



Interim report for the first half of

2017

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

Our **Ship, Oil & Gas, Renewables** and **Industry/Infrastructure** business segments offer first-class solutions for surface protection, insulation, passive fire protection, access technology, as well as scaffolding and steel construction. With **more than 2,800 employees at over 30 locations** worldwide, we generated €254 million of sales revenues in 2016.

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

Group Key Figures

in kEUR		1 st half of 2017	1 st half of 2016
Result			
Sales revenues		118,902	127,364
EBITDA ¹		7,946	7,735
EBIT ²		4,187	3,826
EBT ³		3,538	2,952
Consolidated earnings after non-controlling interests		1,537	1,298
Earnings per share from continuing operations	in EUR	0.08	0.05
Cash flow from operating activities		1,446	-110
Investments for fixed assets		5,511	4,787
Balance sheet			
Balance sheet total		150,326	146,454
Fixed assets ⁴		55,152	53,721
Equity		67,605	68,109
Equity ratio	in %	45.0	46.5
Employees			
Average headcount people	Number	2,864	2,931

¹ EBITDA: Profit from operations and depreciation

² EBIT: Profit from operations

³ EBT: Earnings before taxes

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

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Surface protection of a ship

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*Dear shareholders,
esteemed business partners and employees!*

Overall, the first six months of 2017 have been satisfactory for the Muehlhan Group.

After enjoying significant increases in sales revenues in previous years, the Group's sales revenues decreased by 7% to €119 million in the first half, as expected. On the other hand, there was a €0.4 million improvement in EBIT to €4.2 million, indicating that the company has achieved the improvement in profitability it had targeted and forecast. Net income attributable to the equity holders of Muehlhan AG increased by €0.2 million to €1.5 million.

The company successfully increased its profitability in the **Europe** region, in particular, whereas profitability decreased in the **Middle East**, mainly because of the current political developments in Qatar. In **North America** and in the **Rest of the World**, profitability likewise declined slightly due to the project business. Except for formal liquidation, the winding-down of the businesses in Singapore has been completed.

The maritime business included in the **Ship** segment reported a decrease in sales revenues. EBIT decreased by the same percentage.

In the **Oil & Gas** business, earnings deteriorated despite a slight increase in sales revenues. This was caused by continuing difficulties in the core North Sea business, which is suffering from heavy cost pressure because of the low price of oil.

After completing two loss-making projects, the **Renewables** business segment has performed very well. Following negative results in previous years, it managed to generate strongly positive EBIT for the period under review.

Despite lower sales revenues, the **Industry/Infrastructure** segment reported higher earnings than in the previous year. This business segment therefore also managed to improve profitability.

With solid financing and its usual strong equity position, the Muehlhan Group continues to enjoy a stable financial situation.

Based on the results of the first half, we believe that the conditions are in place for us to achieve the operating targets we have set for 2017. We would like to take this opportunity to thank our shareholders, customers and suppliers for their confidence and to commend Muehlhan's employees for their successful work over the past six months.

Your Executive Board



Stefan Müller-Arends



Dr. Andreas C. Krüger



James West

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Our Share

Share price shows positive trend

Muehlhan's share price performed very well in the first half of 2017. Right at the beginning of the year, the share price jumped 13.7% to €2.228. Until the end of February, the share price then consistently remained above the €2.000 per share mark. At the end of March, the announcement that the Danish subsidiary had landed a major order with Maersk Oil and publication of the 2016 Annual Report had a positive impact on the share's valuation. After trading for a time at €2.299, profit-taking caused the share to end trading at €2.180 on 31 March 2017, i.e., 24.6% higher at the end of the first quarter than on 31 December 2016.

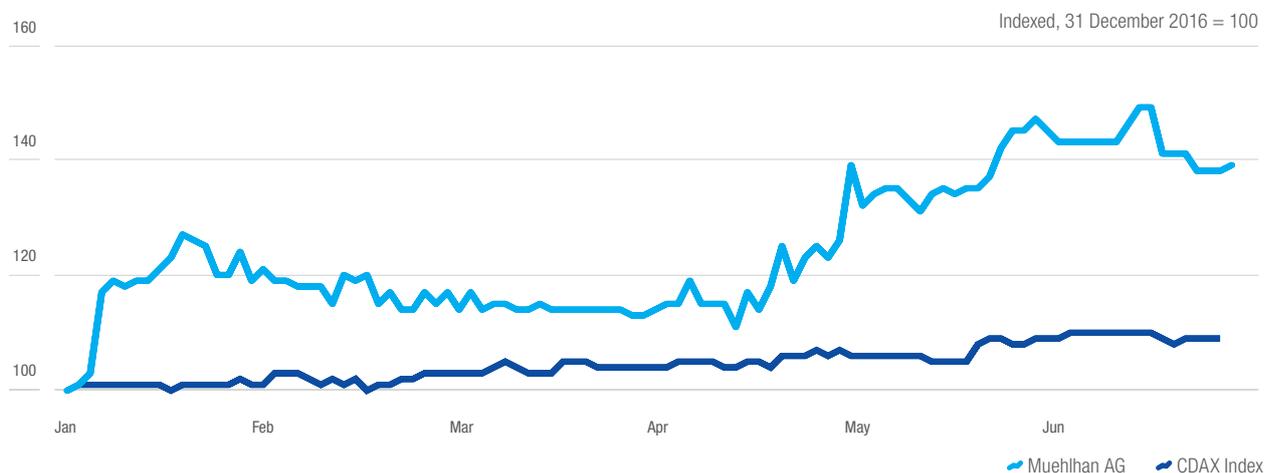
The positive trend then continued in the second quarter: The confirmed buy recommendation from M. M. Warburg analysts and the general trend in the markets gave the share an additional boost. By the end of April, the share price increased 16.5% to €2.540 in heavy trading. After a quiet May, the share resumed its positive trend in June, closing at €2.938 on 30 June.

The share price has increased 67.9% since 31 December 2016.

Shareholder structure as of 30 June 2017

There were no material changes in the shareholder structure between 31 December 2016 and 30 June 2017. The founding family continues to own more than 50% of the shares.

Share performance in the first half of 2017



for the first half of 2017



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

Economic Report

Business performance and results of operations

Projected performance in the first six months

The Muehlhan Group ended the first half of 2017 with a €0.6 million year-on-year increase in consolidated net income before taxes to €3.5 million. Having reported consolidated pre-tax income of €0.9 million for the first three months of the fiscal year, in line with expectations, the Group continued the projected trend during the second quarter.

The Group generated €118.9 million of **sales revenues** between January and the end of June 2017, which is 7% lower than in the same period of 2016. As of 30 June, **EBITDA** (earnings before interest, taxes, depreciation and amortization) totaled €7.9 million (previous year: €7.7 million). **EBIT** (earnings before interest and taxes) amounted to €4.2 million, or €0.4 million higher than the prior-year figure (previous year: €3.8 million), causing the EBIT margin to improve from 3.0% to 3.5%. **Consolidated profit** after taxes and the result from discontinuing operations increased by €0.2 million to €2.4 million in the first half. The discontinued business segment includes

the companies in Singapore that are in the process of formal liquidation. During the first half, consolidated profit attributable to the equity holders of Muehlhan AG also increased by €0.2 million, to €1.5 million.

Profitability improved due to reduction in expenditures for materials and purchased services

The company reduced the **cost of materials and purchased services** significantly (by 18%) to €39.0 million. The disproportionate reduction reflects increases in efficiency and increased use of the company's own staff.

Although the average number of employees decreased slightly to 2,864 (first half of 2016: 2,931), the Group's **personnel expenses** amounted to €54.8 million, virtually the same level as in the prior-year period (€54.7 million).

Other operating expenses for the first half increased by €2.2 million year on year to €20.8 million.

Compared to the previous year, **depreciation and amortization** decreased slightly from €3.9 million to €3.7 million during the reporting period.

Increases in profitability in Europe

1 st half of 2017 in kEUR	Europe	Middle East	North America	Rest of the World	Holding Company	Reconciliation	Group
External revenues	90,843	10,848	10,225	6,930	56	0	118,902
Intersegment sales	0	0	0	0	3,241	-3,241	0
Sales	90,843	10,848	10,225	6,930	3,297	-3,241	118,902
EBITDA	8,473	610	1,001	986	-3,124	0	7,946
Depreciation and amortization	-2,725	-323	-424	-38	-249	0	-3,759
EBIT	5,748	287	577	948	-3,373	0	4,187
Capital expenditures	4,879	72	467	0	170	0	5,588
1 st half of 2016 in kEUR	Europe	Middle East	North America	Rest of the World	Holding Company	Reconciliation	Group
External revenues	94,587	13,658	13,381	5,729	9	0	127,364
Intersegment sales	33	18	0	0	2,838	-2,889	0
Sales	94,620	13,676	13,381	5,729	2,847	-2,889	127,364
EBITDA	7,706	691	1,275	900	-2,837	0	7,735
Depreciation and amortization	-2,895	-309	-428	-42	-235	0	-3,909
EBIT	4,811	382	847	858	-3,072	0	3,826
Capital expenditures	4,061	299	320	11	342	0	5,033

Rounding differences may occur.

During the first half of 2017, Muehlhan reported €118.9 million of sales revenues. As in previous years, the bulk of this figure – €90.8 million, slightly less than in the first half of 2016 – was generated by the **European** business. EBIT for the European region increased from €4.8 million to €5.7 million, signaling a substantial increase in profitability. The holding company's sales revenues are derived primarily from services that are provided for all European subsidiaries.

After doubling in the previous year, sales revenues for the **Middle East** region decreased during the reporting period, from €13.7 million to €10.8 million. EBIT decreased in the same extent, so the EBIT margin remained stable. In particular, earnings were adversely affected by the current political developments in Qatar.

In the first half of 2017, sales revenues from the Muehlhan Group's **North American** businesses decreased by €3.1 million year on year to €10.2 million. EBIT decreased from €0.8 million in the previous year to €0.6 million.

In the **Rest of the World**, sales revenues for the first half of 2017 totaled €6.9 million, €1.2 million higher than in the prior-year period. EBIT increased by €0.1 million to €0.9 million.

Business segments by market

Because of our focus on profitability and the related decision to forego projects with "thin" margins, in most business segments sales revenues were lower in the first half of 2017 than in the same period of 2016.

In the **Ship** segment, sales revenues dropped from €32.5 million to €28.8 million, with EBIT decreasing in an equal proportion to €2.2 million.

In the **Oil & Gas** business, by contrast, the modest recovery in the market made it possible to increase sales revenues by €1.1 million to €35.0 million. However, higher cost pressure caused EBIT to drop from €4.2 million to €1.6 million.

In the **Renewables** business segment, sales revenues decreased by €2.5 million to €15.9 million. At the same time, however, EBIT increased by €2.8 million, from €-0.8 million to €2.0 million, thanks to increases in efficiency and the avoidance of loss-making projects.

The **Industry/Infrastructure** business posted €39.2 million of sales revenues for the period from the beginning of January to the end of June 2017, compared with €43.1 million for the same period of 2016. By contrast, EBIT increased by €0.3 million to €1.1 million.

Net assets and financial position

Capital expenditures

During the first half of 2017, **capital expenditures** totaled €5.6 million, mainly for expansion of the scaffolding business in the Netherlands and Germany and investments to replace technical equipment in the USA. During the prior-year period, capital expenditures totaled €5.0 million.

Higher debt and dividend payment

Due to the utilization of credit lines and lower cash balances, the Muehlhan Group's **net debt** increased from €17.8 million on 31 December 2016 to €23.0 million. The terms and conditions of the syndicated loan agreement were met at all times.

Despite the positive consolidated net income (after minority interests) of €1.5 million (previous year: €1.3 million), **shareholders' equity** decreased by €0.5 million to €67.6 million, mainly reflecting the €1.2 million dividend payment and unfavorable currency effects.

Subsequent Events

In July 2017, the existing syndicated loan agreement for Group financing was replaced by a new syndicated loan agreement. The new agreement for €65.0 million, which matures in 2022, contains improved terms and conditions for Muehlhan compared to the loan agreement it replaces.

In 2015, Muehlhan acquired 60% of the shares in the MSI Group. In July 2017, it acquired the remaining 40% of the shares; as a result, the MSI Group is now a wholly owned subsidiary of Muehlhan AG. The purchase price of the shares totaled €4.5 million.

Forecast and Report on Opportunities and Risks

Outlook

The Executive Board is standing by its published 2017 forecast that Group sales revenues will remain constant at around €250 million and that earnings before interest and taxes (EBIT) will improve slightly to between €6.5 million and €8.5 million.

Opportunities and risks

Project losses cannot be completely ruled out. However, there are currently no indications that significant project losses might be incurred during the rest of this year.

As in the past, the regions and markets that are relevant to the Muehlhan Group reported mixed results. The Oil & Gas segment has been hit hard by the continued low price of crude oil, especially in the North Sea. This has prompted numerous customers to postpone or reduce maintenance and overhaul work. The current political developments in Qatar will also affect the prospects for sales and earnings in the Middle Eastern region. In Greece, the government has filed an appeal against a court ruling in favor of Muehlhan's Greek subsidiary in a tax dispute. To date, the appeal has not been substantiated. At the present time, we do not consider it necessary to set up a risk provision.

For more information about additional opportunities and risks, please see our detailed explanations in the 2016 Annual Report.



Application of passive fire protection on steel beams

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Group Financial Statements

as of 30 June 2017

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	30.06.2017	31.12.2016
NON-CURRENT ASSETS		
Intangible assets	19,936	19,958
Tangible assets	35,186	33,733
Financial assets	30	30
Deferred tax assets	3,747	3,902
Total non-current assets	58,899	57,623
CURRENT ASSETS		
Inventories	4,058	4,361
Trade receivables	71,534	67,818
Cash and cash equivalents	6,314	8,476
Income tax receivables	976	2,433
Other assets	8,502	5,602
Total current assets	91,384	88,690
Non-current assets and disposal groups held for sale	43	141
BALANCE SHEET TOTAL	150,326	146,454

Rounding differences may occur.

EQUITY & LIABILITIES in kEUR	30.06.2017	31.12.2016
EQUITY		
Subscribed capital	19,500	19,500
Capital reserves	13,555	13,555
Treasury shares	-708	-708
Other reserves	9,794	11,450
Retained earnings	21,134	20,614
Non-controlling interests	4,330	3,698
Total equity	67,605	68,109
NON-CURRENT LIABILITIES		
Pension provisions	647	635
Non-current financial liabilities	10,853	14,321
Deferred tax liabilities	1,098	1,149
Total non-current liabilities	12,598	16,105
CURRENT LIABILITIES		
Provisions	5,484	7,081
Current financial liabilities	18,500	11,954
Trade payables	22,336	22,564
Liabilities for current income tax	299	1,439
Other current liabilities	23,440	19,073
Total current liabilities	70,059	62,111
Liabilities directly associated with non-current assets and disposal groups held for sale	64	129
BALANCE SHEET TOTAL	150,326	146,454

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT

in kEUR		1st half of 2017	1st half of 2016
Sales revenues		118,902	127,364
Other operating income		3,768	1,125
Cost of materials and purchased services		-39,030	-47,402
Personnel expenses		-54,858	-54,734
Depreciation and amortization		-3,759	-3,909
Other operating expenses		-20,836	-18,618
Profit from operations		4,187	3,826
Financial result		-649	-874
Earnings before taxes		3,538	2,952
Tax result		-1,111	-981
Result from continuing operations		2,427	1,971
Result from discontinuing operations		-33	256
Consolidated profit		2,394	2,227
Thereof attributable to non-controlling interests		856	929
equity holders of Muehlhan AG		1,537	1,298
NET EARNINGS PER SHARE in EUR			
Shares	Number	19,199,487	19,046,043
in continuing operations			
basic		0.08	0.05
diluted		0.08	0.05
in discontinuing operations			
basic		0.00	0.01
diluted		0.00	0.01

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR		1st half of 2017	1st half of 2016
Consolidated profit		2,394	2,227
Recyclable items			
Currency translation differences (legally independent entities abroad)		-1,664	-600
Future cash flow hedge (effective cash flow hedge)		17	-3
Other comprehensive income		-1,647	-603
Income taxes on other comprehensive income		-4	1
Other comprehensive income after tax		-1,652	-602
Total comprehensive income		742	1,625
Thereof attributable to non-controlling interests		631	1,128
Equity holders of Muehlhan AG		110	497
Total result from continuing operations		742	1,625

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	1 st half of 2017	1 st half of 2016
Consolidated net income to equity holders of Muehlhan AG	1,537	1,280
Depreciation and amortization	3,759	3,911
Gain on disposal of fixed assets	-3	-217
Non-cash expenses/income from the allocation of gains/losses to non-controlling interests	856	929
Other non-cash expenses/income	1,617	1,553
Decrease in provisions	-1,534	-794
Cash flow	6,232	6,661
Increase in inventories, trade receivables and other assets	-7,893	-5,879
Increase in trade payables and other liabilities	4,467	696
Income taxes paid	-1,361	-1,589
Cash flow from operating activities	1,446	-110
from discontinued operations	-32	-1,025
Proceeds from disposals of non-current assets in respect of tangible assets	31	307
Capital expenditures for intangible assets	-77	-245
for tangible assets	-5,511	-4,787
Interest received	45	70
Cash used in investment activities	-5,512	-4,656
from discontinued operations	0	220
Payments to company owners and to non-controlling shareholders (dividends)	-1,152	-762
Cash flow from borrowings under current financial liabilities	6,589	4,663
Cash flow from borrowings under/cash used to repay non-current financial liabilities	-3,455	2,656
Interest paid	-653	-1,091
Cash flow from financing activities	1,328	5,466
from discontinued operations	0	0
Currency-, scope of consolidation- and valuation-related changes in cash and cash equivalents	576	-174
Total changes in cash and cash equivalents*	-2,162	526
Cash and cash equivalents* at the beginning of the period	8,476	8,780
Cash and cash equivalents* at the end of the period	6,314	9,307

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

Rounding differences may occur.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in kEUR	Equity applicable to equity holders of the parent company					
	Subscribed capital	Capital reserves	Other reserves			
			Revenue reserves	Conversion reserve	Cash flow hedge reserves	Adjustment resulting from currency translation
On 1 January 2016	19,500	14,149	9,785	589	-14	1,342
Contribution to share-based payment		90				
Withdrawal from revenue reserves			-485			
Dividends paid						
Other changes						
Total other comprehensive income					-2	-799
On 30 June 2016	19,500	14,239	9,300	589	-16	543
On 1 January 2017	19,500	13,555	9,387	589	-12	1,486
Issue of shares						
Dividends paid						
Other changes			-95			-135
Total other comprehensive income					12	-1,439
On 30 June 2017	19,500	13,555	9,292	589	0	-87

Rounding differences may occur.

				Non-controlling interests	Group equity
	Retained earnings	Treasury shares	Equity		
	19,204	-1,535	63,020	2,928	65,948
			90		90
	485				
	-762		-762		-762
				1	1
	1,298		497	1,128	1,625
	20,226	-1,535	62,846	4,057	66,903
	20,614	-708	64,411	3,698	68,109
				1	1
	-1,152		-1,152		-1,152
	135		-95		-95
	1,537		110	631	742
	21,134	-708	63,275	4,330	67,605

Notes

Information on the company and the Group

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

Principles used in preparing the interim consolidated financial statements

The interim consolidated financial statements for the period from 1 January to 30 June 2017 were prepared in accordance with IAS 34, "Interim Financial Reporting", and have not been audited or reviewed by the external auditors. The interim consolidated financial statements should be read in conjunction with the Group consolidated financial statements for the period ending on 31 December 2016.

Accounting and valuation methods

International Financial Reporting Standards (IFRS) were applied to measure the amounts reported in this interim report. The same accounting and valuation methods used in the 2016 consolidated financial statements were applied to the interim consolidated financial statements. These statements were prepared under the going-concern principle. Taxes on income were determined on the basis of the expected country-specific income-tax rates combined with the respective pre-tax earnings for the first half.

In preparing the interim consolidated financial statements, the Executive Board has to make judgments, estimates and assumptions that affect the Company's application of accounting principles and the reporting of assets, liabilities, income and expenses. Actual results may differ from these estimates. Business performance for the first six months of the fiscal year is not necessarily indicative of the expected performance for the entire year, and one should also remember that impairment tests, particularly with regard to goodwill amounts reported, are always carried out only at the end of the year, taking into account the budget planning done in the fourth quarter for the next fiscal year.

Expenditures incurred on a regular basis during the fiscal year are reported and/or accrued in the consolidated financial statements only to the extent that such accruals would be appropriate at year-end.

The Singapore division meets all the criteria – as it did on 31 December 2016 – for classification as "discontinued operations held for sale" within the meaning of IFRS 5 and is recognized as such in the financial statements for the first half of 2017.

Consolidated group

Since 31 December 2016, the consolidated group has changed as follows. Since January 2017, the newly established company in Oman, Ruwad Al Athaiba LLC, Oman (MOM), is fully included in the consolidated group. In May 2017, the Muehlhan Group, working jointly with experienced industry specialists, founded a company in Middelfart, Denmark to service offshore wind turbines. The Muehlhan Group has a 51% ownership stake in

Muehlhan Wind Service A/S (MWS). The remaining shares are held by the newly founded company's management team.

Events after the balance sheet date

In July 2017, the existing syndicated loan agreement for Group financing was replaced by a new syndicated loan agreement. The new agreement for €65.0 million, which matures in 2022, contains improved terms and conditions for Muehlhan compared to the loan agreement it replaces.

In 2015, Muehlhan acquired 60% of the shares in the MSI Group. In July 2017, it acquired the remaining 40% of the shares; as a result, the MSI Group is now a wholly owned subsidiary of Muehlhan AG. The purchase price of the shares totaled €4.5 million.

Hamburg, 28 July 2017

Muehlhan AG,
the Executive Board



Stefan Müller-Arends



Dr. Andreas C. Krüger



James West

Responsibility Statement

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

Hamburg, 28 July 2017

Muehlhan AG,
the Executive Board



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FINANCIAL CALENDAR

9 November 2017

Publication of nine-month figures 2017

IMPRINT

Publisher: The Executive Board of Muehlhan AG
Editing and Coordination: Frithjof Dorowski
Concept and Design: Berichtsmanufaktur GmbH, Hamburg
Photography: Muehlhan Group
Translation: Thomas Carlsen Fachübersetzungen
Status: July 2017
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NOTES

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

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements related to the prospects and progress of Muehlhan AG. These statements reflect the current views of the management and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee.

