board members and all the Executive Board members.

The meetings in the first half of the year were held online. In the second half of the year the meetings took place in Hamburg, whereby one member of the Executive Board and one member of the Supervisory Board attended the meetings on July 13 and October 19 virtually. One Executive Board member attended the meeting on December 14 by video conference.

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, especially given the particular challenges of the ongoing COVID-19 pandemic. The meetings also featured discussions of trends in the company's main business segments and its strategic direction and development, 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 2021 meetings of the Supervisory Board:

At the Supervisory Board meeting on February 11, 2021, the discussion centered on the provisional figures for 2020 and a possible strategic realignment of the Group.

The subject of the Supervisory Board meetings held on March 23 and 30, 2021, were the 2020 separate and consolidated financial statements of Muehlhan AG and the audit of the 2020 separate and consolidated financial statements of Muehlhan AG and its business performance in the first two months of 2021 under COVID-19 conditions.

The meeting on May 17, 2021, the day before the virtual Annual General Meeting 2021, was used to prepare the virtual Annual General Meeting on the following day. Discussions also focused on current results following the lifting of some pandemic restrictions, and the status of the Group restructuring.

The current status of the restructuring of the Muehlhan Group was discussed in the Supervisory Board meeting on June 16, 2021.

The meeting on July 13, 2021, dealt with the half-year results for the Muehlhan Group and other important individual matters. The current status of the Muehlhan Group's strategic focus was also discussed.

The Supervisory Board meeting on October 19, 2021, dealt with the latest results and developments, especially in the Middle East. The status of the sales process for the Muehlhan GmbH scaffolding subsidiary was also discussed, along with other activities in connection with the Group restructuring.

The Supervisory Board meeting on December 14, 2021, discussed the latest results and reviewed and approved the 2022 budget. A presentation was also received on the disposal status of the North Sea Oil & Gas segment.

At the last Supervisory Board meeting of the year on December 17, 2021, the new Executive Board members Mr. Gautam Arya and Mr. Thorsten Hell were formally appointed as of January 1, 2022, and Mr. James West's appointment was revoked as of January 1, 2022.

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 HGB.

The Supervisory Board engaged 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 18, 2021. Grant Thornton audited the consolidated financial statements for the period ending on December 31, 2021, the Group management report for the financial year beginning on January 1 and ending on December 31, 2021, the financial statements of Muehlhan AG for the period ending on December 31, 2021, and the management report for Muehlhan AG for the financial year beginning on January 1 and ending on December 31, 2021, and gave them an unmodified audit opinion.

The audit focused on the following:

- Existence of recognized revenues
- Measurement of receivables from construction contracts
- Testing goodwill for impairment
- Valuation of deferred tax assets

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 30, 2022 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 December 31, 2021. The financial statements are therefore adopted. The Supervisory Board agrees with the Executive Board's proposal regarding the appropriation of annual net income.

Review of the affiliated companies report pursuant to Article 312, paragraphs 2 and 3 of the 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 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 consideration given by the entity in the transactions listed in the report was not unduly high and any disadvantage has been settled,
3. there are no circumstances in favor of a significantly different assessment of the transactions mentioned in the report to that given by the Executive Board."

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

Despite the ongoing COVID-19 pandemic, the restructuring activities in 2021 enabled the company to take a great step back towards a sustainably profitable business performance. The Executive Board implemented the restructuring successfully and has laid the foundations for sustainable growth. Once the pandemic comes to an end, the conditions are in place for the Group to return to sustainable growth and successfully overcome future challenges.

The Supervisory Board looks forward to continuing its 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 2022,

Philip Percival
Chairman of the Supervisory Board of Muehlhan AG

03 Our Share

Wind turbine maintenance work

Muehlhan share performing well

The Muehlhan share performed well in 2021. After a slow start, the easing of pandemic restrictions from May onwards and the sale of a subsidiary gave the share price a significant boost.

The share price was roughly stable in the first quarter of 2021, with relatively high turnover. From €2.64 per share on December 31, 2020, the price rose to €2.70 per share on March 30, 2021, which represents an increase of 2.3%.

As the Covid-19 restrictions were mostly lifted from May 2021, the share outperformed the CDAX index. From mid June the share price was around the mark of €3.00 per share. It was at this price that the Muehlhan share closed on June 30, 2021. The share price of Muehlhan AG thus gained 13.6% in the first half of 2021.

In late July 2021, the sale of the subsidiary Gerüstbau Muehlhan GmbH was announced. This prompted a share price increase of up to €3.50 per share. The price continued to rise in September, reaching a high for the year of €4.00 per share on September 14. At the end of the third quarter the price was €3.56 or 34.8% higher than at the start of the year.

In October the share started well, reaching a high of €3.90 on October 19, 2021. Thereafter the Muehlhan share price declined slightly, but stayed above the €3.50 per share mark until almost the end of November. The announcement of the sale of the oil and gas division did not have a major impact on the share price. Then in December the Muehlhan share price fell slightly with low turnover, before rising again at the end of the year to €3.50 per share.
The price of the Muehlhan share therefore rose by 32.6% in the course of the year.

The volume of Muehlhan shares traded declined year-over-year by 362,006 shares to 2,704,341 in 2021.

As of the editorial deadline, the market capitalization was €67.1 million (March 25, 2022, XETRA closing price: €3.44).

Key figures for the share

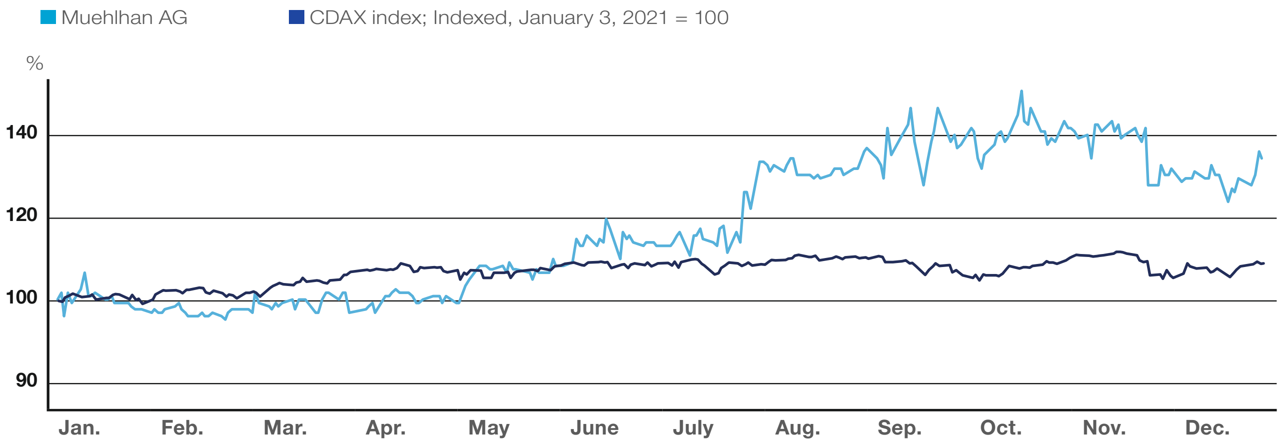
Nominal (accounting) value	No-par-value bearer shares
Number of shares issued	19,500,000
Initial listing	October 26, 2006
Issue price	€5.80
High for 2021 (XETRA)	€4.00
Low for 2021 (XETRA)	€2.24
Designated sponsor	Pareto Securities AS, Frankfurt Branch
Coverage	M.M. Warburg Research, Hamburg
Share buyback handled by	Pareto Securities AS, Frankfurt Branch
Market capitalization as of December 31, 2021 (XETRA: €3.50)	€68,250,000

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

Shareholder structure as of December 31, 2021

There were no major changes to the shareholder structure as of December 31, 2021, in comparison with December 31, 2020. More than 50% of the shares remain in the possession of the family that founded the company. Management also holds shares. The share held by management fell following the departure of Dr. Andreas C. Krüger.

Share performance in 2021



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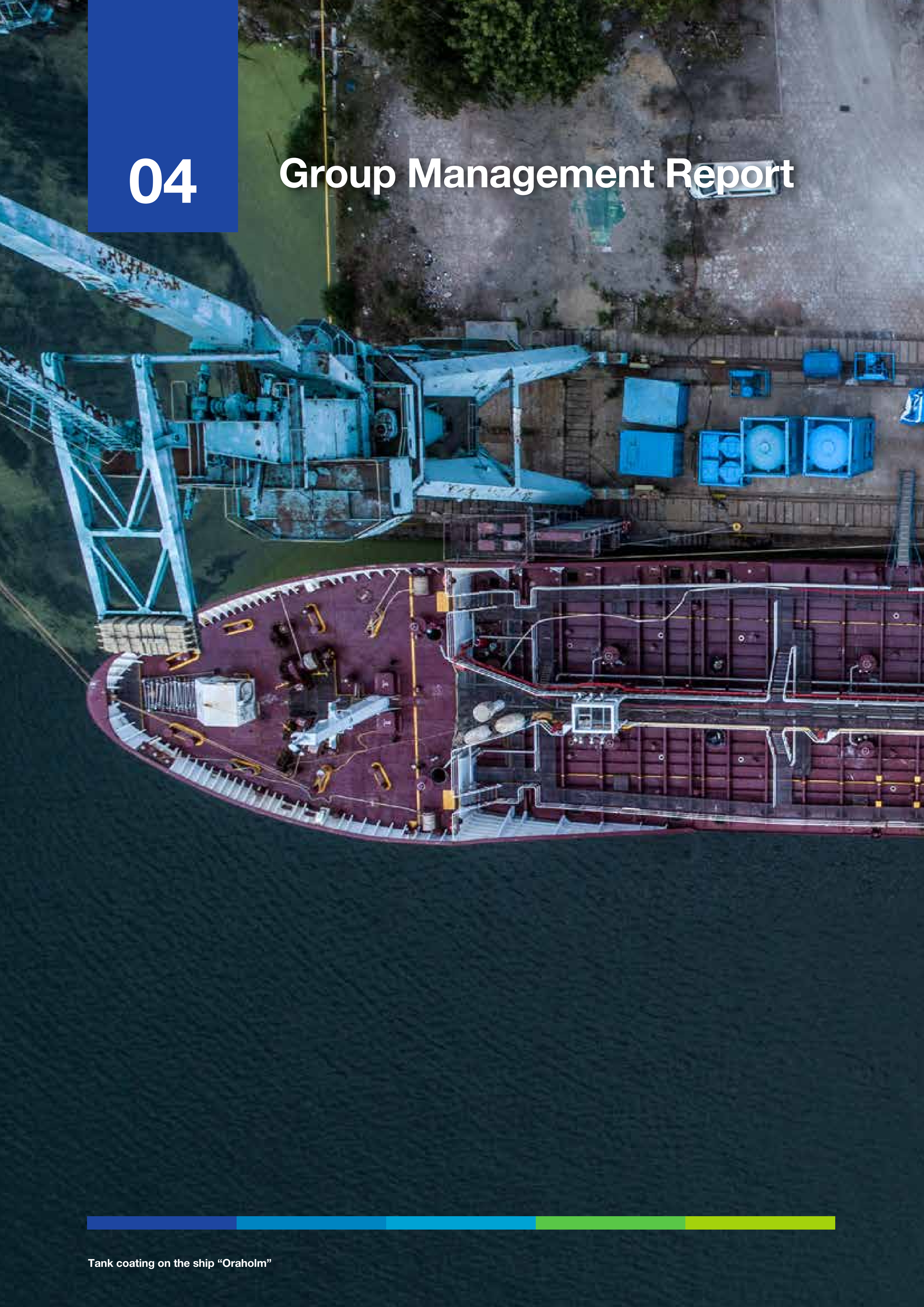
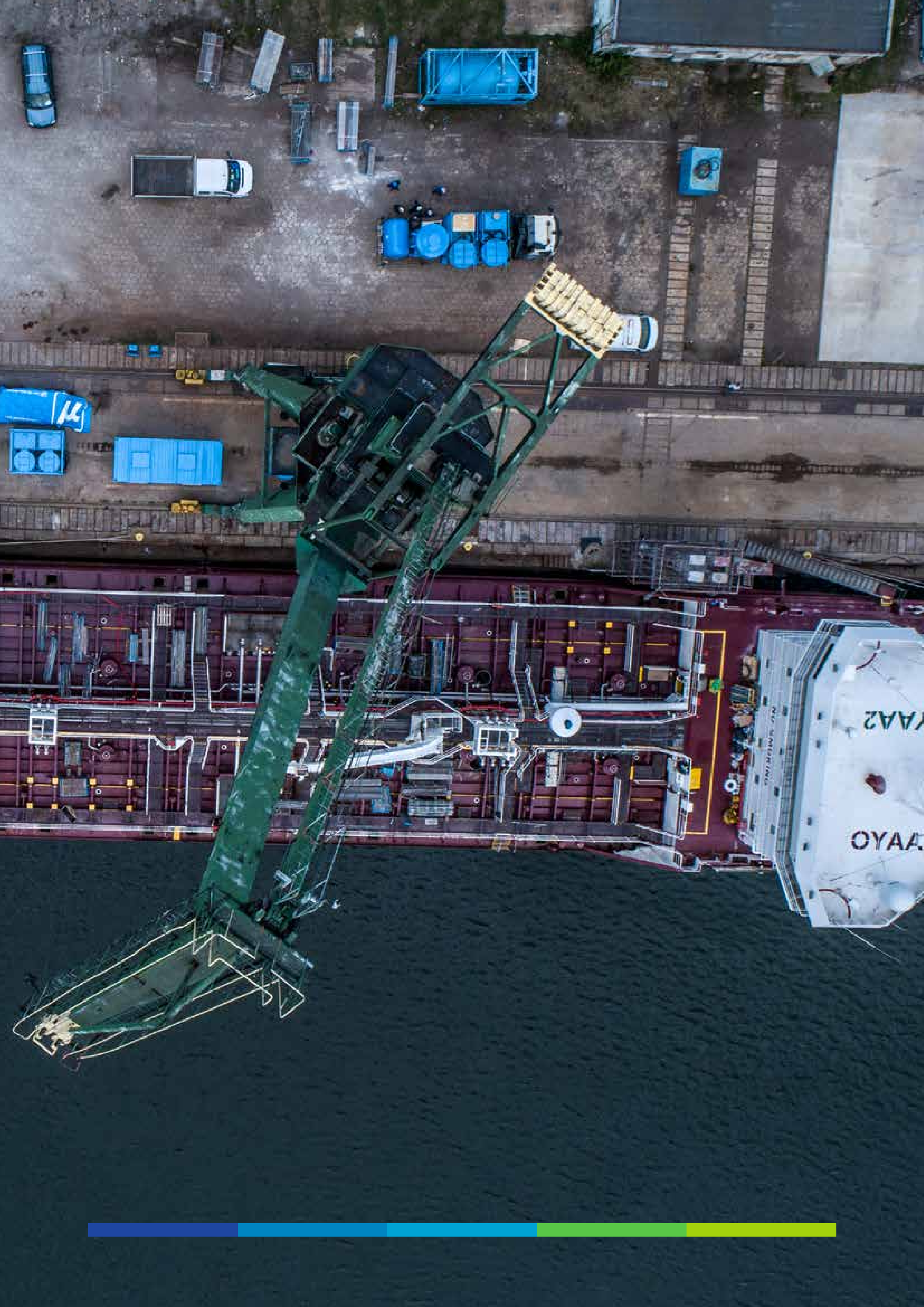


Tank coating on the ship “Oraholm”



Application of passive fire protection

I. Overview

For Muehlhan, the year 2021 was again dominated by the COVID-19 pandemic. In addition, two company divisions were sold in the second half-year as part of the Group's strategic focus on restructuring.

The budgeted operating results were achieved despite the ongoing restrictions due to the pandemic. They were supplemented by the results of deconsolidating the divested entities and other special effects.

Revenues rose by €38.1 million to €298.5 million and so were higher than revenues in 2019 before the pandemic. Muehlhan Wind Service A/S made a major contribution to the higher revenues, with its services for wind turbines. EBIT came to €16.7 million and was therefore €13.7 million up on 2020 EBIT, which was severely affected by the pandemic. EBIT from operations was €9.8 million and so in line with expectations. It was supplemented by deconsolidation results from the company disposals, transaction costs in connection with the disposals and other special effects, including a write-down of €0.7 million on goodwill. The EBIT margin improved from 1.2% to 5.6%, or 3.3% after eliminating the special effects (operating EBIT).

Consolidated income increased by €8.5 million to €9.8 million. After deducting minority interests, earnings of €8.3 million are attributable to Muehlhan's shareholders, compared with €0.3 million the previous year. At €-5.0 million, cash flow from operating activities was negative due to the required financing of revenue growth and the tendency of customers to defer payables to the following year.

Muehlhan continued to feel the effects of the pandemic in 2021. Whereas a few companies were able to continue working almost unhindered, business activity at others was severely constrained by delays and interruptions to projects. Overall, however, operating EBIT shows that it was possible to limit the impact of the pandemic in the reporting year by taking appropriate action.

Management also continues to work on numerous parameters at the operations level: more precise selection criteria for projects and the use of strict risk management contribute to reducing or ideally avoiding project losses. Improved, system-based project controlling makes it possible to detect variations from the plan and so take countermeasures at an earlier stage.

Among the strategic decisions taken in recent years is Muehlhan's growing presence in the market for renewable energy from offshore and onshore wind turbines ("Renewables"). Muehlhan supports the development of a sustainable energy supply along the entire value chain, with its surface protection services for producing components of wind turbines, assembly and sub-contracting work to install wind power stations and transformer platforms, and maintenance work on existing installations. The success of Muehlhan Wind Service A/S, which again demonstrated impressive growth with revenues of nearly €60 million in the reporting year, shows the potential of this strategy going forward.

A decision was taken as part of the new strategic direction to reduce the Group's diversification and concentrate on fewer core business areas. One result of this was the sale of Hamburg-based Gerüstbau Muehlhan GmbH as of September 30, 2021. Its activities were limited to the Hamburg region and expanding into other regions would have required significant capital expenditure. The Oil & Gas business segment did not have the critical mass required to play an active role in a market that has become increasingly difficult in recent years. The two subsidiaries in this segment were therefore also divested as of December 31, 2021. No new orders were acquired in the Middle East, but current orders will be fulfilled as agreed until mid 2022. Projects in this region cannot achieve the profitability targets required to justify the long payment deadlines and resulting capital commitment.

Acquisitions and the establishment of new companies as part of an organic growth process are always considered by Muehlhan as a means of achieving its strategic objectives. At the beginning of the reporting year a business combination was completed be-tween the subsidiary Marine Service International AS (MSI), Drobak, Norway, and TPO (MSI Group ApS, Gentofte, Denmark). TPO has similar activities on offshore oil rigs to MSI, but with a slightly different technical focus and other customers, and so complements the offshore oil and gas business outside the North Sea. Two companies were also established in Ghana and in the Netherlands in the reporting year.

The Renewables segment again generated very good results in the reporting year, with a steep increase in revenues and higher EBIT. As a full-service provider Muehlhan primarily supports wind turbine manufacturers, but to a lesser extent also offshore wind farm operators, throughout the entire lifecycle of the equipment. Muehlhan is therefore in an excellent position to continue its growth in the various submarkets in the future. The expansion of service and maintenance business also reduced dependence on the offshore newbuild business, which is showing less growth over the long term and is more exposed to cyclical volatility.

The other business segments also performed well, after a poor previous year due to the pandemic. The Construction/Infrastructure and Oil & Gas segments increased revenues and EBIT. The Ship segment reported a fall in revenues but an increase in EBIT.

As the effects of the pandemic recede, the Muehlhan Group expects to quickly resume the upward trend of recent years. Our confidence is based on the Group's greater resilience thanks to the focus on core markets, the broad service portfolio and the operating improvements.

II. Group Fundamentals

1. Group structure

Muehlhan AG (MYAG), Hamburg, is the holding company for a total of 34 directly and indirectly held companies in Europe, the Middle East, North America and the Rest of the World. Of this number, 28 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, 140 years of experience and exacting quality standards into a professional industrial approach that satisfies the highest quality demands of our customers.

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:

Wind turbine services: Through its Danish subsidiaries Muehlhan Wind Service A/S, Fredericia, and Muehlhan Denmark A/S, Middelfart, Muehlhan offers a wide range of services for wind turbines. The companies' portfolio includes coating tower components and rotor blades in the manufacturers' production facilities, as well as assembly work, installation, services, electrical work and surface protection for the installed turbines.

Access technology and scaffolding: Access technology, also by means of rope climbing, is part of the Group because the services are closely related to the Renewables business and therefore to services for wind turbines. Muehlhan provides both onshore and offshore access solutions. 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. Special access technology is also used in the remaining oil and gas business. Muehlhan is also an important partner for companies involved in building and facade construction and for shipyards, offering special access technology in addition to classic scaffolding. The scaffolding business in and around Hamburg mainly operates on construction sites and shipyards. It is not part of the core business and was sold in the reporting year.

Access technology in construction

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 preparation of steel and concrete structures
- A wide array of blasting processes, including ultra-high-pressure water jet blasting, dry blasting, ultra-high-pressure wet blasting and sponge jet blasting
- Surface metallization
- Using paint and protective systems and adhesive films to coat surfaces

Passive fire protection: Passive fire protection is used in construction infrastructure projects and the oil and gas sector. 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.

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 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 coating 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.

III. Objectives and Strategy

There were no changes in the Group's objectives in the reporting year. It still aims to maximize profitability in the individual business segments and to achieve, maintain or build on a leading market position. The intention is still to achieve this by adapting and expanding the range of services offered, with financial stability and strong organizational skills. The strategy for achieving these objectives was modified, however. Non-core companies and segments that do not meet their targets are either sold, restructured or closed down.

1. Company objectives

Profitability and leading market position

The Group operates in Europe, North America and to a minor extent still in the Middle East. Every local commitment is measured against criteria such as profitability, cash generation, sustainability, portfolio range and minimum size. If these criteria are not met over the long term, steps are taken to ensure they are satisfied again, or the site will be sold or shut down. The goal is to increase profitability and, along with it, the Group's long-term shareholder value.

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.

A number of strategic decisions were taken in the reporting year to ensure these objectives are achieved.

The scaffolding business in and around Hamburg was defined as no longer part of the core business due to its regional market position and the significant commitment of resources required for a growth strategy, and was sold as of September 30, 2021.

The Muehlhan Group's North Sea oil and gas business also lacked the critical mass to achieve a leading position in the market and adequate profitability. This segment was therefore sold as of December 31, 2021.

The business in the Middle East, which essentially consists of passive fire protection for construction and infrastructure projects, has not met the internal targets for profitability and free cash flow for some years. It will therefore be wound down and closed over the coming years.

2. Corporate strategies

Focus on the Renewables, Ship and Infrastructure segments and adapt and expand the range of services offered

A key element of the adjusted strategy is to expand activities in the energy market with the Renewables (wind power) business segment. The growing market for renewable energy sources, in particular the offshore wind power segment, offers Muehlhan new

Insulation work

growth areas in Europe and other parts of the world. 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 turbine manufacturers and offshore wind farm operators – so that it can benefit from growth in this market. One example is our subsidiary Muehlhan Wind Service A/S in Denmark, which has enabled us to significantly expand the range of services Muehlhan offers in the area of wind turbines and which is an established service provider for the major wind turbine manufacturers and operators.

The aim is to maintain and develop our strong market position in the Ship and Infrastructure segments, where we are leaders in some areas. This will be accompanied by targeted adjustments and additions to the range of services offered. Clients in the maritime business are generally looking for surface protection as a stand-alone service, but in some cases are also interested in upstream and downstream services. By contrast, the customers in many infrastructure and industrial projects require a complete range of services comprising scaffolding, insulation, surface protection, fire protection, industrial cleaning and sometimes other services too. 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.

Financial stability and strong organizational skills

Even during a pandemic, the key characteristics that distinguish the Group from its competitors are its financial stability, financial flexibility for growth initiatives, and strong organizational skills. Attention is focused on ensuring financial stability at all times and improving it where necessary. From our customers' standpoint, Muehlhan is therefore a reliable, stable partner that can be entrusted with one or more major projects at the same time. This allows us to constantly improve our strong organizational skills and to take full advantage of synergy and best-practice effects.

Quality, occupational health and safety and environmental protection

In addition to traditional customer requirements such as price, efficiency and productivity, short project turnaround times and reliable implementation, other increasingly important competitive criteria include comprehensive 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 health and safety. Muehlhan does everything in its power to comply at all times with all provisions regarding environmental protection and occupational health and safety and to reduce accidents to a minimum. These goals are accomplished through effective, regular training and a proactive approach in every segment.

Muehlhan tracks all of its business processes as well as the requirements and rules in the areas of organization, quality, environmental protection, and health and safety in an integrated management system. This is certified on a regular basis by an external certification company in accordance with ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management Systems) and ISO 45001:2018 (Occupational Health and Safety Management Systems).

This systematic, process-based approach helps 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 also boosts its competitiveness. In addition, Muehlhan practices fair forms of communication in line with legal standards with its employees and subcontractors. A comprehensive insurance package rounds off risk management in this area.

IV. Control of the Group

1. Financial and non-financial performance indicators

Muehlhan Group is managed by an Executive Board consisting of two or three (until June 30, 2021) members. The Supervisory Board consists of three members. It advises, supports and monitors the Executive Board in its 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 revenues, earnings from operations (earnings before interest and taxes, EBIT), and cash flow from operating activities. Strategic management is carried out in business segments. The Group's operations management is handled primarily by segment.

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 that is defined as the number of accidents per 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. Business segments

Muehlhan provides surface protection services to the growing market for **Renewables** – i.e., renewable energy from offshore and onshore wind turbines – especially for wind turbines and transformer platforms. In recent years, the Group has become a specialist provider of surface protection for wind turbines and rotor blades and thus a coveted partner for leading wind turbine manufacturers. Muehlhan has become a full-service provider for the wind power market, offering a wide array of services including installation through Muehlhan Wind Service A/S in Denmark.

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 seemed to have run its course, but the sharp fall in demand for cruise ships due to the pandemic has made it more acute again. Muehlhan operates at many European shipyards. They concentrate on building specialty ships, megayachts, cruise ships and naval vessels, and on offshore wind turbines, transformer platforms and other components for offshore wind power stations. Muehlhan provides its customers 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 to the complex restoration of water, ballast, fuel and cargo tanks. Other services include insulation work on new vessels.

In the **Construction/Infrastructure** business segment, Muehlhan provides long-lasting coating solutions for steel and concrete structures and scaffolding for civil engineering, 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 other service is passive fire protection, which is used in large steel structures.

The **Oil & Gas** business segment combines the remaining business outside the North Sea with customers from the oil and gas industry. Muehlhan works as a partner to major companies in the offshore oil and gas and petrochemical industries. In these areas, Muehlhan is renowned for its surface protection, fire protection, insulation and scaffolding.

3. Segments

Since 2020, the individual companies in the Muehlhan Group have been divided into the **Energy** and **Marine & Construction** segments. The Energy segment comprises everything related to wind turbines and transformer platforms, as well as work on offshore oil rigs. The Marine & Construction segment mainly consists of the Ship and Construction/Infrastructure units.

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 engaged in research and development (R&D) 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. The Muehlhan Group is actively working on products and equipment aimed at further developing sustainable, environmentally friendly surface protection techniques. The Group has three employees working in this area 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

The world economy is expected to have grown by 5.9% in the reporting year, compared with a contraction of -3.1% the previous year due to COVID-19. The increase in 2021 was lower than originally expected due to renewed restrictions in response to new COVID-19 variants and higher inflation, partly because of higher energy prices.

Growth rates varied between the major economies. China's gross domestic product (GDP) rose by 8.1% and that of the USA by 5.6%, followed by the euro area with growth of 5.2%. German GDP growth of just 2.7% was well below average, however.

Forecasts from January 2022 predict slower global economic growth of 4.4% in 2022. The slower growth stems from both the two biggest economies. Growth of 4.0% is projected for the USA, due to fiscal policy measures, reduced subsidies and problems with transport connections in the USA. China's economy is only forecast to expand half as fast at 4.8%. The very restrictive lockdown measures play a role here, as do the difficulties of the large residential construction companies. Europe is also expected to see slower growth of 3.9%, with growth in Germany predicted to rise to 3.8% from a low base in 2021.

Some of these forecasts are subject to considerable uncertainty and some are likely to have become outdated as a result of the outbreak of the Russia-Ukraine war.

In addition, there are other geopolitical risks such as the increasingly stricter tone with regard to trade with China and the imposition of tariffs, which could have a significant impact on the forecast. New developments in the COVID-19 pandemic could also cause the forecasts to be modified significantly. New waves of infection and new variants of the coronavirus could cause the restrictions to be extended, with a correspondingly negative impact on the global economy, such as disruptions to supply chains.

The effects of the financial crisis, the current COVID-19 pandemic and the resulting great uncertainty about future developments have caused interest rates to remain at a historically low level. The US central bank is nevertheless indicating that it is preparing to raise interest rates. The European central bank has said it intends to keep the relevant interest rates stable until the inflation rate reaches its medium-term target range.

Higher inflation of 3.9% is expected for 2022. The inflation rate is expected to decline again in 2023.

The oil price went up sharply in 2021. From an average of US$ 41/barrel in 2020 it climbed to US$ 69/barrel in 2021. A further increase in the oil price to US$ 77/barrel or higher is anticipated for 2022. If the pandemic continues for longer this is expected to have an effect on the oil price.[1] Geopolitical crises can also have a significant impact on the oil price, as could be seen when Russia invaded Ukraine in February 2022.

2. Industry-specific conditions

In the **Renewables** segment a total of 484 new onshore wind turbines with a capacity of 1,925 MW (megawatts) were installed in Germany in 2021. This takes total onshore installed wind power capacity to 56 GW (gigawatts). No new offshore wind farms or foundations for turbines were built in Germany in 2021. Upgrades to existing installations increased the capacity of offshore wind farms by 24 MW to 7.8 GW, however. New offshore wind projects that have already been authorized are to be built between 2022 and 2025. Authorizations have also been issued for 2026, so by the end of 2026 the expectation is that the installed capacity of offshore wind power stations will increase to nearly 12 GW.[2]

Wind power (onshore and offshore) in Europe[3] is growing fast thanks to the ambitious climate action targets set by the European Commission. 15 GW of new capacity was installed in 2020, with the Netherlands, Germany and Norway accounting for the largest share. Onshore and offshore wind turbines with a total capacity of almost 219 GW were installed at year-end 2020 in Europe. 1.3 MW of new offshore wind power capacity was installed in the first half of 2021 and another eight wind farms are under construction.[4]

Wind power stations with a total capacity of some 93 GW were installed worldwide in 2020. This took the total installed capacity (onshore and offshore) to around 743 GW at year-end 2020, with the largest share in Asia (347 GW), followed by Europe with

1 International Monetary Fund: Global Economic Outlook, January 2022
2 German Wind Energy Association: wind-energie.de and the reports: Deutsche Windguard; Status of Offshore-Wind Power Construction in Germany, 2021 and Deutsche Windguard; Status of Onshore-Wind Power Construction in Germany, 2021
3 WindEurope asbl/vzw: windeurope.org; German Wind Energy Association: wind-energie.de
4 Windeurope.org: Offshore wind energy: 2021 mid-year statistics

some 219 GW. The wind power market is expected to grow by around 4% a year from 2021 to 2025, building from a high base of new installations (93 GW) in 2020. Onshore wind farms account for the bulk of new installations, but new offshore wind farms of up to 24 GW per year are also planned.[5]

Muehlhan still has opportunities to leverage its great experience in surface protection, access technology and steel construction, and also to continue its strong growth in this dynamic market with the installation and service business of Muehlhan Wind Service A/S.

The **Construction/Infrastructure** segment serves a very broad range of markets and customers. Muehlhan provides construction services in the fields of surface protection, steel construction, scaffolding and passive fire protection. The Group company in the USA has a good reputation as a specialist for the steel-construction bridges that are common there and regularly wins infrastructure repair contracts.

The segment continued to suffer badly from the restrictions due to the COVID-19 pandemic in 2021. Many projects were interrupted or postponed several times. The recovery and resumption of activities is expected for 2022 as soon as the effects of the pandemic abate further.

In the **Ship** segment, Muehlhan has for some years been active exclusively in Europe. The consolidation process and the outsourcing of standard shipbuilding to Asia is probably complete now. German and European shipyards have established themselves as providers in high value-added areas. This positioning 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, specialty ships and megayachts, as well as customers in the wind power segment. The shipyards remain busy in particular thanks to high demand for more specialized ships and naval vessels. Shipyards that specialize in cruise ships have experienced a significant impact of the COVID-19 pandemic on planned deliveries and forecast new orders, by contrast. Muehlhan does not work on shipyards for cruise ships in Germany.

Oil prices rose sharply in the reporting year, after several years of low prices. Challenges therefore remain significant for companies active in the **oil and gas** sector and margin pressure remains high. Muehlhan has withdrawn from parts of this market and now concentrates on the offshore market off the coast of Africa, Brazil and the Gulf of Mexico.

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, 2021 performance was in line with expectations. Planned revenues were slightly exceeded. The budgeted operating income was achieved, and thus almost reached the level of the successful pre-crisis year 2019 (revenues: €295.3 million; EBIT: €12.4 million), although some restrictions remain in place. It was supplemented by the proceeds of company divestments resulting from the strategic realignment.

Revenues for the reporting year totaled €298.5 million, which was 14.6% up on the previous year (€260.4 million). This was also an improvement on revenues in the pre-covid year 2019. Other operating income of €22.1 million includes the result of deconsolidation from the disposal of Gerüstbau Muehlhan GmbH for €15.2 million. The cost of materials and purchased services rose by slightly more than revenues, up 16.7% from €88.1 million in the previous year to €102.9 million. The reason for the higher cost of materials, particularly purchased services, is the greater use of freelancers and subcontractors. Personnel expenses went up by 8.8% to €134.0 million, due to greater use of highly qualified staff on projects and in project management in order to realize the increase in revenues. Other operating expenses climbed sharply from €41.8 million to €56.5 million, mainly because of higher travel expenses, transaction costs in connection with the disposals and the result of deconsolidation following the sale of the North Sea Oil & Gas business segment.

[5] GWEC (Global Wind Energy Council): Global Wind Report 2021

Compared with the previous year, which was severely hit by the pandemic, the strong improvement in the operating business and higher deconsolidation income lifted EBITDA (earnings before interest, taxes, depreciation and amortization) from €14.4 million by 88.9% to €27.2 million. Depreciation and amortization fell by €0.9 million to €10.5 million due to lower capital expenditure.

This resulted in EBIT (operating result, earnings before interest and taxes) of €16.7 million compared with EBIT of €3.0 million in the previous year. The EBIT margin increased from 1.2% to 5.6%, although the margin does not include non-operating effects such as deconsolidation income.

Government assistance was used to a minor degree by some companies. Coronavirus bonuses were paid in Germany for example, and funds for short-time working were used. State aid was paid to Muehlhan companies in the USA, which can be converted into grants. An interest-free loan was received in the Netherlands. In some countries, the government assistance received in 2020 was repaid in 2021.

The financial result declined by €0.2 million to €-1.9 million, mainly because of higher expenses for interest payments on bank loans and fees for guarantees and similar arrangements.

The income tax result was significantly negative at €-5.1 million. The main reason for the negative result is the use of tax loss carryforwards This resulted in a deferred tax expense of €-2.1 million, compared with income of €1.9 million in the previous year. Effective income tax expenses increased by €1.1 million due to the higher earnings before taxes.

Consolidated income went up from €1.3 million to €9.8 million, of which €1.5 million stems from non-controlling interests (previous year: €1.0 million), whereby the non-controlling interest in Muehlhan Wind Service A/S accounts for the main share. The consolidated income attributable to shareholders of Muehlhan AG was therefore €8.3 million (previous year: €0.3 million).

This means that despite the restrictions caused by the pandemic, the operating earnings in 2021 were almost back at the level of 2019, before the outbreak of the COVID-19 pandemic.

3.1.2. Results of operations by business segment

Revenues in the **Renewables** segment increased significantly, as in prior years, by €17.9 million to €81.4 million, mainly due to the increased installation and maintenance business for wind turbines. EBIT rose to €6.5 million, compared with €6.1 million the previous year.

Revenues in the **Ship** segment declined by €4.6 million to €61.0 million. EBIT increased significantly by €1.9 million to €5.5 million and so was above budget.

Application of surface protection

The **Construction/Infrastructure** segment suffered most from the COVID-19 pandemic the previous year. Revenues were also lost in the reporting year due to project interruptions and postponements caused by the pandemic. Then there was the discontinuation of activities in the Middle East and the sale of the scaffolding business in Hamburg as of September 30, 2021. Revenues were therefore flat at €71.9 million, compared with €70.8 million the previous year. EBIT of €0.7 million was positive again, by contrast, compared with EBIT of €-4.2 million in the previous year.

The **Oil & Gas** business segment had significant problems the previous year due to the COVID-19 pandemic and related travel restrictions, as well as low oil prices. Revenues increased by €23.6 million to €84.0 million in the reporting year, in spite of the ongoing restrictions. This was due in particular to some major projects. EBIT improved from €0.3 million to €3.9 million.

3.1.3. Results of operations by segment

The **Energy** segment is still growing as planned. Revenues rose by 36.7% to €155.3 million and EBIT increased by 28.8% to €7.0 million. Growth was largely driven by the Muehlhan Wind Service A/S subsidiary, with its service portfolio for wind turbines. There were also major projects in the oil and gas business in the reporting year. The North Sea oil and gas business was sold at the end of 2021.

In the **Marine & Construction** segment the Gerüstbau Muehlhan GmbH subsidiary was sold as of September 30 of the reporting year. Despite this, revenues were relatively stable year-over-year at €142.9 million. EBIT increased to €5.1 million, compared with €0.9 million in the previous year, in spite of the disposal and impairment losses on goodwill. EBIT in the previous year was hard hit by the effects of the COVID-19 pandemic. An EBIT margin of 3.6%, compared with 5.5% in 2019, shows that profitability in 2021 was still depressed by the pandemic.

3.1.4. Orders on hand

Orders on hand as of the reporting date fell slightly year-over-year from €272 million to €244 million. This was due to the disposals of the subsidiaries operating in the oil and gas business, which had high order volumes. They include a framework agreement signed in 2017 with the oil and gas production company Total S.A., Paris, France, for a fabric maintenance program, which still has two years to run and represents orders of a double-figure million euro amount. Orders on hand rose year-over-year by €56 million after adjustment for the company disposals. A major addition to the order book was a contract in the USA for surface protection on buildings and orders for wind turbine services.

3.1.5. Employees

The average number of employees was roughly stable at 2,818 (previous year: 2,790 employees). Muehlhan received a small amount of government aid in some countries to cope with the COVID-19 pandemic, but has already repaid part of it. The general aim is to retain employees and their knowledge in the Group in order to maintain the high level of quality and safety going forward.

3.1.6. Accident rate

One of the non-financial performance indicators used by Muehlhan is the accident rate, an internal accident statistic that is defined as the number of accidents per 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. Two employees tragically died when working on a cooling tower in Greece in the reporting year. Investigations are still ongoing, but the findings to date suggest that it is highly unlikely that any third parties were at fault. Regardless of the outcome, Muehlhan is providing various benefits to the families concerned, including an educational fund for the victims' children. This represented an expense of €0.2 million in the reporting year.

There were 29 accidents overall in the reporting year; 13 fewer than the previous year. The accident rate declined from 5.7 to 3.6.

3.2. Net assets and financial position

3.2.1. Capital structure

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

	2021		2020	
	in € million	in % of total assets	in € million	in % of total assets
Equity	77.3	52.3%	69.2	42.8%
Borrowings	19.1	12.9%	31.8	19.6%
Trade payables, contract liabilities and other liabilities	41.0	27.7%	46.7	28.9%
TOTAL EQUITY AND LIABILITIES	**147.9**	–	**161.6**	–

The capital structure was affected by the disposal of the scaffolding business in and around Hamburg and of the North Sea oil and gas business. The assets and liabilities sold significantly shortened the balance sheet, which had a positive impact on the equity ratio.

The Muehlhan Group's financing is supported by its strong equity base. Equity rose year-over-year by €8.2 million, mainly due to earnings for 2021. The equity ratio went up to 52.3% because total assets were lower.

Borrowings consisted mainly of borrowings totaling €14.5 million under the syndicated loan agreement, €4.6 million of which is current and €9.9 million of which is non-current. Some of the sales proceeds for the subsidiaries were used to reduce borrowings in the reporting year.

After deducting cash and cash equivalents, net debt totaled €0.4 million (previous year: €18.6 million).

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

3.2.2. Capital expenditure

During the reporting year, Muehlhan invested €4.3 million in intangible assets and property, plant and equipment (previous year: €4.3 million). Capital expenditure primarily related to the replacement of property, plant and equipment and organic growth projects, particularly in the Surface Protection segment.

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.

At €-5.0 million, the Group's cash flow from operating activities was below the previous year's figure of €11.8 million due to sales growth and the increasing tendency of customers to defer due payables to the following year.

As in the previous year, Muehlhan invested a total of €4.3 million in property, plant and equipment in the financial year (each without right-of-use assets). Cash flow from investing activities amounts to €27.9 million due to the proceeds from disposals. Cash flow from financing activities amounted to €-17.9 million because of the loan repayments (previous year: €4.3 million). Cash and cash equivalents came to €18.7 million as of the reporting date (previous year €13.2 million). Unutilized credit lines and guarantee facilities totaled €106.7 million on the reporting date (previous year: €107.3 million).

In 2021, the Muehlhan Group was therefore in a position to satisfy its payment obligations at all times. Minor amounts of state aid were received in order to conserve liquidity during the COVID-19 pandemic. The payment by US authorities of €1.4 million to a U.S. company was a material amount of state aid. It is presented as a liability as of the reporting date. The liability becomes a grant recognized through profit or loss if evidence is provided that the payment was used as intended. The authorities will complete their audit of how the payment was used in 2022.

3.2.4. Net assets

As of the reporting date, non-current assets (excluding deferred tax assets) totaled €38.4 million, compared with €63.5 million the previous year. The decline results from company disposals. The ratio of fixed assets to total assets was 13.2%, compared with 26.1% the previous year, which includes scaffolding with a carrying amount of €6.2 million (previous year: €18.8 million). The decline is largely due to the disposal of Gerüstbau Muehlhan GmbH. Non-current assets (excluding deferred tax assets) accounted for 25.9% of total assets (previous year: 39.3%). On the reporting date, trade receivables and contract assets stood at €61.5 million (41.5% of total assets) and were therefore virtually unchanged year-over-year (€63.2 million; 39.1% of total assets).

3.2.5. Overall statement on the Group’s situation

The operating result almost reached its pre-pandemic level in 2021, despite the impact of the ongoing COVID-19 pandemic. EBIT is therefore within our expectations. It was supplemented by the positive result of the company disposals.

For the shareholders of Muehlhan AG, a satisfactory result of €8.3 million was achieved in view of the difficult economic environment. The Group’s financial position remains stable and its asset and capital structure is balanced. Cash flow from operating activities was negative due to revenue growth and the resulting need for (pre)financing.

VII. Forecast and Report on Opportunities and Risks

1. Forecast report

In October 2021, revenues of €290 million were projected for 2021, along with operating EBIT of between €7.5 million and €10.0 million. These targets were achieved or slightly exceeded. A comparison with the forecast from March 2021 is not possible as it was not possible to publish a valid forecast in spring 2021 due to the COVID-19 pandemic.

1.1. Forecast by business unit

Revenue and earnings growth in the **Renewables** business unit should increase again significantly, especially due to the expansion of service activities. In this fast-growing market, major orders and new projects can have a negative impact on liquidity in the short term due to higher receivables and capital expenditure, but these should result in significant improvements in earnings over the course of the projects.

Performance in the **Construction/Infrastructure** segment depends on the further course of the pandemic. Ongoing delays to projects are expensive and would result in sales and EBIT at the same level as the reporting year, depending on their type and duration. If there are no significant restrictions, slight sales growth and a significant improvement in earnings are expected.

Lower revenues and earnings are planned for the **Ship** business segment. This is due to loss of scaffolding sales in German shipyards following the disposal of Gerüstbau Muehlhan GmbH.

The **Oil & Gas** business segment will generate less than half its 2021 revenues as a result of the disposal of the North Sea oil and gas business. The reduction in EBIT will be smaller.

1.2. Forecast by segment

Significantly lower revenues are forecast in the **Energy** segment as a result of the company disposals. Higher sales in services for wind turbines will not be able to offset this effect. EBIT will decline by less than revenues, however.

For the **Marine & Construction** segment an increase in sales and EBIT is expected, despite the disposal of Gerüstbau Muehlhan GmbH. The high volume of orders on hand in the USA will result in significantly higher revenues and earnings (EBIT), as long as there are no further cost-intensive interruptions to projects due to COVID-19.

1.3. Cash flow forecast

Cash flow from operating activities will depend largely on revenues. Higher revenues will result in higher working capital, which is a temporary drag on cash flow. Revenues at the same level as 2021 would result in slightly higher cash flow from operating activities in 2022, whereby significant payments by customers shortly before or after the reporting date can have a considerable effect.

1.4. 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. Following the strategic realignment in the reporting year there is no significant capital expenditure planned in 2022.

1.5. Group forecast

In view of the ongoing uncertainty surrounding the COVID-19 pandemic and the impact of the Russia-Ukraine war it still only partially possible to make a forecast for 2022. On condition that the restrictions are less severe than in 2021, the Executive Board and Supervisory Board are planning revenues of around €250 million and EBIT of between €5 million and €8 million. The decline in revenues and EBIT compared with the previous year is due to the company disposals. Adjusted for these effects, revenues and earnings are expected to increase.

According to current information, the outbreak of war in Ukraine in February 2022 does not have a material impact on the Group forecast. The Russian subsidiary Muehlhan Morflot OOO (MMF), St. Petersburg, is not material for the net assets, financial position and results of operations of the Muehlhan Group. Apart from MMF, there are no relevant business relationships with Russian companies or the Russian state. However, supply chain difficulties for required materials, as well as continued high or even rising energy prices in the event of a prolonged war, could have a negative impact on the forecast.

The accident rate, a non-financial performance indicator, should be better than in the reporting year. The aim is always to have no accidents.

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 performance of the oil and gas business in the North Sea. 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. The statements are therefore subject to risks and uncertainties, particularly during the COVID-19 pandemic. 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. Even in light of the still ongoing pandemic, we believe Muehlhan is well equipped to emerge well from this extraordinary situation.

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. The following assessment of opportunities and risks is valid for the next twelve months.

2.2. Maintaining a functioning risk management system

In accordance with Section 91, paragraph 2 of the German Stock Corporation Act (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. Unless otherwise stated, the probability of the following risks materializing is considered to be low. Muehlhan has also taken out insurance in various areas to minimize risks whenever this makes sense.

3. Discussion of major risks and opportunities

3.1. Market and competitor risks and opportunities

Our company is subject to general market risks and opportunities 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.

The creation of new sites entails the fundamental risks that exist with any building project such as delays or an unexpected increase in the investment volume.

The COVID-19 pandemic is still affecting the market environment, and Muehlhan is not immune to this. Travel and contact restrictions mean that projects cannot be started or continued. Further delays may result if the pandemic persists. On the other hand, as seen in the reporting year, Muehlhan is able to start work again and begin new projects quickly when the restrictions are lifted.

It is possible that other pandemics or other extraordinary events may pose risks in the future, but there are opportunities for Muehlhan to gain new business once this pandemic abates.

Military conflicts are another – currently medium – risk, depending on type and place. The current war in Ukraine will have an adverse impact on the business activity of Muehlhan's Russian subsidiary due to the international sanctions imposed on Russia. The sharp rise in prices on energy markets also affects Muehlhan. Orders have also to be reviewed carefully to avoid any breaches of the sanctions that have been imposed against Russia. Other potential military conflicts could also have an adverse impact on individual companies or the entire Muehlhan Group, in the form of sanctions, disruptions to supplies, higher prices for energy and other goods, and travel restrictions.

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 responded 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.

The COVID-19 pandemic has no significant influence on the corporate strategy or risks and opportunities of strategic importance to the company, since the pandemic is considered to be a temporary phenomenon.

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. There is a medium risk of defective materials being used. The Group has implemented various preventive measures and controls to minimize this risk.

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 the company has worked closely with its suppliers on the development of the equipment in the past and has performed a significant share of its own development work, Muehlhan also has a high degree of in-house expertise. This means that Muehlhan can produce equipment with new suppliers that is compatible with its existing inventory of equipment within a short period of time.

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.

Application of surface protection on a ship's hull

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 a price increase for energy tends to improve our competitiveness. The current situation surrounding the Russia-Ukraine war poses a high risk of supply chain disruptions and rising energy prices. In some cases higher energy prices have already occurred.

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; there is therefore a higher risk. 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 and opportunities

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. Even generous payment deadlines are increasingly not respected, however, particularly in the Middle East, which is the main reason for our withdrawal from this region. Litigation reduces the risk of losing the entire receivable, but cannot prevent it altogether.

Muehlhan operates in the project business. With major projects, there is always a risk that the client will suffer a loss and become insolvent. In Muehlhan’s case, this especially affected shipyards in the past. Muehlhan has therefore implemented precise criteria for its project selection and stringently applies various risk management measures. Muehlhan carefully reviews its customers’ liquidity situations before accepting orders and manages receivables in a regular and systematic way. It also insures credit risks on a case-by-case basis, to the extent they are insurable. Improved, system-based project controlling will moreover enable us to detect deviations from the plan and thus enable us to take countermeasures at an earlier stage. We plan to continue this practice in the future. Generally speaking, however, defaults – including large losses – cannot be ruled out. There is therefore a medium overall risk of individual project losses and risks from (pre)financing.

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

The master syndicated loan agreement 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. The interest rate cap covers 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.

Early communication with banks was sought in the previous year following the outbreak of the COVID-19 pandemic and the resulting restrictions. The potentially higher risk of non-compliance with the covenants in the master syndicated loan agreement was managed by temporarily suspending the covenants. In addition, the existing syndicated loan agreement was increased the previous year and the whole agreement extended for a year until mid-2023.

The solid financing strategy with the long-term syndicated loan agreement, early communication with the banks, the prompt implementation of countermeasures, and not least the intact business model and comparatively mild financial effects of the crisis, mean that the financial position of the Muehlhan Group remains stable even in the pandemic.

Tax risks have been adequately covered in the consolidated financial statements. Nevertheless, given the complexity of the matter, there is a medium risk that additional tax claims could emerge if the tax authorities' opinion of the law differs from that of the taxed company in particular cases. A tax audit is currently taking place in Germany.

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. This fundamentally constitutes a higher risk for Muehlhan. 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.

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. This constitutes a medium risk. 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.

3.8. IT-specific risks

Muehlhan uses various IT applications to manage its projects and administrative work efficiently. Risks from cybercrime are therefore

Team members of Muehlhan Wind Service A/S

an increasing threat and cannot be avoided when a large number of employees work with email and the internet. The failure of the IT or individual IT applications could cause short-term delays to projects and administrative work, as was the case in February 2022. Muehlhan carries out regular IT audits to ensure it remains up-to-date and has taken out corresponding insurance.

Overall, the Executive Board estimates the potential impact on Muehlhan's general performance of the risks mentioned above as low. Risks with higher probabilities of occurrence or significant impacts are reduced by means of insurance when possible and sensible. Many estimates still depend on the course of the COVID-19 pandemic and developments in geopolitical crises, such as the Russia-Ukraine war.

VIII. Legal Disclosures

1. Existing branch offices

Branch offices are established when the volume of orders so requires.

The Polish subsidiary Muehlhan Polska Sp. z o.o., Szczecin, maintained branch offices in Germany, Belgium and Denmark in 2021.

The Cypriot subsidiary Muehlhan Cyprus Limited, Limassol, had an independent branch office in Greece and a branch office in Ghana.

The Danish subsidiary Muehlhan A/S, Middelfart, had branch offices in Slovakia and the UK.

The Danish subsidiary Muehlhan Wind Service A/S, Fredericia, maintained branch offices in France, the UK, Poland and Taiwan in the reporting year.

2. Relationships with affiliated companies

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

"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 compensation consists of short-term and long-term components and is based on increases in the corporate value (change in equity value) of the Group. The short-term component is based on the year-over-year increase in the corporate value (change in equity value) and payment is made in the form of a cash bonus. The long-term component is based on a sustainable increase in the corporate value (sustainable change in equity value) and payment is made in shares.

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. Disclosures 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, 2021.

Hamburg, March 30, 2022

Executive Board

Stefan Müller-Arends *Gautam Arya* *Thorsten Hell*

05 Consolidated Financial Statements

Application of surface protection

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	Notes	12/31/2021	12/31/2020
NON-CURRENT ASSETS			
Intangible assets	1	15,678	17,285
Property, plant and equipment	1, 2, 3	19,482	42,174
Financial assets	23	36	33
Other non-current assets	4	3,160	3,998
Deferred tax assets	5	3,640	3,698
Total non-current assets		**41,997**	**67,188**
CURRENT ASSETS			
Inventories	6	8,229	6,571
Trade receivables and contract assets	7	61,472	63,231
Cash and cash equivalents	8	18,698	13,175
Other current assets	9	17,052	11,430
Total current assets		**105,451**	**94,407**
Assets and disposal groups held for sale	9	500	0
TOTAL ASSETS		**147,948**	**161,596**

Rounding differences may occur.

EQUITY AND LIABILITIES in kEUR	Notes	12/31/2021	12/31/2020
EQUITY	10		
Subscribed capital		19,500	19,500
Capital reserve		13,490	13,621
Treasury shares		-329	-340
Other reserves		-794	-148
Retained earnings		38,653	32,719
Non-controlling interests		6,817	3,811
Total equity		**77,336**	**69,164**
NON-CURRENT LIABILITIES			
Pension provisions and similar obligations	11	673	842
Other non-current provisions	14	610	925
Non-current borrowings	12, 13	9,925	22,459
Other non-current liabilities	3	2,394	7,077
Deferred tax liabilities	5	1,227	0
Total non-current liabilities		**14,828**	**31,302**
CURRENT LIABILITIES			
Current provisions	14	5,624	5,145
Current borrowings	12, 13	9,184	9,292
Trade payables and contract liabilities	15	18,310	18,477
Other current liabilities	16	22,666	28,216
Total current liabilities		**55,784**	**61,130**
TOTAL EQUITY AND LIABILITIES		**147,948**	**161,596**

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEAR 2021

in kEUR	Notes	2021	2020
Revenues	17	298,516	260,382
Other operating income	20	22,088	7,227
Cost of materials and purchased services	18	-102,887	-88,145
Personnel expenses	19	-134,037	-123,262
Other operating expenses	20	-56,474	-41,800
Earnings from operations before depreciation and amortization (EBITDA)		**27,205**	**14,403**
Depreciation and amortization of intangible assets and property, plant and equipment	1, 2, 3	-10,462	-11,368
Earnings from operations (EBIT)		**16,742**	**3,035**
Financial result	21	-1,859	-1,699
Earnings before income taxes (EBT)		14,884	1,336
Income tax result	22	-5,089	-63
Consolidated income		**9,794**	**1,273**
Consolidated income attributable to non-controlling interests	10	1,524	968
Consolidated income attributable to shareholders of Muehlhan AG		**8,270**	**305**
EARNINGS PER SHARE IN EUR	24		
Shares		19,380,674	19,195,386
from continuing operations			
basic		0.43	0.02
diluted		0.43	0.02

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR	Notes	2021	2020
Consolidated income	25	**9,794**	**1,273**
Recyclable items			
Currency translation differences (legally independent entities abroad)		1,283	-3,675
Currency translation differences reclassified to the consolidated income statement		178	0
Future cash flow hedge (effective cash flow hedge)		0	2
Non-recyclable items			
Remeasurement of defined benefit plans		-8	-16
Other comprehensive income		**1,452**	**-3,689**
Income taxes on other comprehensive income		0	-1
Other comprehensive income after taxes		**1,452**	**-3,690**
Total comprehensive income		**11,246**	**-2,417**
of which attributable to non-controlling interests		1,511	752
Shareholders of Muehlhan AG		**9,735**	**-3,331**
Total comprehensive income from continuing operations		11,246	-2,417

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	Notes	2021	2020
Consolidated income attributable to shareholders of Muehlhan AG	26	8,270	305
Depreciation of fixed assets	1, 2, 3	10,462	11,368
Loss from the disposal of fixed assets	1, 2, 3	961	-95
Non-cash expenses from the allocation of gains to non-controlling interests		1,524	968
Income tax expense	22	5,089	63
Gain from the sale of subsidiaries	V., 20	-15,188	0
Loss from the sale of subsidiaries	V., 20	3,521	0
Other non-cash income/expenses		-5,950	-6,570
Decrease in provisions	11, 14	-1,099	-228
Cash flow		**7,590**	**5,811**
Increase/decrease in inventories, trade receivables, contract assets and other assets	6, 7, 9	-22,773	13,826
Increase/decrease in trade payables, contract liabilities and other liabilities	15, 16	12,005	-7,086
Income taxes paid	9, 14, 16, 22	-1,841	-792
Cash flow from operating activities		**-5,019**	**11,759**
Proceeds from disposals of fixed assets			
in property, plant and equipment		1,305	396
Capital expenditures			
in intangible assets	1	-29	-22
in property, plant and equipment	2	-4,232	-4,311
Proceeds from the deconsolidation of subsidiaries	V,	30,919	0
Payments for initial consolidations of subsidiaries	V,	-25	0
Interest received	21	0	14
Cash flow from investing activities		**27,938**	**-3,923**
Payments to shareholders and non-controlling shareholders (dividends)	Changes in Group equity	-3,729	-335
Payments for acquisition of non-controlling interests	Changes in Group equity	0	-134
Cash flow from the repayment of current borrowings	12, 13, 26	-18,222	-18,175
Cash flow from taking up of current borrowings	12, 13, 26	18,119	19,555
Cash flow from repayment of non-current borrowings	12, 13, 26	-12,563	-4,088
Cash flow from taking up of non-current borrowings	12, 13, 26	0	262
Interest paid	21	-1,558	-1,336
Cash flow from financing activities		**-17,953**	**-4,251**
Currency, scope of consolidation and valuation-related changes in cash and cash equivalents		557	-409
Total changes in cash and cash equivalents		5,523	3,176
Cash and cash equivalents at the beginning of the period	8	13,175	9,999
Cash and cash equivalents at the end of the period	8	**18,698**	**13,175**

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 01/01/2020	**19,500**	**14,178**	**5,036**	**-91**	**-2**	**-1,196**
Changes in treasury shares	0	0	-119	0	0	0
Changes in non-controlling interests	0	0	0	0	0	0
Contribution to share-based payment	0	-493	0	0	0	0
Withdrawal from capital reserves	0	-64	0	0	0	0
Withdrawal from retained earnings	0	0	-341	0	0	0
Dividends paid	0	0	0	0	0	0
Other changes	0	0	39	0	0	0
Total comprehensive income	0	0	-17	0	2	-3,458
As of 12/31/2020	**19,500**	**13,621**	**4,598**	**-91**	**0**	**-4,653**
Changes in treasury shares	0	0	0	0	0	0
Changes in non-controlling interests	0	0	-553	0	0	0
Contribution to share-based payment	0	-131	0	0	0	0
Withdrawal from profit reserves	0	0	-1,569	0	0	0
Withdrawal from retained earnings	0	0	10	0	0	0
Dividends paid	0	0	0	0	0	0
Total comprehensive income	0	0	-8	0	0	1,473
As of 12/31/2021	**19,500**	**13,490**	**2,478**	**-91**	**0**	**-3,181**

Rounding differences may occur.

				Non-controlling interests	Equity
	Retained earnings	Treasury shares	Equity		
	32,260	**-679**	**69,006**	**2,755**	**71,761**
	0	339	220	0	220
	0	0	0	299	299
	0	0	-493	0	-493
	64	0	0	0	0
	0	0	-341	341	0
	0	0	0	-335	-335
	90	0	129	0	129
	305	0	-3,168	752	-2,417
	32,719	**-340**	**65,353**	**3,811**	**69,164**
	0	11	11	0	11
	0	0	-553	1,330	777
	0	0	-131	0	-131
	0	0	-1,569	1,568	-2
	-10	0	0	0	0
	-2,326	0	-2,326	-1,403	-3,729
	8,270	0	9,735	1,511	11,246
	38,653	**-329**	**70,520**	**6,817**	**77,336**

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 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.

Scaffolders with safety equipment

II. Application of IFRS

The consolidated financial statements of MYAG as of December 31, 2021, 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 (smallest and largest consolidated group) and simultaneously to forgo preparing a set of consolidated financial statements in accordance with the accounting principles set forth in the HGB. The consolidated financial statements are published in the electronic version of the Federal Gazette (Bundesanzeiger).

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 euros 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, 2021, are in compliance with all the mandatory IFRS and IFRIC interpretations adopted by the EU Commission for which application is mandatory as of the reporting date.

These are listed below:

Standard/Interpretation	Note	Effective date	Effect
Amendments to IFRS 4 Insurance Contracts	Effective date of IFRS 9 deferred	01/01/2021	no impact
Amendments to IFRS 9 Financial Instruments, IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures IFRS 16 Leases and IAS 39 Financial Instruments: Recognition and Measurement	Interest Rate Benchmark Reform (Phase 2); Phase 2 deals with replacement issues (issues that might affect financial reporting when an existing interest rate benchmark is replaced)	01/01/2021	no material effect
Amendments to IFRS 16 Leases	Covid-19-Related Rent Concessions beyond June 30, 2021	04/01/2021	no material effect

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

Standard/Interpretation	Note	Effective date	Expected effect
IFRS 17 Insurance Contracts	Accounting for insurance contracts	01/01/2023	no impact
Amendments to IFRS 3 Business Combinations	Reference to the Conceptual Framework	01/01/2022	no material effect
Amendments to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023	Reduced Disclosure in the Notes
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates	01/01/2023	no material effect
Amendments to IAS 16 Property, Plant and Equipment	Proceeds before Intended Use	01/01/2022	no material effect
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022	no material effect

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

Standard/Interpretation	Note	Effective date	Expected effect
Amendments to IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-Current	01/01/2023	no impact
Amendments to IAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	no material effect

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 operation and financial position.

The IASB has adopted other accounting standards and amendments which are not mentioned above, are not mandatory before January 1, 2023 and have not yet been endorsed by the European Commission. They are not listed here.

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

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 28 subsidiaries it controls (previous year: 29). 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, 2020:

As of January 1, 2021, Muehlhan completed a business combination between the subsidiary Marine Service International AS (MSI), Drobak, Norway, and TPO (MSI Group ApS, Gentofte, Denmark). TPO has very similar offshore activities on oil rigs to MSI, but with a somewhat different technical focus and different customers. With the business combination, the existing activities in this area will be enhanced. The transaction was completed without the use of cash. TPO contributed its activities, and Muehlhan transferred 39.8% of the shares to the existing TPO shareholders. Muehlhan now holds 60.2% of the shares in MSI. The cash and cash equivalents of TPO amounted to €25 thousand as of January 1, 2021.

With the business combination, assets in the amount of €0.8 million were added, of which €0.1 million related to non-current assets and €0.7 million to trade receivables. In addition, current liabilities in the amount of €0.4 million were added. Non-controlling interests as of the acquisition date came to €0.1 million. In the reporting year, TPO generated revenues of €4.3 million and income of €0.5 million.

Gerüstbau Muehlhan GmbH (GMH), Hamburg, was disposed of and deconsolidated as of September 30, 2021. The deconsolidation effect totaled €15.2 million and is included under other operating income.

As part of the sale of the North Sea Oil & Gas segment, Muehlhan Industrial Services Ltd. (MGB), Aberdeen, UK, and MDKE Energy A/S (MDKE), Middelfart, Denmark, were sold and deconsolidated as of December 31, 2021. MDKE was acquired in January 2021 and presented as a financial investment. The company was consolidated for the first time as of November 1, 2021, and deconsolidated as of December 31, 2021. The deconsolidation effect from the disposal of the North Sea Oil & Gas segment was €-3.5 million and is included in other operating expenses.

The consideration received for the company disposals amounts to €31.9 million. The first-time consolidations and deconsolidations limit comparability with prior-year financial statements.

Listed below are the assets and liabilities over which control was lost at the date control was lost:

in kEUR	GMH	MGB	MDKE
Non-current assets	9,938	3,695	3,125
of which scaffolding	7,812	1,261	1,724
Current assets	4,892	13,288	8,215
of which trade receivables	4,546	3,449	6,699
of which cash and cash equivalents	25	559	369
Non-current liabilities	1,344	2,526	194
Current liabilities	7,907	12,535	5,150
of which trade payables	1,536	490	1,362

The list of shareholdings as of December 31, 2021, 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 %	Shareholding in %	Held by	CGU
		2021	2020		
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
MBL	Muehlhan Bulgaria Ltd, Varna, Bulgaria	75	75	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
MIF	Muehlhan Industrial France S.A.R.L., Saint-Nazaire, France	100	100	MF	MF
MIS	Muehlhan Industrial Services Inc., Fairfield, USA	100	100	MSPU	–
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., Stettin, Poland	100	100	MYAG	MPL
MRO	Muehlhan S.R.L., Galati, Romania	51	51	MYAG	MCL
MSI	Marine Service International AS, Drøbak, Norway	60.2	100	MYAG	MSI
MSIB	MSI do Brasil Serviços Marítimos Ltda. Brasil, Rio de Janeiro, Brazil	60.2	99.8	MSI	MSI
MSIS	MSI Coating Services PTE Ltd., Singapore	60.2	100	MSI	MSI
MSPU	Muehlhan Surface Protection Inc., Fairfield, CA, USA	100	100	MYAG	–
MWS	Muehlhan Wind Service A/S, Fredericia, Denmark	55.5	55.5	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
TPO	MSI Group ApS, Gentofte, Denmark	60.2	–	MSI	MSI

* 49% of the shares in 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.

The exemption from the preparation of the notes and the management report as well as the disclosure requirement of subsidiaries included in the consolidated financial statements pursuant to Section 264, paragraph 3 of the German Commercial Code (HGB), in conjunction with Article 325 HGB, was exercised for Muehlhan Deutschland GmbH, Bremen, Muehlhan Equipment Services GmbH, Hamburg, and Beschichtungswerk Wyhlen GmbH, Wyhlen.

	Geographic segment	Business segment	Service
	–	–	–
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding, steel construction
	Marine & Construction	Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
	Marine & Construction	Ship, Renewables	Surface protection
	–	–	–
	Marine & Construction	Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
	Energy	Renewables	Surface protection, scaffolding
	Marine & Construction	Industry/Infrastructure	Surface protection, scaffolding, fire protection
	–	–	–
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection
	–	–	–
	–	–	–
	–	–	–
	Marine & Construction	Ship, Oil & Gas, Industry/Infrastructure, Renewables	Surface protection, fire protection
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
	Marine & Construction	Industry/Infrastructure	Fire protection
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding, steel construction
	Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
	Energy	Oil & Gas	Surface protection
	Energy	Oil & Gas	Surface protection
	–	Oil & Gas	Surface protection
	–	–	–
	Energy	Renewables	Wind service
	Marine & Construction	Industry/Infrastructure	Surface protection
	Marine & Construction	Industry/Infrastructure	Fire protection
	Marine & Construction	Industry/Infrastructure	Fire protection
	Energy	Oil & Gas	Surface protection

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

Symbol	Company	Shareholding in %		Equity in kEUR		Result in kEUR	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020	2021	2020
MFP	Muehlhan Grand Bahama Ltd., Nassau, Bahamas	100	100	0.1	0.1	0.0	0.0
MPM	Muehlhan Project Management GmbH, Hamburg, Germany	51	51	-10.7	27.7	-38.3	-43.0
MKSA	Muehlhan Saudi Arabia LLC, Riyadh, Saudi Arabia	100	100	-867.5	-407.7	-409.2	-204.1
MIND	Muehlhan India Private Limited, Chennai, India	99.99	99.99	-100.5	-58.7	-56.6	-73.7
MSIGH	MSI Group Ghana Limited, Accra, Ghana	60.2	–	3.1	–	0.0	–
MWSNL	Muehlhan Wind Service B.V., Vlaardingen, Netherlands	55.5	–	10	–	0.0	–

MSI Group Ghana Limited, Accra, Ghana, and Muehlhan Wind Service B.V., Vlaardingen, Netherlands, were established in the 2021 reporting year and are still without business activity.

Muehlhan Grand Bahama Ltd., Bahamas, has no commercial operations.

Muehlhan Project Management GmbH, Hamburg, Muehlhan Saudi Arabia LLC, Saudi Arabia, and Muehlhan India Private Limited, India, are immaterial for an assessment of the net assets, financial position and results of operations of the Group.

The shareholdings in MPM (via MCL), MKSA (via MMEH), MIND (via MMEH), MSIGH (via MSI) and MWSNL (via MWS and MDK) are held indirectly.

Application of passive fire protection

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.

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 intragroup earnings are offset against the related expenses. Unrealized intercompany profits and losses are eliminated with a corresponding effect on net income.

Deferred taxes

Deferred taxes are recorded to reflect consolidation effects.

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 euros 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 euros are reported in the currency translation reserve.

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

	ISO code	Exchange rate on the reporting date	Average rate	Exchange rate on the reporting date	Average rate
		12/31/2021	2021	12/31/2020	2020
United Arab Emirates dirham	AED	4.16	4.34	4.51	4.21
Brazilian real	BRL	6.33	6.39	6.38	6.02
Danish krone	DKK	7.44	7.44	7.44	7.45
British pound	GBP	0.84	0.86	0.90	0.89
Polish złoty	PLN	4.59	4.57	4.58	4.47
Qatari riyal	QAR	4.13	4.32	4.47	4.18
US dollar	USD	1.13	1.18	1.23	1.15

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.

Preparations for application of surface protection on a wind turbine

VII. Significant accounting and valuation principles

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.

Financial assets

Financial assets particularly include trade receivables, receivables and cash and cash equivalents. For market-standard purchases and sales of financial assets, the trading date is used both for first-time recognition and derecognition.

Recognition and classification

Financial instruments are recognized for the first time at fair value. 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 instruments are classified according to the business model for which they are held and their cash flow characteristics. For subsequent measurement, the financial instruments are assigned to one of the valuation categories defined in IFRS 9 Financial Instruments:

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit and loss

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 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.

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 and 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.

c) Financial assets at fair value through profit and loss

Financial assets are measured at fair value through profit and loss if the business model in which they are held is not "held to collect" or "held to collect for sale" or if their contractual cash flows do not consist entirely of principal and interest.

Impairment of financial assets

Every reporting date, impairment 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 impairment:

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
- 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 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.

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.

Financial liabilities

Financial liabilities particularly include trade payables, contract liabilities, 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. 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.

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.

Inspection of rotor blades on wind power stations

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.

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.

Intangible assets with an identifiable useful life

Intangible assets with an identifiable useful life are recognized at cost and amortized on a straight-line basis over their useful lives. 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 or impairment losses are accounted for as changes in accounting estimates in accordance with IAS 8. In order to determine whether there is a requirement to record the impairment of an intangible 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 reason for the recognized impairment no longer applies, a reversal of the impairment loss not exceeding the amortized cost is recorded.

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. 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 resulting from the merger. Muehlhan AG determines a cash-generating unit's recoverable amount on the basis of the discounted cash flow (value in use). If the reason for the recognized impairment no longer applies, there is no reversal of impairment loss with respect to goodwill.

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

Property, plant and equipment

Property, plant and equipment is valued at the cost of acquisition or production less depreciation and, if applicable, impairment. 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 is tested for impairment if there is reason to believe that the assets may be impaired. In order to determine whether there is a requirement to record the impairment of property, plant and equipment, 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 reason for the recognized impairment no longer applies, a reversal of the impairment loss not exceeding the amortized cost is recorded.

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.

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 against the payment of a charge and whether the agreement grants a right to use the asset, even if this right is not expressly stated in the agreement.

The following notes relate to a lessee's recognition of leases. Muehlhan does not act as a lessor.

Right of use

The Group recognizes an asset for the right of use granted and a lease liability on the provision date. The right of use is initially measured at cost in the amount of the first-time measurement of the lease liability adjusted for payments effected on or before the provision date plus any initial direct costs and the estimated costs of dismantling or disposing of the underlying asset or of reinstating the underlying asset or site at which it is located, less any lease incentives involved.

The right of use is subsequently amortized on a straight-line basis from the provision date until the end of the leasing period unless ownership of the underlying asset is transferred to Muehlhan at the end of the lease term or the right-of-use costs take into account the fact that the Group will exercise its option to purchase the asset. In this instance, the right of use is amortized over the useful life of the underlying asset, this being determined on the basis of the provisions for property, plant and equipment. The right of use is additionally adjusted for impairment on an ongoing basis if necessary and for certain revaluations of the lease liability.

Lease liability

The lease liability is initially discounted at the present value of the lease payments not yet effected on the provision date using the effective interest method. Discounting is effected using the interest rate implicit in the lease or, if this cannot be readily determined, using Muehlhan's incremental borrowing rate. Muehlhan usually uses its incremental borrowing rate as a discount rate. Muehlhan uses the interest rates of various external financial sources to determine its incremental borrowing rate and makes certain adjustments to take into account the lease conditions and the type of asset.

Measurement

The lease payments taken into account in measurement of the lease liability comprise

- Fixed payments, including de facto fixed payments,
- Variable lease payments linked to an index or (interest) rate and initially measured using the index or (interest) rate applicable on the provision date,
- Sums which are likely due on the basis of a residual value guarantee
- The exercise price of an option to purchase an asset if Muehlhan is reasonably certain it will exercise this option, lease payments for a renewal option if Muehlhan is reasonably certain it will exercise this option, and penalty payments for the early termination of a lease if early termination is reasonably certain

Short-term leases and leases for low-value assets

Muehlhan does not recognize right-of-use assets and lease liabilities for leases of low-value assets or for short-term leases. The payments resulting from leases are recognized as expenses on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of acquisition cost and net realizable value.

If the net realizable value of inventories is lower than the carrying amount, inventories are written down to the net realizable value and an impairment is reported on the income statement. All impairment of inventories and all inventory losses are to be recognized as expenses in the period in which the impairment or loss occurred. 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.

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.

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.

Other non-financial assets

Other non-financial assets are recognized at amortized cost. Non-financial assets are tested for impairment losses if there is reason to believe that the assets may be impaired. 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.

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 borrowings.

Non-current assets and disposal groups held for sale

This item is recognized if specific non-current assets or groups of assets (disposal groups) are available for sale in their present condition and their sale within one year is highly probable. The prerequisite for the existence of a disposal group is that the assets be designated for disposal in a single transaction or as part of an overall plan. A discontinued operation is a business segment (component of an entity) that either has been disposed of or is classified as held for sale and both operationally and for financial reporting purposes can be clearly distinguished from the entity's other activities. Moreover, to qualify as a discontinued operation, the component must represent a separate, major line of business or a specific geographic business segment of the Group. Non-current assets designated for sale individually or as part of a disposal group or belonging to a discontinued operation are no longer subject to depreciation. They are stated at the lower of the original carrying amount or fair value less any costs of disposal that may yet be incurred. If the fair value is below the carrying amount, impairment occurs. The result from the fair-value measurement of business segments designated for sale, less any costs of disposal that may yet be incurred, and gains and losses from the disposal of discontinued operations, as well as the earnings from these business segments' normal operating activities are reported separately as "Earnings from discontinued operations" on the Group's income statement. The prior-year figures in the income statement have been modified accordingly. The corresponding assets are reported in a separate balance sheet item. No adjustment is made to the prior-year balance sheet, however.

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 the 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 personnel expenses, while net interest expense relating to interest payments on the defined benefit obligation and any plan assets is shown under financial expenses.

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 personnel expenses; 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.

Other non-financial liabilities

Other non-financial liabilities are recognized at amortized cost. Contract liabilities are recognized when one of the parties has fulfilled its contractual obligation.

Income recognition

Revenues are 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. Revenues correspond 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 revenues 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. Revenues for every performance obligation are either recognized at a point in time or over time.

a) Revenues from providing services

Revenues are 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 revenues, contract risks – including technical, political and regulatory risks – and other relevant variables. Changes in estimates can increase or reduce revenues 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

Revenues are 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.

Share-based payment

The Group has granted a number of share-based payments to employees for settlement using equity instruments of the parent company. The recognition and measurement provisions as per IFRS 2 are to be applied to these compensation components. The basis of assessment is a sustainable increase in the enterprise value of the Group and its individual companies – referred to as the change in equity value.

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 of four years, 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, because marketability and/or technical feasibility cannot be assumed and because there is no guarantee of a future economic benefit.

Expenses for research and development work are recognized in profit or loss 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. Government grants paid as compensation for past expenses or losses or for immediate financial support without any associated future expenses are recognized through profit and loss in the period in which the corresponding entitlement arises.

Scaffolding work on an industrial plant

VIII. Notes to the balance sheet

1. Intangible assets

2021 FIXED ASSET MOVEMENT SCHEDULE

	Acquisition and production costs						
in kEUR	**As of 01/01/2021**	Additions	Disposals	Transfers	Initial consolidation/ deconsolidation	Currency translation differences	**As of 12/31/2021**
Intangible assets							
Concessions, industrial property and similar rights and licences	2,824	29	-30	0	-105	4	2,722
Goodwill	32,401	0	0	0	-1,177	399	31,091
	35,224	**29**	**-30**	**0**	**-1,282**	**402**	**33,812**
Property, plant and equipment							
Land, land rights and buildings including buildings on third-party land	10,605	26	-2,704	-42	-2,497	152	5,540
Technical equipment and machinery	81,079	3,262	-3,479	136	-37,399	1,129	44,728
Other equipment, operating and office equipment	12,137	945	-875	-26	-2,084	214	10,312
Prepayments and equipment under construction	9	-2	0	0	0	0	8
Right-of-use assets	12,729	68	-2,722	-69	-3,229	150	6,927
	116,559	**4,300**	**-9,779**	**0**	**-45,209**	**1,644**	**67,515**

Rounding differences may occur.

2020 FIXED ASSETS MOVEMENT SCHEDULE

	Acquisition and production costs					
in TEUR	**As of 01/01/2020**	Additions	Disposals	Transfers	Currency translation differences	**As of 12/31/2020**
Intangible assets						
Concessions, industrial property and similar rights and licences	2,817	22	-1	0	-15	2,824
Goodwill	35,296	0	-1,906	0	-990	32,401
	38,113	**22**	**-1,907**	**0**	**-1,005**	**35,224**
Property, plant and equipment						
Land, land rights and buildings including buildings on third-party land	11,330	37	-513	45	-294	10,605
Technical equipment and machinery	81,085	3,458	-1,840	76	-1,701	81,079
Other equipment, operating and office equipment	12,616	783	-860	76	-478	12,137
Prepayments and equipment under construction	184	32	-129	-78	0	9
Right-of-use assets	9,974	4,950	-1,817	-119	-259	12,729
	115,189	**9,261**	**-5,158**	**0**	**-2,733**	**116,559**

Rounding differences may occur.

Accumulated depreciation and amortization							Carrying amounts	
As of 01/01/2021	Additions	Disposals	Transfers	Initial consolidation/ deconsolidation	Currency translation differences	**As of 12/31/2021**	**As of 12/31/2021**	**Previous year**
-2,707	-56	30	0	101	-4	-2,636	85	116
-15,232	-650	0	0	458	-533	-15,498	15,593	17,169
-17,939	**-706**	**30**	**0**	**559**	**-537**	**-18,134**	**15,678**	**17,285**
-6,458	-225	937	0	744	-50	-5,053	488	4,147
-54,701	-5,793	3,749	-92	26,239	-810	-31,408	13,320	26,378
-9,674	-909	836	44	1,606	-163	-8,259	2,052	2,463
0	0	0	0	0	0	0	8	9
-3,552	-2,829	2,303	49	740	-24	-3,313	3,614	9,177
-74,385	**-9,757**	**7,826**	**0**	**29,329**	**-1,046**	**-48,033**	**19,482**	**42,174**

Accumulated depreciation and amortization						Carrying amounts	
As of 01/01/2020	Additions	Disposals	Transfers	Currency translation differences	**As of 12/31/2020**	**As of 12/31/2020**	**Previous year**
-2,590	-133	1	0	15	-2,707	116	227
-17,290	-364	1,831	0	591	-15,232	17,169	18,007
-19,880	**-497**	**1,832**	**0**	**606**	**-17,939**	**17,285**	**18,233**
-6,513	-502	415	0	141	-6,458	4,147	4,817
-51,651	-6,066	1,606	-7	1,416	-54,701	26,378	29,435
-9,716	-1,114	803	-70	424	-9,674	2,463	2,900
0	-129	129	0	0	0	9	184
-2,266	-3,060	1,647	77	50	-3,552	9,177	7,708
-70,145	**-10,871**	**4,600**	**0**	**2,031**	**-74,385**	**42,174**	**45,043**

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. “Revenues and segment reporting”.

The following table shows the changes by geographic segment:

In EUR million	12/31/2020	Impairment/ additions	Currency translation differen-ces	12/31/2021
Europe	15.5	-1.6	0.0	13.9
Rest of the World	1.7	0.0	0.0	1.7
TOTAL	**17.2**	**-1.6**	**0.0**	**15.6**

Local goodwill of the GMH cash-generating unit of €0.9 million was derecognized in the course of the disposal.

The local goodwill of the MD cash-generating unit was reduced by €0.7 million in the reporting year. The impairment results from a change in the planning compared with prior years. After the impairment, the MD CGU still has local goodwill of €6.5 million.

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 under equity as adjustment from currency translation.

Based on the carrying amount of the goodwill allocated to the CGUs, two major items stand out: the MD CGU, with €6.5 million of goodwill (previous year: €7.2 million) and the MPL CGU, with €5.2 million of goodwill (previous year: €5.2 million; possible change due to presentation in functional currency and the related translation difference). Together, the two CGUs accounted for 75% (previous year: 72%) of total goodwill as of December 31, 2021.
Goodwill for the respective units was tested for impairment by applying the DCF (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 2021 and have been approved by the Executive Board and the Supervisory Board. The business plans are based on historical 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. The cash flows cover the planning periods 2022–2025.

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	2021	2020
Germany	8.0%	7.8%
Poland	10.6%	10.2%
Rest of Europe	8.1%–13.3%	7.9%–12.5%
Rest of the World	8.7%	8.9%

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%) and 0.0% for the Rest of the World (previous year: 0.0%). 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.

Different data were used to calculate the weighted average cost of capital than in the previous year. The main change is the use of data from the Capital IQ system including the resulting different spreads, rather than from Bloomberg as in the previous year. The result was generally to increase the weighted average cost of capital, which leads to a higher discount rate for future cash flows.

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 (WACC) were tested. A decrease in the EBIT margin of 0.5% would result in an impairment loss of €1.4 million at the MD CGU. For the other CGU, a decrease in the EBIT margin of 1.5% would not result in any impairment. An increase in the WACC of 0.5 percentage points would result in an impairment loss at the MD CGU of €0.8 million. For the other CGU an increase in the WACC of 3.5% would not result in any impairment. 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 recognition of an impairment loss was 1.5% and 3.0% in each case.

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.

The gross carrying amount of prepayments and equipment under construction is €0.0 million (previous year: €0.1 million) for property, plant and equipment under construction.

There was an order commitment for property, plant and equipment of €0.9 million as of the reporting date, mainly for cars and vans (previous year: €0.6 million).

3. Leases

In the area of property, plant and equipment, right-of-use assets from leases are recognized pursuant to IFRS 16.

Right-of-use assets are spread across the following property, plant and equipment classes:

in kEUR	12/31/2021	12/31/2020
Land, land rights and buildings including buildings on third-party land	1,525	6,511
Technical equipment and machinery	105	18
Other equipment, operating and office equipment	1,985	2,648
TOTAL RIGHT-OF-USE ASSETS	**3,614**	**9,177**

Depreciation and amortization of right-of-use assets is spread across the property, plant and equipment classes as follows:

in kEUR	2021	2020
Land, land rights and buildings including buildings on third-party land	1,448	1,727
Technical equipment and machinery	88	4
Other equipment, operating and office equipment	1,293	1,326
TOTAL DEPRECIATION OF RIGHT-OF-USE ASSETS	**2,829**	**3,056**

Interest expenses from the compounding of lease liabilities totaled €0.3 million in the reporting year (previous year: €0.4 million). Muehlhan's incremental borrowing rate of 4.0% (previous year: 4.0%) was used for discounting. Cash used for leases amounted to €3.6 million (previous year: €3.3 million).

The undiscounted lease liabilities have the following maturities:

in kEUR	12/31/2021	12/31/2020
Up to 1 year	1,666	2,912
Between 1 and 5 years	2,095	4,824
More than 5 years	119	7,971
TOTAL UNDISCOUNTED LEASE LIABILITIES	**3,881**	**15,707**

Expenses for leases recognized as per IFRS 16.6 totaled €6.6 million in the reporting year (previous year: €4.1 million). Muehlhan engages in project business and often rents/leases space, buildings, premises and technical equipment on a temporary basis for the duration of the projects.

4. Other non-current assets

Other non-current assets consist of financial and non-financial assets.

Other non-current financial assets almost exclusively consist of non-current project-related security deposits from customers.

5. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
in kEUR	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Accumulated tax loss carryforwards	3,023	5,847	0	0
Intangible assets	0	0	281	262
Property, plant and equipment	153	190	1,214	2,382
Inventories	109	150	0	0
Trade receivables and contract assets	592	29	1,402	2,312
Other assets	0	0	25	89
Pension provisions and similar obligations	76	89	0	0
Current borrowings	918	2,170	11	186
Non-current borrowings	0	0	153	0
Other provisions	382	249	0	0
Trade payables and contract liabilities	9	64	0	0
Other liabilities	245	140	7	0
Netting acc. to IAS 12.74	-1,866	-5,230	-1,866	-5,230
TOTAL	**3,640**	**3,698**	**1,227**	**0**

In Germany, there were €11.0 million of trade tax loss carryforwards (previous year: €13.7 million) and €10.3 million of corporation tax loss carryforwards (previous year: €14.2 million) as of the reporting date. There were €11.0 million of tax loss carryforwards abroad (previous year: €13.9 million).

According to the medium-term forecasts of the companies involved, a tax benefit of €3.0 million (previous year: €5.9 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 €0.3 million was recognized (previous year: €5.7 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 of €5.6 million (previous year: €1.3 million) and trade tax losses of €6.5 million (previous year: €1.0 million), the realization of which 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 €2.0 million (previous year: €3.6 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 €1.2 million (previous year: €1.4 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.

6. Inventories

Inventories may be broken down as follows:

in kEUR	12/31/2021	12/31/2020
Raw materials, consumables and supplies	8,002	6,240
Prepayments	227	332
TOTAL	8,229	**6,571**

No additional impairment was recognized on raw materials, consumables and supplies (previous year: €0.2 million).

7. Trade receivables and contract assets

Trade receivables include the following items:

in kEUR	12/31/2021	12/31/2020
Trade receivables from services rendered	44,871	50,391
Trade receivables from construction contracts/contract assets	33,973	39,970
Prepayments received on work in progress	-17,372	-27,130
TOTAL	61,472	**63,231**

Trade receivables include €0.3 million in receivables from unconsolidated Group companies. Contract assets came to €0.4 million as of the reporting date (previous year €1.6 million). As a rule, trade receivables from services rendered are due and payable within

Scaffolding work on an industrial plant

30 days. In exceptional cases, the time to maturity may be up to one year. Trade receivables from construction contracts have the same maturities.

Overdue trade receivables for which no impairment has been recognized totaled €13.7 million as of the reporting date (previous year: €15.2 million).

Regarding trade receivables that are due, trade receivables that are not due and trade receivables for which no impairment 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 impairments on trade receivables that are recognized through profit or loss on the consolidated income statement:

Impairments for trade receivables

in kEUR	2021	2020
Impairment – as of January 1	-6,868	-4,942
Additions (loss allowance)	-968	-3,898
Reversals (other operating income)	564	403
Derecognition of impaired trade receivables	933	1,318
Currency translation differences	-195	251
IMPAIRMENT – AS OF DECEMBER 31	**-6,535**	**-6,868**

There were changes year-over-year in the assumptions made regarding the volume of expected losses. In the previous year, losses of 0.0% to 2.5% before individual loss allowances were expected on trade receivables from services rendered. As of the reporting year 2021, the expected credit losses on trade receivables from services rendered are recognized after individual loss allowances. The amount of expected losses was adjusted accordingly to 0.0% to 15.0%, whereby the 15.0% was only applied to receivables from services rendered in the Middle East. The change in approach and valuation has no material effect on the consolidated financial statements.

As of the reporting date, the company had credit insurance for €3.7 million of trade receivables (previous year: €2.6 million). The framework for credit insurance was €5.5 million (previous year: €4.6 million). There was no concentration

Employees of Muehlhan Cyprus Limited at a refinery

of the default risk as Muehlhan was active in various markets on three continents with a variety of customers.

Muehlhan transferred trade receivables to a customer in exchange for cash and cash equivalents (true factoring). The receivables were derecognized as all the risks and opportunities – first and foremost the default risk – were transferred to the purchaser.

The receivables were held in a business model designed for the collection of cash flows.

8. Cash and cash equivalents

Cash and cash equivalents amounted to €18.7 million as of December 31, 2021 (previous year: €13.2 million), and, aside from available cash and sight balances, also included overnight deposits. Interest on overnight deposits averaged 0.0% (previous year: 0.1%) on the reporting date. As of the reporting date, there were no drawing restrictions.

There are no relevant default risks as Muehlhan only works with banks that are regularly tested by the European Central Bank and others.

9. Other current assets

Other current assets consist of financial and non-financial assets.

The other current financial assets can be broken down as follows:

in kEUR	12/31/2021	12/31/2020
Security deposits	3,939	2,515
Receivables related to employees	594	719
Creditors with debit balances	572	111
Receivables due from damage claims/insurance compensation payments	210	438
Credits with suppliers/bonuses	198	304
Sundry current financial assets	5,988	2,877
TOTAL	11,500	**6,964**

Sundry current financial assets include a receivable of €4.5 million from a former subsidiary.

Other current non-financial assets can be broken down as follows:

in kEUR	12/31/2021	12/31/2020
Deferrals and accruals	2,276	1,626
Other tax receivables	2,115	761
Advance payments	633	714
Receivables related to employees	157	252
Income tax receivables	156	810
Sundry current non-financial assets	217	303
TOTAL	5,552	**4,466**

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 of €0.1 million was recognized for other financial assets (previous year: €0.3 million). No additional impairment was 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 and expenses.

At the end of the financial year, a leasehold agreement for land with a building on it in Aberdeen, United Kingdom, amounting to €0.5 million was recognized as an asset held for sale. The leasehold agreement for the land and the building have not been transferred to the buyer as part of the sale of the Oil & Gas segment in the North Sea and are available for sale, with the market price estimated to be higher than the carrying amount. There are no liabilities in connection with the assets held for sale. The land and the building have been leased in the short term.

10. Equity

Subscribed capital

The authorized capital reported for the parent company is equal to the authorized capital reported for the Group. It is divided into 19,500,000 no-par-value bearer shares, each with a proportional amount of the authorized capital of €1.00 per share. The authorized capital is fully paid in.

Pursuant to the resolution adopted by the Annual General Meeting on June 18, 2020, the parent company's authorized capital amounts to €9,750 thousand (previous year: €9,750 thousand).

Capital reserve

The changes in the capital reserve come from the compensation program for the Group's senior managers (see "Treasury shares").

Treasury shares

Muehlhan AG's Annual General Meeting on June 18, 2020, passed a resolution again authorizing the Executive Board to acquire treasury shares with a nominal value of up to €1.95 million. There were no share buy-backs in the reporting year 2021. 97,526 treasury shares were purchased for €280,553 in the previous year.

In 2021, 4,651 shares (previous year: 218,243 shares) were transferred under the Employee Program. Treasury shares are shown separately as deduction items totaling €329 thousand (previous year: €340 thousand) in the consolidated statement of changes in equity. Treasury shares are measured at the average price on the reporting date.

In the previous year, Muehlhan AG updated the compensation program for the Group's senior managers, which has been in place since 2010. The current program has two components: a performance bonus and a value bonus. In addition to other agreed criteria, eligibility for the performance bonus is the result primarily of a year-over-year increase in the corporate value (change in equity value) of the individual company in question and of the Group. Payment is made in the form of a cash bonus.

The amount of the value bonus is based on measurement of the sustainable increase in the corporate value (sustainable change in equity value) of both the respective company and the Group. The beneficiary is allocated a virtual share portfolio, its value equal to the identified amount of the 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 directly against existing claims.

Once a year, the agreement can be terminated.

In 2021, a tranche of 4,651 shares (previous year: 218,243 shares) with a value of €11 thousand (previous year: €501 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 2021, the Group recognized associated income of €120 thousand (previous year: €129 thousand). The issuance of rights to shares is recognized in equity under capital reserve. As of the reporting date, Muehlhan AG held 115,033 treasury shares (previous year: 119,684 treasury shares).

Other reserves

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

Profit reserves changed in the reporting year due to reclassifications to non-controlling interests, transfers from retained earnings and profit reserves, 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 and the first-time application of IFRS 9 in 2018.

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

Retained earnings

The changes in retained earnings consist of the 2021 consolidated income attributable to shareholders of Muehlhan AG, the payment of a dividend to shareholders and reclassifications to other equity items.

A dividend of €0.12 per share with dividend rights was distributed in 2021 for the financial year 2020. There was no distribution of a dividend in 2020. With the Supervisory Board's approval, the Executive Board will propose to the Annual General Meeting that for the financial year 2021 a dividend of €0.75 per share be distributed on the €19,500,000.00 of shares with dividend rights. As a result, the total dividend distribution will be €14,625,000.00, less the dividend on treasury shares. Payment of this dividend will be dependent on approval by the Annual General Meeting on May 24, 2022. The dividend liability will be recognized after approval by the Annual General Meeting in financial year 2022.

Non-controlling interests

MMF, MCL, MRO, MBL, MWS and as of 2021 MSI had non-controlling interests as of the reporting date. Muehlhan AG holds a 75.0% stake in MBL, a 70.0% stake in MMF, a 60.2% stake in MSI, a 55.5% stake in MWS and stakes of 51.0% each in MCL and MRO. With the exception of MSI 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	MWS
	12/31/2021	**12/31/2021**
Non-current assets	4,374	852
Current assets	9,185	23,829
Equity	5,761	6,840
of which non-controlling interests	2,871	3,044
Non-current liabilities	482	402
Current liabilities	7,316	17,439
	2021	**2021**
Revenues	25,024	59,479
Earnings from operations (EBIT)	985	3,302
Earnings after income taxes	456	2,026
of which non-controlling interests	224	901
Earnings after income taxes, previous year	474	1,809
of which non-controlling interests	232	733

The earnings after taxes must be allocated to the other shareholders in accordance with their respective shareholdings. During the reporting year, €1,403 thousand of dividends were distributed to non-controlling interests (previous year: €335 thousand).

11. Pension provisions and similar obligations

Provisions for pensions and similar obligations totaled €0.7 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 defined benefit pension 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,

Scaffolders in Greece

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	
	2021	2020	2021	2020	2021	2020
Discount rate	0.7	0.4	3.5	1.3	1.0	0.3
Future increases in salaries and pensions	0.7	0.7	3.0	3.0	2.0	–
Inflation rate	–	–	2.5	2.5	2.8	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.

Pension provisions and similar obligations developed as follows:

in kEUR	2021	2020
As of January 1	842	879
Current service cost	2	-17
Interest effects for vested pension entitlements	4	37
Pension benefits paid	-155	-58
Actuarial gains and losses	-24	16
Exchange differences	3	-15
As of December 31	**673**	**842**

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

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 2022 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. Borrowings

The carrying amounts of borrowings can be broken down as follows:

in kEUR	12/31/2021	12/31/2020
Borrowings		
Non-current	9,925	22,459
Current	9,184	9,292
TOTAL	**19,109**	**31,751**

In the previous year Muehlhan AG modified a syndicated loan agreement for Group financing with a total credit line of €65.0 million, which was lead managed by Commerzbank AG in July 2017. The modifications – which are not significant according to IFRS 9 – raised the credit line by €5.0 million, temporarily suspended compliance with some covenants and extended the term by one year. The loan is divided into three tranches. Tranche A is a term loan for €20.0 million maturing in mid 2022. Tranche B is a bullet loan for €20.0 million maturing in mid 2023 (before modification: 2022) with a one-year renewal option. Tranche C for €30.0 million (before modification: €25.0 million), with the option of increasing by up to another €25.0 million, is a revolving loan that is available until mid 2023 to finance working capital requirements, with the option of renewing until mid 2024 (before modification; until mid 2022 with a renewal option 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 agreed 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 in 2017 and 2020 (€0.7 million). The loans totaled €14.6 million on the reporting date (previous year: €27.4 million). In addition, the subsidiaries had other non-current and current borrowings.

The Muehlhan Group has credit lines totaling €45.2 million (previous year: €64.4 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 €108.3 million (previous year: €101.7 million) from Euler Hermes Kreditversicherungs AG, Zurich Versicherung Aktiengesellschaft and Zurich Insurance Public Limited Company, USA. In addition to borrowings totaling €19.1 million (previous year: €31.8 million), guarantee credits totaled €27.8 million as of December 31, 2021 (previous year: €27.1 million). On the reporting date, aside from cash and cash

Scaffolders' safety equipment

equivalents, the company had at its disposal unutilized loan, overdraft and guarantee facilities in the amount of €106.8 million (previous year: €107.3 million). The effective interest rate on borrowings averaged 3.10% during the financial year (previous year: 3.11%). 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 €2.0 million in 2022 (previous year, for 2021: €4.1 million) and €12.5 million in 2023 (previous year, for 2022: €2.1 million). There will be no cash outflow (previous year: €0.2 million) for the existing term loans in the period thereafter (two to five years).

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 €0 thousand (previous year: €0 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 €0 thousand (previous year: €0 thousand).

14. Other provisions

Other provisions developed as follows:

in kEUR	As of 01/01/2021	Utilization	Reversal	Addition	Deconsoli-dation	Currency translation effect	As of 12/31/2021
Employees	3,411	-2,925	-141	2,571	-259	106	2,763
Warranty	560	-372	-37	951	-17	0	1,085
Tax risks	26	0	-7	772	0	1	792
Litigation	668	0	0	94	0	0	761
Anticipated losses	128	0	-122	215	-11	6	216
Other	1,277	-943	-244	515	0	11	616
TOTAL	6,070	-4,241	-551	5,118	-287	124	6,234

Breakdown of other provisions by the date of their expected utilization:

in kEUR	As of 12/31/2021	Due < 1 year	Due 1–5 years	Due > 5 years
Employees	2,763	2,763	0	0
Warranty	1,085	475	561	49
Tax risks	792	792	0	0
Litigation	761	761	0	0
Anticipated losses	216	216	0	0
Other	616	616	0	0
TOTAL	6,234	5,624	561	49

There is also a contingent liability from an ongoing tax audit for the years 2014 to 2017 in Germany. Provisions have been recognized for the estimated results of the tax audit. At the time the financial statements were prepared it was not possible to determine with sufficient certainty whether the clarification of currently unresolved issues could result in a drain on financial resources greater than the amount of the provision. In accordance with IAS 37.27 no provision has therefore been recognized in excess of the estimated costs.

15. Trade payables and contract liabilities

All liabilities have a term to maturity of one year or less. Trade payables include contract liabilities of €2.9 million (previous year: €1.6 million) and result from due payments demanded and received without any obligations having been performed to date and from long-term warranty obligations for a completed project. The contract obligations shown as performance obligations will mainly be settled within one year. Income is allocated to contract liabilities using the percentage of completion method.

16. Other current liabilities

Other current liabilities consist of financial and non-financial liabilities.

The other current financial liabilities can be broken down as follows:

in kEUR	12/31/2021	12/31/2020
Liabilities to employees	7,154	8,518
Lease liabilities	1,583	2,560
Debtors with credit balances	164	47
Security deposits	40	12
Sundry current financial liabilities	3,409	2,865
TOTAL	12,350	14,002

Sundry current financial liabilities include an interest-free loan of €0.8 million from the Dutch government to mitigate the effects of the COVID-19 pandemic. The loan has to be repaid.

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

in kEUR	12/31/2021	12/31/2020
Liabilities attributable to social security	2,769	5,738
Liabilities attributable to other taxes	2,520	3,565
Liabilities to employees	1,400	1,211
Deferrals	1,399	201
Income tax liabilities	897	1,132
Prepayments received	9	13
Sundry current non-financial liabilities	1,322	2,355
TOTAL	10,316	14,214

Deferrals include government support of €1.4 million from the USA. This is a government payment received in the reporting year. The payment is converted into a non-repayable grant if the funds are used as agreed. The corresponding documents have been submitted and a decision by the US authorities is expected in 2022.

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

17. Revenues and segment reporting

Muehlhan generates revenues 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 business unit and segment. This results in the business units Ship, Oil & Gas, Renewables and Industry/Infrastructure, and by segment the division into Energy and Marine & Construction. Central functions and consolidation effects are shown separately in order to ensure that they are reconciled to the Group as a whole. Reporting is broken down by external revenues and earnings from operations (EBIT) 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 and 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 revenues come primarily from:

in kEUR	2021	2020
Denmark	120,782	97,491
Germany	44,396	52,829
Netherlands	19,550	26,823
Poland	14,170	19,249
USA	14,114	4,681
Other	85,504	59,310
TOTAL	298,516	260,382

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

Breakdown by business segment

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

	External revenues		EBIT	
in kEUR	2021	2020	2021	2020
Renewables	81,370	63,453	6,493	6,068
Ship	61,042	65,616	5,494	3,624
Construction/ Infrastructure	71,894	70,796	706	-4,213
Oil & Gas	83,970	60,359	3,945	313
Holding company/ consolidation	239	159	104	-2,757
TOTAL	298,516	260,382	16,742	3,035

Breakdown by geographic segment

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

	External revenues		EBIT	
in kEUR	2021	2020	2021	2020
Energy	155,341	113,629	7,026	5,454
Marine & Construction	142,898	148,649	5,145	891
Holding company/ consolidation	277	-1,896	4,571	-3,310
TOTAL	298,516	260,382	16.742	3,035

Mounting of scaffolding on a high-rise building

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.

Revenues are generated almost exclusively by providing services in the business units and 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 €33.6 million. Income of €217.0 million is expected from these contracts, of which €158.3 million has been or is expected to be performed in 2022 but has not yet been billed. Contracts with forecast income of €37.4 million will be performed in 2023 and other contracts with a volume of €21.3 million will be performed after 2023.

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 and contract assets.

18. Cost of materials and purchased services

This item may be broken down as follows:

in kEUR	2021	2020
Cost of raw materials, consumables and supplies	-34,049	-31,013
Cost of purchased services	-68,838	-57,132
TOTAL	-102,887	-88,145

19. Personnel expenses

The average number of employees was as follows:

number	2021	2020
Europe (incl. holding company)	2,425	2,278
Middle East	326	462
North America	53	38
Rest of the World	14	12
TOTAL	2,818	2,790

Personnel expenses included:

in kEUR	2021	2020
Wages and salaries	-112,425	-101,800
Social security contributions, pension and other benefit expenses	-21,612	-21,462
TOTAL	-134,037	-123,262

Expenses for research and development, which consist mainly of personnel expenses, totaled €0.3 million for the financial year (previous year: €0.3 million). Government assistance, such as pay for short-time working in Germany was only used to a minor degree by some companies.

20. Other operating income and expenses

Other operating income consisted of:

in kEUR	2021	2020
Exchange rate gains	2,082	2,827
Income from the sale of property, plant and equipment	591	226
Income from the reversal of impairments of trade receivables and contract assets	564	403
Income from the reversal of provisions	544	840
Sundry other operating income	18,307	2,931
TOTAL	22,088	7,227

Sundry other operating income includes €15.2 million from the deconsolidation of Gerüstbau Muehlhan GmbH, Hamburg.

Other operating expenses consisted of:

in kEUR	2021	2020
Travel expenses	-10,339	-6,371
Consultancy fees	-6,493	-3,652
Expenses for short-term leases and for leases of low-value assets	-5,715	-4,082
Training and other HR activities	-4,551	-3,319
Motor vehicle expenses	-4,330	-3,162
Repairs	-4,164	-4,246
Insurance	-2,904	-1,751
Exchange rate losses	-2,395	-2,091
Impairment losses on trade receivables and contract assets	-968	-3,898
Sundry operating expenses	-14,613	-9,227
TOTAL	**-56,474**	**-41,800**

The aforementioned exchange rate gains and losses relate to exchange differences within the meaning of IAS 21.52a.

Sundry operating expenses include the net loss of €-3.5 million from the deconsolidation of the entities Muehlhan Industrial Services Ltd. (MGB), Aberdeen, UK, and MDKE Energy A/S (MDKE), Middelfart, Denmark. Other items within sundry operating expenses are purchased services and IT costs that cannot be allocated to any other item.

21. Financial result

The financial result included €0.1 million (previous year: €0.1 million) of interest income and total financial expenses consisting of interest expense and guarantee fees of €2.0 million (previous year: €1.8 million). The effect of the interest income and expenses for financial assets and liabilities as calculated using the effective interest method was €-0.3 million, with €-0.3 million resulting from the discounting of lease liabilities.

Tank coating on the ship "Oraholm"

22. Tax result

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 28.0% (previous year: 10.0% to 35.0%) and the domestic deferred tax rate was 31.5% (previous year: 31.5%).

Taxes on income may be broken down as follows:

in kEUR	2021	2020
Current income taxes	-3,026	-1,956
Deferred taxes	-2,064	1,893
TOTAL	**-5,089**	**-63**

Reconciliation of theoretical and actual tax expense:

in kEUR	2021	2020
Earnings before income taxes from continuing operations	14,884	1,336
Theoretical tax expenses at MYAG's tax rate of 31.5%	-4,688	-421
Differing foreign tax rates	-796	-315
Tax-free income and non-deductible expenses	108	-9
Impairment and/or non-recognition of deferred tax assets	-169	63
Effects of impairment of goodwill	-291	-75
Effects of changes in tax rates	-51	67
Effects of previously unrecognized deferred tax assets on tax loss carryforwards and temporary differences	1,185	1,110
Prior period tax expenses (previous year: income)	-374	-399
Withholding tax effects	17	-3
Other	-30	-82
Income tax expense for continuing operations recognized on the income statement	-5,089	**-63**
Effective tax rate	34.2%	4.7%

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:

		2021	2020
Consolidated income from continuing operations	in kEUR	9,794	1,273
Consolidated income	in kEUR	**9,794**	**1,273**
Consolidated income attributable to shareholders of Muehlhan AG	in kEUR	1,524	968
Consolidated income attributable to shareholders of Muehlhan AG	in kEUR	**8,270**	**305**
Average number of ordinary shares	number	19,380,674	19,195,386
Consolidated income per share from continuing operations	in EUR	0.43	**0.02**

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

25. Statement of comprehensive income

The item "Future cash flow hedge" amounting to €0 thousand contains a tax component of €0 thousand (previous year: €-1 thousand). As in the previous year, the item "Currency translation differences" does not contain a tax component.

26. Consolidated Cash Flow Statement

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

Scaffolders

		Changes affecting cash flow		Non-cash changes		
in kEUR	12/31/2020	Repayments	Borrowings	Currency translation differences	Change in fair value	12/31/2021
Non-current borrowings	22,459	-12,563	0	-11	40	9,925
Current borrowings	9,292	-18,222	18,119	-5	0	9,184
Total liabilities from financing activities	**31,751**	**-30,785**	**18,119**	**-16**	**40**	**19,109**

Cash flow from leases is reported as cash flow from operating activities.

27. Government grants

The Muehlhan Group made use of government grants during the COVID-19 pandemic.

Subsidiaries in the USA received government support of €1.8 million. This consists of government payments that are converted into a non-repayable grant if the funds are used as agreed. A payment of €0.4 million from 2020 was recognized in profit or loss in the reporting year. A subsidiary also received a payment of €1.4 million in the reporting year. The documents for converting the payment into a non-repayable grant have been submitted and a decision by the US authorities is expected in 2022.

The Dutch subsidiary received an interest-free loan of €0.8 million.

Funds for short-time working and COVID bonuses totaling €138 thousand were received in Germany, reducing personnel expenses to some extent.

X. Other disclosures

28. 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, 2021, the Group had an equity ratio of 52.3% (previous year: 42.8%). Every month, external minimum capital requirements are reviewed in connection with the syndicated loan agreement (see note 12. Borrowings).

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 7, Trade receivables and contract assets). The COVID-19 pandemic did not result in any relevant or higher defaults in the reporting year.

Currency risk

Around 74% (previous year: more than 77%) of the Group's revenues are generated in euros or Danish krone, which scarcely fluctuates in relation to the euro. Basically, the remaining sales revenue generated in foreign currencies is 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 złoty and the currencies of the countries in which they operate.

The Group generally does not hedge this risk. The Group posted an exchange rate gain of €0.3 million for 2021 (previous year: €0.7 million).

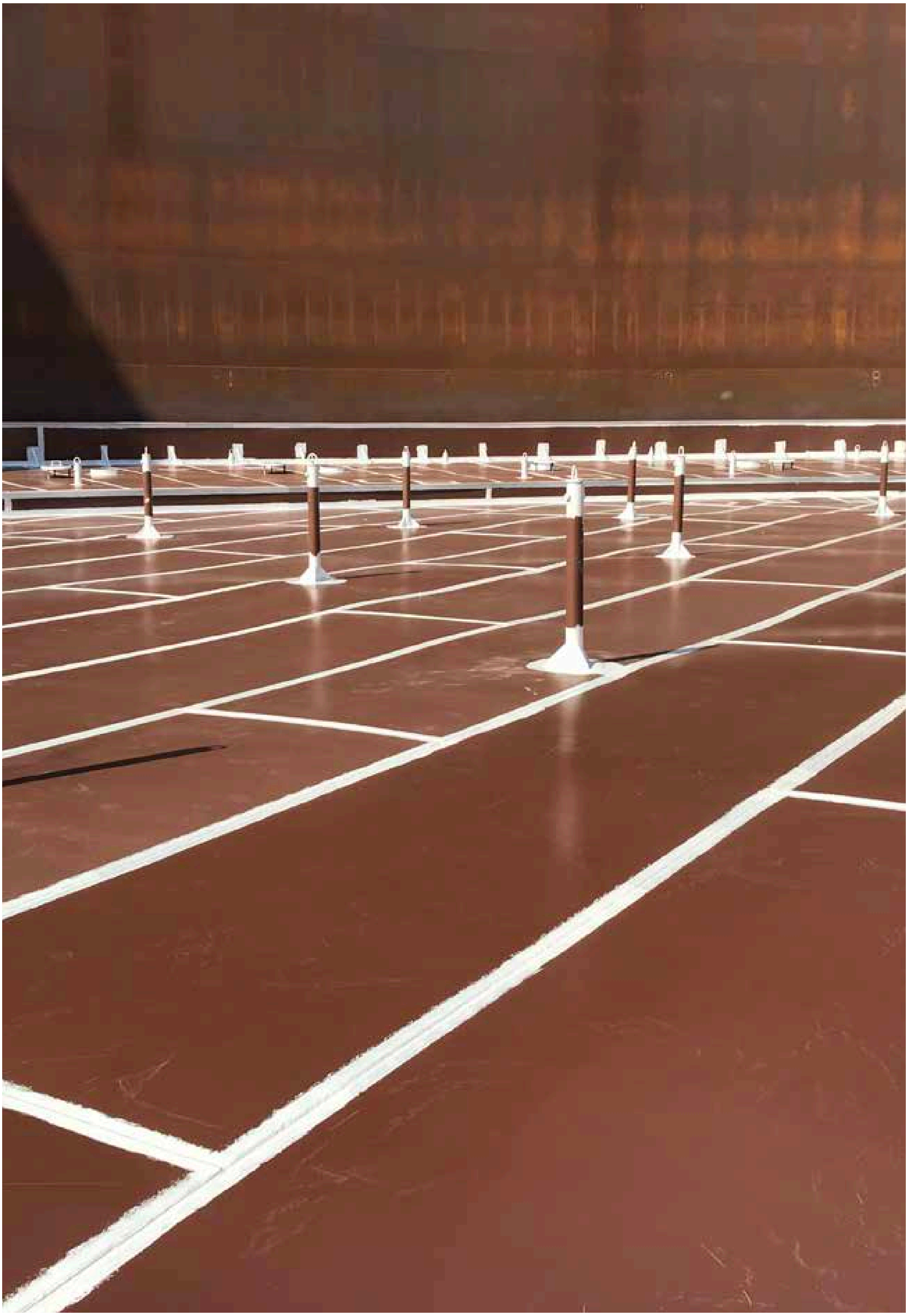
IFRS 7 requires a sensitivity analysis of each type of market risk to which the company is exposed; in addition, the materiality principle must be observed, in line with IAS 1. Sensitivity analyses are used to determine which effects a change in the respective risk variables would have on profits/losses and on equity as of 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 syndicated loan agreement concluded in 2017 and modified in 2020 has effectively improved the Group's liquidity situation and provides flexibility for financing growth projects (see note 12. Borrowings).

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, Borrowings) 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).



Preparation of surface protection work

The main variable interest rate risk positions are shown below.

in kEUR	As of 12/31/2021	< 1 year	1–5 years	> 5 years
Cash and cash equivalents	18,698	18,698	0	0
Borrowings	19,109	9,184	9,925	0
Net risk position	**-411**	**9,514**	**-9,925**	**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, 2021, as follows:

	12/31/2021	
in kEUR	+100 BP	-50 BP
Effect on earnings	-347	232

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

29. Discretionary decisions and estimates

To fulfill our duties when preparing the consolidated financial statements, we sometimes have to 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 recognized in profit or loss on the date that more information becomes available.

On the reporting date, management mainly 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 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 that could adversely affect the net assets, financial position and results of operations.

- Impairment of non-current assets: 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.

- Impairment of current assets: The Group recognizes impairments for credit-impaired receivables to reflect expected losses due to customer insolvency. The Group bases its assessment of the appropriateness of impairments 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 taxes: 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 value of derivative 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 cash value method to determine the fair value of financial assets available for sale that are not traded in active markets.

- Pension provisions and similar obligations: 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 on which 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 is 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.

- Discount rates: The discount rates for the lease payments are based on assumptions and estimates.

30. 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: €2.0 million; previous year: €1.0 million).

The composition of the Executive Board and the Supervisory Board is discussed in note 33. Executive Board, and note 34. Supervisory Board. Supervisory Board member Ms. Andrea Brandt (née Greverath) is also a related party within the meaning of IAS 24.9. Ms. Brandt and the companies controlled by her are referred to as "Greverath Property" in the following paragraphs. In 2021, the Group's expenses relating to Greverath Property totaled €267 thousand (previous year: €257 thousand) and consisted of rent, real estate taxes and Supervisory Board compensation (see note 34. Supervisory Board).

As of the reporting date, there were no liabilities to Greverath Property (previous year: €0 thousand).

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 Grant Thornton AG Wirts chaftsprüfungsgesellschaft, Hamburg, to audit the consolidated financial statements for financial year 2021. In 2021, the auditors' total fees amounted to €159 thousand for financial statement auditing services (previous year: €139 thousand) and €5 thousand for other assurance services (previous year: €3 thousand), bringing the total amount charged for all services to €164 thousand (previous year: €142 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 (until June 30, 2021)
- 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 with a third party on behalf of the company. The compensation for the Executive Board covered by Muehlhan AG totaled €1,106 thousand for the financial year, including €600 thousand of ongoing fixed compensation, €298 thousand of ongoing variable compensation and €208 thousand of expenses for the bonus program (previous year: €1,068 thousand, including €780 thousand of fixed compensation, €245 thousand of variable compensation and €42 thousand of expenses for the bonus program). Expenses relating to the bonus program constitute share-based compensation; 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)
- Ms. Andrea Brandt (née Greverath), Managing Partner of GIVE Capital GmbH, Hamburg

The Supervisory Board was paid €93 thousand for reimbursement of expenses for the financial year (previous year: €51 thousand). As in the previous year, €50 thousand of this was the fixed component. The variable component accounted for €43 thousand (previous year: €1 thousand) and has not been paid out as of the reporting date. Payments to reimburse expenses are payable within the short term.

35. Events after the reporting date

Mr. James West stepped down from the Executive Board on January 1, 2022.

Mr. Gautam Arya was appointed as Member of the Executive Board, COO on January 1, 2022. Mr. Thorsten Hell was appointed as the new CFO on January 1, 2022.

Muehlhan AG holds 70% of the shares in the Russian company Muehlhan Morflot OOO (MMF), St. Petersburg, Russia, and includes the company in its consolidated financial statements. Russia's attack on Ukraine on February 24, 2022 and the sanctions imposed on Russia as a result make it difficult for MMF to carry on its business. MMF is not material for the net assets, financial position and results of operations of the Muehlhan Group. The goodwill of €0.1 million recognized as of December 31, 2021, is now likely to be worthless, however. There are very few relations between MMF and other Group companies and practically no relations between other Muehlhan companies besides MMF with Russian companies or the Russian state. Nevertheless, the indirect effects of the war, such as the disruption of supply chains and the steep rise in energy prices, are also affecting the Muehlhan Group. Sanctions against the Russian state and Russian citizens may also pose legal and economic risks for Muehlhan.

36. Approval of the financial statements

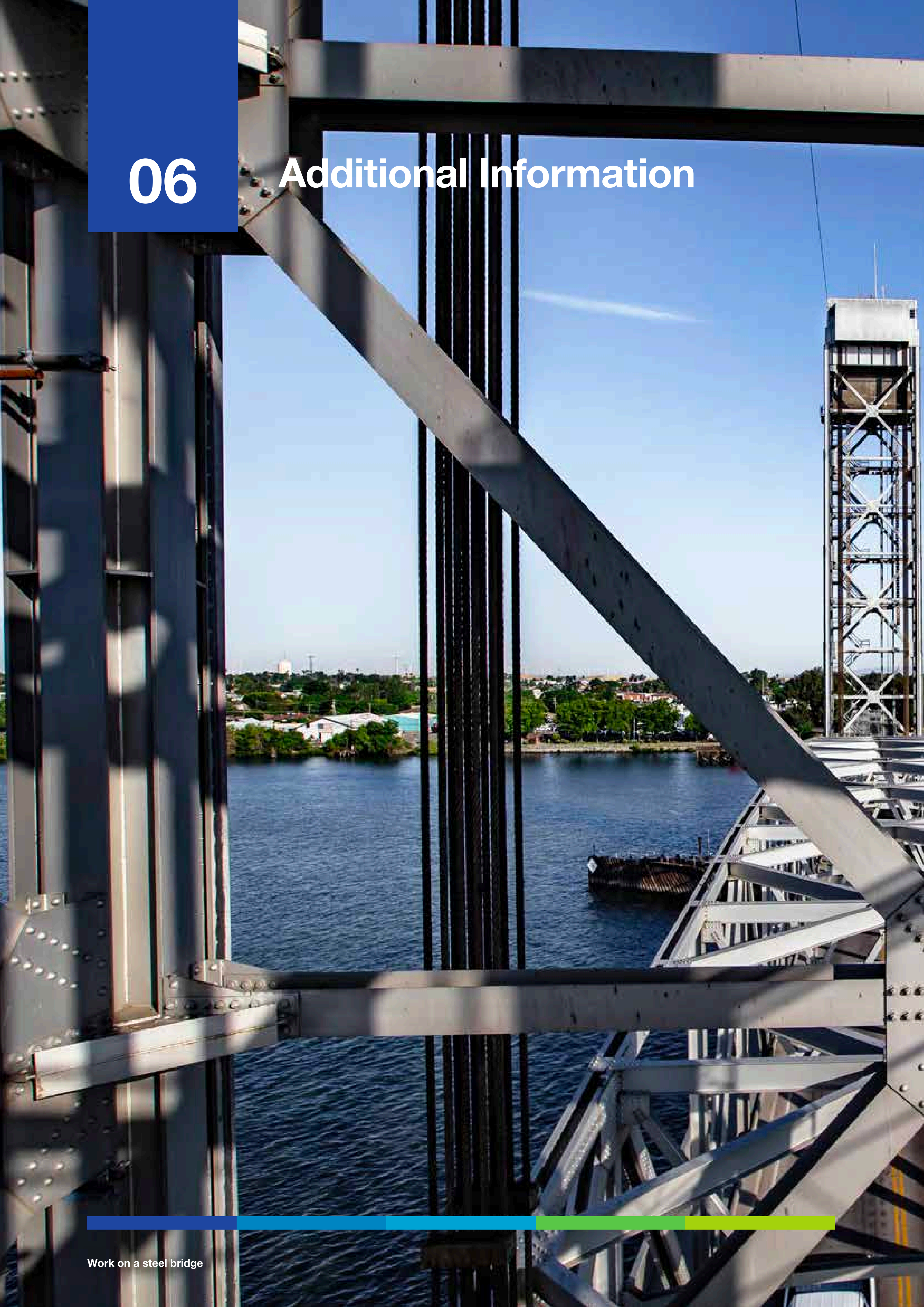
The consolidated financial statements and the Group management report of Muehlhan AG are published in the electronic version of the Federal Gazette (Bundesanzeiger). On March 30, 2022, the consolidated financial statements and the Group management report were approved for publication by the Supervisory Board.

Hamburg, March 30, 2022

Executive Board

Fire protection work in Oman

06 Additional Information



Work on a steel bridge

Muehlhan AG, Hamburg, Germany
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT AS OF DECEMBER 31, 2021

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 balance sheet as of December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in Group equity and the consolidated cash flow statement for the financial year from January 1, 2021, to December 31, 2021, as well as the 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 January 1, 2021, to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying consolidated financial statements comply, in all material aspects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315e, paragraph 1 of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as of December 31, 2021, and of its results of operations for the financial year from January 1, 2021, to December 31, 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material aspects, 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 Article 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 Article 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the 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 and Supervisory Board are responsible for the other information. The other information comprises
- the 2021 Annual Report
- but not the consolidated financial statements, the Group management report or our related 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 detailed above and, in so doing, to consider whether the other information
- is materially inconsistent with the consolidated financial statements, 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 aspects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315e, paragraph 1 HGB, and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position and results of operations of the Group. In addition, the executive directors are responsible 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 misstatements, 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 aspects, 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 Article 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (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 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 net assets, financial position and results of operations of the Group in compliance with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315e, paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, March 30, 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Eric Pritsch	*Ksenia Haas-Parsina*
Wirtschaftsprüfer	*Wirtschaftsprüferin*
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06 Additional Information

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FINANCIAL CALENDAR

April 29, 2022	Publication of results for the first quarter of 2022
May 24, 2022	Virtual Annual General Meeting of Muehlhan AG
July 29, 2022	Publication of half-yearly report 2022
October 28, 2022	Publication of results for the third quarter of 2022

IMPRINT

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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, please visit www.muehlhan.com.

FORWARD-LOOKING STATEMENTS

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

Annual Report 2021

Muehlhan

www.muehlhan.com