



Interim report for the first half of

2016

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 €239 million of sales revenues in 2015.

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 Figures¹

in kEUR		1 st half of 2016	1 st half of 2015 ²
Result			
Sales		127,364	115,800
EBITDA ³		7,735	6,358
EBIT ⁴		3,826	3,224
EBT ⁵		2,952	2,323
Result from continuing operations		1,971	1,771
Result from discontinued operations		256	-203
Earnings per share from continuing operations	in EUR	0.05	0.06
Consolidated earnings after non-controlling interests		1,298	981
Cash flow from operating activities		-110	-1,740
Investments for fixed assets		4,787	5,102
Depreciation		3,909	3,134
Balance sheet			
Balance sheet total		143,357	137,952
Current assets		86,023	79,290
Fixed assets ⁶		53,240	53,074
Equity		66,903	65,948
Employees			
Half-year average headcount people	number	2,931	2,757

¹ Due to the closure of the Singapore business segment, the separate financial statements prepared in accordance with IFRS 5 break earnings down into earnings from continuing operations and earnings from discontinued operations.

² Figures adjusted according to IFRS 5

³ EBITDA: Profit from operations and depreciation

⁴ EBIT: Profit from operations

⁵ EBT: Earnings before taxes

⁶ Fixed assets: Total of non-current assets less deferred tax assets

Contents



01	Foreword	02	04	Group Financial Statements	08
				Consolidated Balance Sheet	08
				Consolidated Income Statement	10
				Consolidated Statement of Comprehensive Income	10
				Consolidated Cash Flow Statement	11
				Consolidated Statement of Changes in Group Equity	12
				Notes	14
02	Our Share	03	05	Further Information	15
				Contact and Financial Calendar	15
03	Group Interim Management Report	04			
	Economic Report	05			
	Subsequent Events	07			
	Forecast and Report on Opportunities and Risks	07			

*Dear shareholders,
esteemed business partners and employees!*

The Muehlhan Group's results for the first half of fiscal year 2016 were quite satisfactory.

As in previous years, the Group posted a substantial increase in sales revenues; during the first half of 2016, sales totaled €127 million, a 10% increase over the prior-year figure. The Group generated €3.8 million of EBIT, which likewise was significantly higher (by 19%, or €0.6 million) than the prior-year figure. Consolidated earnings improved from €1.6 million to €2.2 million and include €0.3 million of income from the discontinued activities in Singapore.

Every region contributed to the positive business performance, albeit to differing degrees. In particular, the Middle East picked up momentum due to major infrastructure projects in the run-up to big upcoming events such as the FIFA World Cup.

The winding-down of the business in Singapore was completed on schedule during the first quarter. By year-end, the administrative liquidation will be completed as well.

The maritime segment, which is included in the **Ship** segment, reported a substantial decline in sales revenues, but at the same time saw a considerable increase in earnings. This development is attributable to the completion of several large projects, some of them unprofitable, which to date have not been followed by orders of a similar size.

The **Oil & Gas** segment reported a significant increase in earnings although the core business in the North Sea continues to be very adversely affected by the sharp decrease of the oil price. The increase in earnings is attributable to the continued robust business performance of the MSI subsidiary acquired during the previous year and to big orders for fire and corrosion protection for steel structures that are included in this segment.

The **Renewables** segment continued to operate at a loss during the first half of 2016. The reasons are loss-making projects from the previous year that will be completed this year.

The **Industry/Infrastructure** segment's results lagged behind those of the previous year, both because some projects contributed less than expected to earnings and because two accounts receivable were written off as a precautionary measure.

With its solid cash position and its usual strong equity position, the Muehlhan Group's financial situation continues to be stable.

Based on the results of the first half, we believe that the conditions are in place for us to achieve our cautious 2016 operating objectives. As always, we are grateful to our shareholders, customers and suppliers for their confidence and to Muehlhan's employees for their successful work over the past six months.

Your Executive Board



Stefan Müller-Arends



Dr. Andreas C. Krüger



James West

02 Our Share

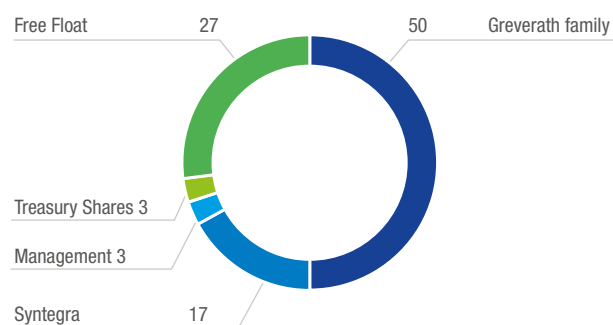
Share price unchanged on the balance-sheet date

The first half of 2016 was calm for Muehlhan AG's share. At the beginning of the year, the share price decreased slightly before recovering by the end of the first quarter of 2016. At the end of the quarter, the share price stood at €1.80, above the 2015 closing price of €1.712. The publication of the results for fiscal year 2015 on 5 April 2016 barely affected the share price. Over the rest of the month of April, the share price rose, then jumped above €1.90 at the beginning of May. By 1 June 2016, Muehlhan AG's share price increased to €1.96 before falling back to €1.62 in the wake of the turmoil unleashed in the equity market by Brexit on 24 June. The share price subsequently recovered, closing at €1.712 on the balance-sheet date of 30 June 2016. The share price is unchanged from 31 December 2015.

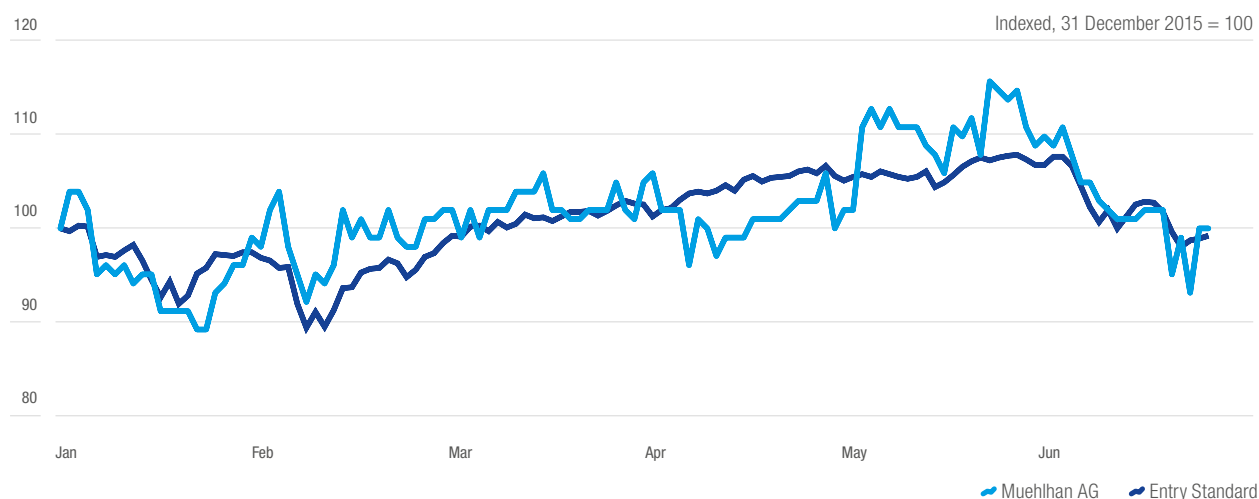
Shareholder structure as of 30 June 2016

As of 30 June 2016, there has been no change in the shareholder structure since 31 December 2015. The founding family continues to own 50.2% of the shares.

On 4 July 2016, Muehlhan AG reported that the shareholder Syntegra Investments 1 S.à.r.l. would like to sell its 17.2% stake, because Syntegra intends to dissolve its commitment to Muehlhan by 31 December 2016. Syntegra is offering the shares at €1.20 per share to the Greverath family and aside from that almost exclusively to employees in managerial positions within the Muehlhan Group. Holding periods of three or six months shall apply to buyers for 50% of the purchased shares in each case.



Share performance in the first half of 2016



03 Group Interim Management Report

for the first half of 2016



Economic Report

Business Performance and Results of Operations

Positive development in the first half of 2016

The Muehlhan Group ended the first half of 2016 with a €0.6 million year-on-year increase in **consolidated net income before taxes** to €3.0 million. Having reported higher-than-expected consolidated pre-tax income of €0.5 million for the first three months of the fiscal year, the Group continued the positive trend during the second quarter.

The Group generated **sales revenues** of €127.4 million between January and the end of June 2016 – a 10% increase over the same period in 2015 (€115.8 million). As of 30 June, **EBITDA** (earnings before interest, taxes, depreciation and amortization) totaled €7.7 million (previous year: €6.4 million). **EBIT** (earnings before interest and taxes) amounted to €3.8 million, or €0.6 million higher than the prior-year figure (previous year: €3.2 million). **Consolidated net income after taxes** for the first half totaled €2.2 million and included the results of the business in Singapore that is discontinued. The company posted €0.6 million of sales revenues in Singapore; due to the disposal of assets as part of the shutdown, the Singapore operations reported €0.3 million of EBIT and after-tax income, respectively (previous year: €0.2 million of EBIT and after-tax income, respectively).

Increases in profitability in Europe and North America

1 st half of 2016 in kEUR	Europe	America	Middle East	Rest of the World	Holding Company	Reconciliation	Group
External revenues	94,587	13,381	13,658	5,729	9	0	127,364
Intersegment sales	33	0	18	0	2,838	-2,889	0
SALES	94,620	13,381	13,676	5,729	2,847	-2,889	127,364
EBITDA	7,706	1,275	691	900	-2,837	0	7,735
Depreciation and amortization	-2,895	-428	-309	-42	-235	0	-3,909
EBIT	4,811	847	382	858	-3,072	0	3,826
CAPITAL EXPENDITURES	4,061	320	299	11	342	0	5,033

1 st half of 2015 in kEUR	Europe	America	Middle East	Rest of the World	Holding Company	Reconciliation	Group
External revenues	95,124	9,310	6,572	4,782	12	0	115,800
Intersegment sales	889	0	418	0	2,934	-4,241	0
SALES	96,013	9,310	6,990	4,782	2,946	-4,241	115,800
EBITDA	6,595	284	611	1,285	-2,417	0	6,358
Depreciation and amortization	-2,268	-398	-251	-39	-178	0	-3,134
EBIT	4,327	-114	360	1,246	-2,595	0	3,224

Rounding differences may occur.

During the first half, **consolidated net income** attributable to the equity holders of Muehlhan AG totaled EUR 1.3 million (previous year: €1.0 million).

Higher expenses due to higher volume of business

Because the average number of employees increased to 2,931 (first half of 2015: 2,757), the Group's €54.7 million of **personnel expenses** were significantly higher than in the prior-year period (€50.5 million). The increase was attributable to the decision to increasingly deploy the company's own staff instead of subcontractors.

As of 30 June 2016, the **cost of materials and purchased services** stood at €47.4 million, compared to €43.2 million in the prior-year period. The disproportionately low increase reflects the greater use of the company's own staff.

Compared to the prior-year period, the increase in sales caused a €1.4 million increase in **other operating expenses** during the first half, to €18.6 million.

Because of prior-year capital expenditures, **depreciation and amortization** increased from €3.1 million in the previous year to €3.9 million during the period under review.



The segments were reclassified at the end of 2015. The prior-year values have been adjusted. In addition, the prior-year values for the region “Rest of the World” have been adjusted pursuant to the requirements of IFRS 5 in connection with the closure of the Singapore division. For more information, please see the 2015 Group Management Report.

During the first half of 2016, Muehlan reported €127.4 million of sales revenues. As in previous years, the bulk of this figure (€94.6 million, slightly less than in the first half of 2015) was generated by the **European** business. The holding company’s sales revenues are derived primarily from a service fee charged to all European subsidiaries. EBIT for the European region increased from €4.3 million in the first half of 2015 to €4.8 million in the year under review. The increase in EBIT was primarily due to reduced project losses.

In the first half of 2016, sales revenues from the Muehlan Group’s **North American** businesses rose €4.1 million year-on-year to €13.4 million. Due to the strong increase in sales, the company was able to significantly increase EBIT from €-0.1 million in the previous year to €0.8 million.

The **Middle East** region managed to nearly double sales revenues to €13.7 million. At the same time, due to a €0.6 million writedown of receivables, EBIT remained stable at €0.4 million.

In the **Rest of the World**, sales revenues for the first half of 2016 totaled €5.7 million, €0.9 million higher than in the prior-year period. On the other hand, EBIT decreased from €1.2 million in the prior-year period to €0.9 million.

Business segments by market

In the **Ship** segment, sales revenues decreased from €51.5 million in the first half of 2015 to €32.5 million in the first half of 2016, as expected, due to the completion of some major projects, a more selective approach to choosing follow-up projects and the decision to forego projects with “thin” margins.

The **Oil & Gas** business segment managed to expand sales from €24.2 million in the prior-year period to €33.9 million in the first half of 2016. While sales in the offshore oil and gas business remained stable, the increase in sales revenues was attributable to a large dock maintenance project.

In the **Renewables** business segment, sales revenues rose to €18.4 million (previous year: €8.8 million).

The **Industry/Infrastructure** business posted €43.1 million of sales revenues for the first six months of 2016, compared with €34.1 million in the prior-year period. The increase was primarily achieved due to further growth in the area of passive fire protection.

Net assets and financial position

Capital expenditures

During the first half of 2016, **capital expenditures** totaled €5.0 million, mainly for expansion of the scaffolding business in the Netherlands, Poland and Germany and investments in a second production line in Denmark to manufacture the latest generation of wind towers. During the prior-year period, capital expenditures totaled around €7.5 million.

Higher debt due to the increase in sales

Due to the utilization of credit lines, the Muehlhan Group's **net debt** increased from €15.0 million to €21.5 million. The terms and conditions of the syndicated loan agreement were met at all times.

In light of the positive consolidated profit, **equity** increased to €66.9 million as of the balance-sheet date (31 December 2015: €65.9 million), despite the €0.8 million dividend payment. Currency-translation adjustments had a total negative effect on equity of around €0.6 million.

Subsequent Events

There were no events or new information after the balance-sheet date of material significance for the company and/or for assessing the company.

Forecast and Report on Opportunities and Risks

Outlook

The Executive Board is standing by its published 2016 forecast that sales revenues will remain constant and that earnings before interest and taxes (EBIT) will be between €5.0 and €7.0 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 markets that are relevant to the Muehlhan Group often 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 Wind Energy segment has been suffering for years from bottlenecks in political decision-making. This has a negative impact on every company in the value chain.

For more information about additional opportunities and risks, please see our detailed explanations in the 2015 Annual Report.



04

Group Financial Statements

as of 30 June 2016

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	30.06.2016	31.12.2015
NON-CURRENT ASSETS		
Intangible assets	20,457	20,369
Property, plant and equipment	32,753	32,675
Financial assets	30	30
Deferred tax assets	3,224	3,094
Total non-current assets	56,464	56,168
CURRENT ASSETS		
Inventories	5,139	5,881
Trade receivables	61,467	54,480
Cash and cash equivalents	9,393	8,780
Assets for current income tax	1,404	1,143
Other receivables	8,621	9,006
Total current assets	86,023	79,290
Non-current assets and disposal groups held for sale	870	2,494
BALANCE SHEET TOTAL	143,357	137,952

Rounding differences may occur.

EQUITY & LIABILITIES in kEUR	30.06.2016	31.12.2015
EQUITY		
Subscribed capital	19,500	19,500
Capital reserves	14,239	14,149
Treasury shares	-1,535	-1,535
Other reserves	10,416	11,702
Retained earnings	20,226	19,204
Non-controlling interests	4,057	2,928
Total equity	66,903	65,948
NON-CURRENT LIABILITIES		
Pension accruals	813	806
Non-current financial liabilities	17,896	15,271
Deferred tax liabilities	71	0
Total non-current liabilities	18,823	16,077
CURRENT LIABILITIES		
Provisions	1,384	2,183
Current financial liabilities	12,991	8,476
Trade payables	19,950	24,145
Liabilities for current income tax	694	1,028
Other current liabilities	22,473	17,576
Total current liabilities	57,491	53,408
Liabilities directly associated with non-current assets held for sale	140	2,519
BALANCE SHEET TOTAL	143,357	137,952

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT

in kEUR		1 st half of 2016	1 st half of 2015
Sales		127,364	115,800
Other operating income		1,125	1,476
Cost of materials and purchased services		-47,402	-43,222
Personnel expenses		-54,734	-50,486
Depreciation and amortization		-3,909	-3,134
Other operating expenses		-18,618	-17,210
Profit from operations		3,826	3,224
Interest income		71	8
Financing costs		-945	-909
Financial result		-874	-901
Earnings before taxes		2,952	2,323
Tax result		-981	-552
Result from continuing operations		1,971	1,771
Result from discontinued operations		256	-203
Consolidated profit		2,227	1,568
Thereof attributable to			
non-controlling interests		929	587
equity holders of Muehlhan AG		1,298	981
NET EARNINGS PER SHARE			
Shares	number	19,046,043	18,899,399
in continuing operations			
basic	in EUR	0.05	0.06
diluted	in EUR	0.05	0.06
in discontinued operations			
basic	in EUR	0.01	-0.01
diluted	in EUR	0.01	-0.01

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR		1 st half of 2016	1 st half of 2015
Consolidated profit		2,227	1,568
Recyclable items			
Currency translation differences (legally independent entities abroad)		-600	2,242
Future cash-flow hedge (effective cash-flow hedge)		-3	-61
Other result		-603	2,181
Income taxes on other results		1	19
Other result after tax		-602	2,201
Total result		1,625	3,769
Thereof attributable to			
non-controlling interests		1,128	594
equity holders of Muehlhan AG		497	3,175
Total result from continuing operations		1,625	3,769
Total result from discontinued operations		0	0

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	1 st half of 2016	1 st half of 2015
Profit from operations	1,280	981
Depreciation on non-current assets	3,911	3,238
Gain on disposal of fixed assets	-217	2
Non-cash expenses/income from the allocation of gains/losses to non-controlling interests	929	154
Other non-cash expenses/income	1,553	2,994
Increase/decrease in provisions	-794	-124
Cash flow	6,661	7,245
Decrease/increase in inventories, trade receivables and other assets	-5,879	-13,715
Decrease/increase in trade payables and other liabilities	696	6,093
Payments of income taxes	-1,589	-1,363
Cash flow from operating activities	-110	-1,740
of which from discontinued operations	-1,025	38
Proceeds from disposals of non-current assets in respect of tangible assets	307	230
Capital expenditures in respect of intangible assets	-245	-50
Capital expenditures in respect of tangible assets	-4,787	-5,102
Capital expenditures/proceeds for acquisition/from sale of consolidated companies	0	-2,326
Interest received	70	8
Cash used in investing activities	-4,656	-7,240
of which from discontinued operations	220	0
Capital expenditures to company owners and to non-controlling shareholders (dividends)	-762	0
Proceeds from payments received in respect of current bank liabilities	4,663	6,293
Proceeds from payments received/capital expenditures for redemption in respect of non-current bank liabilities	2,656	4,090
Payments of interest	-1,091	-891
Cash inflow/outflow from financing activities	5,466	9,492
of which from discontinued operations	0	0
Currency-, scope of consolidation- and valuation-related changes in cash and cash equivalents	-174	1,861
Total changes in cash and cash equivalents*	526	2,373
Cash and cash equivalents* at the beginning of the period	8,780	9,041
Cash and cash equivalents* at the end of the period	9,307	11,414

* 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 01.01.2015	19,500	14,174	9,888	589	0	-355
Contribution share-based payment		180				
Other changes						-10
Total result					-42	2,236
On 30.06.2015	19,500	14,354	9,888	589	-42	1,871
On 01.01.2016	19,500	14,149	9,785	589	-14	1,342
Contribution share-based payment		90				
Withdrawal revenue reserves			-485			
Dividends paid						
Other changes						
Total result					-2	-799
On 30.06.2016	19,500	14,239	9,300	589	-16	543

Rounding differences may occur.

				Non-controlling interests	Group equity
	Retained earnings	Treasury shares	Equity		
	17,190	-1,731	59,255	2,013	61,268
			180		180
	10			644	644
	981		3,175	594	3,769
	18,181	-1,731	62,610	3,251	65,862
	19,204	-1,535	63,020	2,928	65,948
			90		90
	485				0
	-762		-762		-762
				1	1
	1,298		497	1,128	1,625
	20,226	-1,535	62,846	4,057	66,903

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 (the Muehlhan Group) primarily provide surface-protection services and industry services.

Principles used in preparing the interim consolidated financial statements

The interim consolidated financial statements for the period from 1 January to 30 June 2016 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 2015.

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 2015 consolidated financial statements were applied to the consolidated interim 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 of 2016.

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 2015 – 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 2016. The Income Statement figures for the first half of 2015 have been adjusted in accordance with the requirements of IFRS 5.

The presentation of the Consolidated Cash Flow Statement is identical to that of 31 December 2015. The figures in the Consolidated Cash Flow Statement for the first half of 2015 were adjusted accordingly in the 2015 Annual Report pursuant to IAS 8.14(b).

Consolidated group

The consolidated group has not changed since 31 December 2015.

Events after the balance sheet date

There were no events after the balance-sheet date that could have a material impact on the Muehlhan Group's business.

Hamburg, 27 July 2016

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, 27 July 2016

Muehlhan AG

The Executive Board



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05 Further Information

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FINANCIAL CALENDAR

10 November 2016

Publication of nine-month figures 2016

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NOTES

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

FORWARD-LOOKING STATEMENTS

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