Muehlhan




Annual Report

2022

The **Muehlhan Group** offered its customers a diversified range of services with professional industrial quality standards in the fields of wind power stations, access technology and scaffolding, surface protection, passive fire protection, steel construction and insulation.

In the segments **Renewables, Ship, Construction/Infrastructure** and **Oil & Gas**, our customers benefited from our strong organizational skills, on-time delivery, the technical expertise that sets us apart from our competitors, and our 140 years of experience.

With **more than 2,100 employees at over 25 locations** worldwide, we generated nearly €290 million of revenues in 2022.

The focus of our endeavors going forward will remain on the continuous optimization of our technologies and services.

Group key figures

in kEUR		2022	2021
Results			
Revenues		288,275	298,516
Earnings from operations before depreciation and amortization (EBITDA)		17,858	27,205
Earnings from operations (EBIT)		12,739	16,742
Earnings before income taxes (EBT)		11,004	14,884
Consolidated income attributable to shareholders of Muehlhan AG		3,555	8,270
Earnings per share	in EUR	0.18	0.43
Cash flow from operating activities		5,197	-5,019
Investments in property, plant and equipment (not incl. leases)		2,887	4,232
Balance sheet		**12/31/2022**	**12/31/2021**
Total assets		78,458	147,948
Fixed assets[1]		897	38,357
Equity		64,483	77,336
Equity ratio	in %	82.2	52.3
Employees		**2022**	**2021**
Employees (annual average)	number	2,103	2,818

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

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

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.

01

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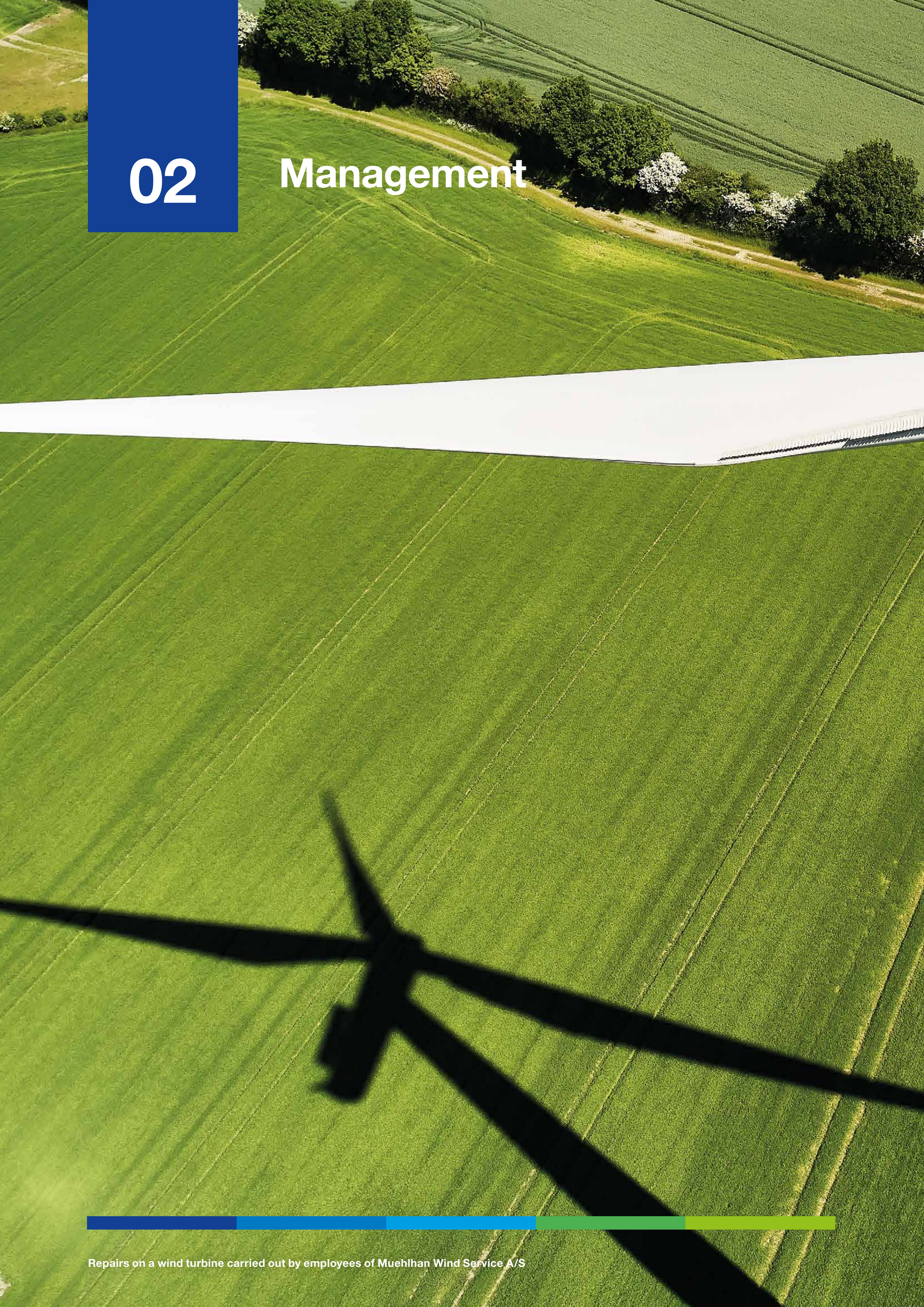
02 Management



Repairs on a wind turbine carried out by employees of Muehlhan Wind Service A/S

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,

The year 2022 marks a watershed in the history of Muehlhan AG as a company. Over 140 years ago, Muehlhan started offering surface protection services to industrial customers. Insulation, scaffolding, access technology, steel construction and passive fire protection services were added over time. In 2022 the Supervisory Board and the Executive Board had in-depth discussions about the Group's strategic focus. As a result of these discussions, Muehlhan AG sold the bulk of its subsidiaries, assets and rights to Muehlhan Holding GmbH, an entity owned by the US private equity investor One Equity Partners.

The Executive Board did not take this decision lightly. In view of the fact that the main shareholder in Muehlhan AG was planning to dispose of his shares and had already initiated a sales process for his stake, there was ultimately no alternative. Without an anchor investor, the Group's development would have been uncertain and strategic growth would not have been possible in the short and medium term.

From the Executive Board's perspective, the price agreed makes the sale of the shares, assets and rights an attractive proposition for the shareholders. This is also confirmed by an independent written opinion from a specialist advisory firm, which judged that the purchase price for the business was appropriate. In agreement with the Supervisory Board, the Executive Board now proposes to distribute the sales proceeds to shareholders in the form of a dividend and a share buy-back program.

Performance in the 2022 financial year was good. However, a number of factors need to be taken into account when evaluating the results and comparing them with the previous year. Firstly, both years include non-recurring effects, such as the results of deconsolidation. Therefore, in the following, in addition to EBIT we refer to operating EBIT from normal business without non-recurring effects. It must also be remembered that the previous year's figures include earnings from subsidiaries that were sold in the previous year. Comparing the current results with those for the previous year therefore only makes sense if the previous year is adjusted for the results of the subsidiaries sold.

Revenues of €288.3 million in 2022 were €10.2 million down on the previous year. Adjusted for the entities sold in the previous year, revenues rose by €78.8 million. EBIT was €12.7 million, compared with €16.7 million the previous year. One-time effects such as deconsolidation affected EBIT in both years. Operating EBIT, adjusted for non-recurring effects and disposals, went up by €1.1 million, from €7.7 million the previous year to €8.8 million. Consolidated income attributable to shareholders of Muehlhan AG was €3.6 million, against €8.3 million the previous year. Cash flow from operating activities was positive at €5.2 million, partly because the Group started the factoring/sale of certain receivables in order to boost its liquidity.

In the 2022 financial year, the Renewables and Construction/Infrastructure segments increased both revenues and EBIT compared with the previous year, whereby non-recurring effects must be considered in the Construction/Infrastructure segment. Revenues and EBIT fell in the Ship business segment. Revenues in the Oil & Gas segment were down by half following company disposals in the previous year. EBIT improved, however.

In the future, the Muehlhan Group will concentrate on its activities in Russia and the Middle East. This includes resuming and strengthening operating activities in the Middle East with international customers willing to agree on reasonable payment terms. The primary focus will nonetheless remain on collecting the outstanding receivables. At the same time, the Executive Board continues to work on improving and optimizing project controlling. Any necessary functions no longer available from within the Group will be purchased from external providers in the future.

We would like to thank our more than 2,100 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 will continue to do everything to fulfill your expectations!

Hamburg, April 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 2022 marks a watershed in the history of Muehlhan AG as a company. After more than 140 years as a provider, first of surface protection services, and then also in insulation, scaffolding, access technology, steel construction and passive fire protection, Muehlhan AG sold the bulk of its subsidiaries, assets and rights in 2022 to Muehlhan Holding GmbH, an entity owned by the US private equity investor One Equity Partners. The disposal followed in-depth discussions about the Group's strategic focus in the Supervisory Board and with the Executive Board.

The operating business performed well in the reporting year and in line with expectations. The restrictions due to the COVID-19 pandemic were also significantly eased in financial year 2022. Supply chain problems and in some cases drastic price increases for materials had an adverse effect, however, partly due to the Russian invasion of Ukraine.

A number of factors need to be taken into account when evaluating the results for 2022 and comparing them with the previous year. Firstly, both years include non-recurring effects, such as the results of deconsolidation. Therefore, in the following, in addition to EBIT we refer to operating EBIT from normal business without non-recurring effects. It must also be remembered that the previous year's figures include earnings from subsidiaries that were sold in the previous year. Comparing the current results with those for the previous year therefore only makes sense if the previous year is adjusted for the results of the subsidiaries sold.

Revenues in 2022 came to €288.3 million, which was €10.2 million less than the previous year's revenues. Adjusted for the entities sold in the previous year, revenues rose by €78.8 million. EBIT was €12.7 million, compared with €16.7 million the previous year. One-time effects such as deconsolidation affected EBIT in both years. The operating EBIT without non-recurring effects rose by €1.1 million, from €7.7 million the previous year, after adjustment for the disposals, to €8.8 million. Consolidated income attributable to shareholders of Muehlhan AG came to €3.6 million compared with €8.3 million the previous year.

Cash flow from operating activities was positive at €5.2 million, partly because factoring/sale of receivables was started in the year under review to strengthen liquidity.

The dominant topic in the reporting year, alongside the operating business, was the strategic realignment of the Group, and the resulting decision to sell selected subsidiaries, particularly in Europe and the USA.

The disposal decision was taken in view of the fact that the main shareholder of Muehlhan AG planned to sell his shares ("Available Stake") and had already initiated a sales process for the Available Stake. In discussions with the Executive Board it became clear that different buyers may have been interested in separate segments of the Group. A decision was therefore taken to seek a buyer for the subsidiaries and other assets and rights of Muehlhan AG, as an alternative to the sale of the main shareholder's Available Stake. At the end of the selection process there was only one binding offer to purchase the companies, assets and rights that were finally sold. There was no binding offer for the main shareholder's Available Stake.

The Supervisory Board was uncertain whether Muehlhan AG would have been able to manage the business more successfully than the buyer without disposing of the companies, assets and rights sold. The buyer is pursuing a buy-and-build strategy that may safeguard existing jobs and create new ones. A strategic anchor investor, as represented by the buyer, is also essential for securing and supporting the Group's strategic growth. It was unclear whether a strategic anchor investor comparable to the former main shareholder could have been found in the foreseeable future. The Supervisory Board and Executive Board therefore came to the conclusion that the buyer would manage the shares, assets and rights more successfully than Muehlhan AG could do without an anchor investor.

The Supervisory Board also believes the sale of the shares, assets and rights to be attractive, particularly for the shareholders, given the sales price. An independent written opinion by a specialist advisory firm confirmed that the purchase price for the business was appropriate.

As explained at the extraordinary General Meeting on November 11, 2022, and to the extent permitted by law, the Executive Board and Supervisory Board intend to distribute to shareholders the portion of the price received for the business and the loans after repayment of borrowings. On the one hand, this means that a dividend of €1.00 per share is to be distributed to shareholders. On the other hand, a share buyback program is intended to give shareholders the opportunity to sell Muehlhan AG's shares at a fair price before withdrawing from the stock market. Both of these are subject to approval by the shareholders at the Annual General Meeting on June 6, 2023.

The strategic challenges now facing the remaining companies are described below and will be key matters for focus for the Executive Board and Supervisory Board again in the current financial year:

In Russia a great deal will depend on the future course of the war in Ukraine. Sanctions imposed on Russia are causing supply chain problems and material shortages.

Operations are being resumed and intensified in the Middle East via the entities in Qatar, Oman and the United Arab Emirates. The main topic remains receivables management, however.

Focal points of Supervisory Board deliberations

As in previous years, in financial year 2022 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. The Chairman of the Supervisory Board also attended weekly coordination meetings during the sales process for selected subsidiaries, assets and rights of Muehlhan AG.

In 2022, 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. Particular attention was paid to the disposal of selected subsidiaries, assets and rights of Muehlhan AG that was planned and finally executed in 2022. Other topics discussed by the Supervisory Board and Executive Board were the declining effects of the COVID-19 pandemic and the impact of the Russian invasion of Ukraine on the performance and results of the Muehlhan Group. The Executive Board also provided the Supervisory Board with comprehensive reports regarding the status of negotiations, the effects of the pandemic, the Russian invasion and the financial position, earnings performance, and short-term and medium-term business plans of Muehlhan AG and of its subsidiaries.

A total of ten meetings were held in 2022 on February 17, March 30, May 9, May 23, July 5, July 7, September 22 and 23, October 25, and December 13, 2022. The meetings on July 5 and September 23, 2022, were 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 on February 17, May 9, July 5 and September 22, 2022, were held online. All the other meetings took place in Hamburg. One Supervisory Board member took part online in each of the meetings on March 30, July 7 and October 25, 2022. One Executive Board member also attended the meeting on September 23, 2022, online.

Regular topics of discussion at the Supervisory Board meetings included the trend in revenue, income and employment as well as the financial position and liquidity trend of Muehlhan AG and the Group, especially given the particular challenges, initially of the COVID-19 pandemic and then of the Russian invasion of Ukraine. 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 2022 meetings of the Supervisory Board:

At the online Supervisory Board meeting on February 17, 2022, the effects of a cyberattack on the Muehlhan Group's IT infrastructure in early February 2022 were discussed. The preliminary business figures for 2021 were also discussed.

The subject of the Supervisory Board meeting held on March 30, 2022, was the 2021 separate and consolidated financial statements of Muehlhan AG and the audit of the 2021 separate and consolidated financial statements of Muehlhan AG. The status of the insurance payment for the cyberattack in February was discussed, along with the business performance in the first two months of 2022.

The current status of the bidding process was explained and the next steps discussed at an extraordinary Supervisory Board meeting on May 9, 2022.

The meeting on May 23, 2022, the day before the 2022 virtual Annual General Meeting, was used to prepare for the virtual Annual General Meeting on the following day. The latest results following the easing of pandemic restrictions were discussed, along with the initial impact of the Russian invasion of Ukraine on the Muehlhan Group's business.

The current status of the bidding process was explained and the next steps discussed at an extraordinary Supervisory Board meeting on July 5, 2022.

The meeting on July 7, 2022, dealt with the provisional half-year results for the Muehlhan Group and other important individual matters.

The almost final documents on the sale of selected subsidiaries, assets and rights of Muehlhan AG were presented and discussed at an extraordinary Supervisory Board meeting on September 22, 2022.

At another extraordinary Supervisory Board meeting on September 23, 2022, the Supervisory Board approved the sale of most of the subsidiaries, assets and rights of Muehlhan AG to One Equity Partners on the basis of the documents and presentations provided in the meeting held the previous day.

The Supervisory Board meeting on October 25, 2022, dealt with the latest results and developments. Also on the agenda was the effects of the war in Ukraine. In Denmark in particular the significant rise in energy prices had a negative impact, and so significantly reduced the company's earnings. The preparations for the extraordinary General Meeting on November 11, 2022, and the status of the disposal of key subsidiaries, asset and rights of Muehlhan AG were also discussed.

The Supervisory Board meeting on December 13, 2022, discussed the latest results and reviewed and approved the 2023 budget. The next steps for the execution of the sales process were also reviewed.

As in prior years, no committees were formed.

Separate and consolidated financial statements

The financial statements and management report of 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 24, 2022. Grant Thornton audited the consolidated financial statements for the period ending on December 31, 2022, the Group management report for the financial year beginning on January 1 and ending on December 31, 2022, the financial statements of Muehlhan AG for the period ending on December 31, 2022, and the management report for Muehlhan AG for the financial year beginning on January 1 and ending on December 31, 2022, and gave them an unmodified audit opinion.

The audit focused on the following:

- Existence of recognized revenues
- Accuracy and measurement of receivables from construction contracts
- Accuracy and measurement of the deconsolidation of the subsidiaries sold during the financial year

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 April 4, 2023, the Supervisory Board once again thoroughly discussed and reviewed all the documents in the presence of the auditors.

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, 2022. The financial statements are therefore adopted. The Supervisory Board agreed 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."

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

The operating business performed well in the financial year and in line with expectations. The process of disposing of numerous subsidiaries was a challenge for the Executive Board and management, with gratifying results.

The Supervisory Board is glad to continue supporting the Executive Board with the management of the remaining Group. We thank the Executive Board and the Group's employees for their work and high level of commitment, particularly in the course of the sales process, and we also would like to thank Muehlhan's customers and business partners for their continued confidence during the past financial year.

Hamburg, April 2023

Philip Percival
Chairman of the Supervisory Board of Muehlhan AG

03 Our Share

Wind turbines in Morocco

Muehlhan's share price stagnates when dividend is taken into account (€0.75)

The performance of the Muehlhan share was flat in 2022. After a subdued start, the dividend announcement in May triggered a significant price increase, but it was lost again over the course of the year.

The share price was roughly stable in the first quarter of 2022, with relatively low revenues. From €3.50 per share on December 31, 2021, the price fell to €3.44 per share on March 30, 2022, which represents a decrease of 1.7%.

After the publication of the Annual Report for 2021 and the announcement that a dividend of €0.75 per share would be proposed at the Annual General Meeting, the Muehlhan share climbed significantly in early April with very high revenues, to reach its high for the year of €4.96 on April 21, 2022. The share price remained well above €4.00 per share until the Annual General Meeting on May 24, 2022. After the dividend of €0.75 per share was approved at the Annual General Meeting, the share price fell by more than the amount of the dividend per share to €3.10 as of June 30, 2022. Notwithstanding the temporary surge, the share price of Muehlhan AG therefore fell 11.4% in the first half of 2022. Adjusted for the dividend of €0.75 per share, the price rose by 10.0%.

In the third quarter, the Muehlhan share price trended down within a corridor of €3.00 and €2.60 with low revenues. The announcement on September 24, 2022, that selected subsidiaries would be sold did not cause any major changes in the share price. At the end of the third quarter, the price was €2.66 per share or 24.0% lower than at the start of the year, not including the dividend.

From early October to mid December, the Muehlhan share remained stable above the €2.60 per share mark, with revenues remaining low, before declining towards the end of the year and closing on December 30, 2022 at a price of €2.46. Over the full year, the price of the Muehlhan share fell by 29.7%, whereby the dividend of €0.75 per share in May 2022 has to be taken into account.

Due to very high revenues in May 2022, the volume of Muehlhan shares traded rose year-over-year by 3,414,373 shares to 6,118,714 in 2022.

As of the editorial deadline, the market capitalization was €50.9 million (April 4, 2023, XETRA closing price: €2.61).

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 2022 (XETRA)	€4.96
Low for 2022 (XETRA)	€2.44
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, 2022 (XETRA: €2.46)	€47,970,000

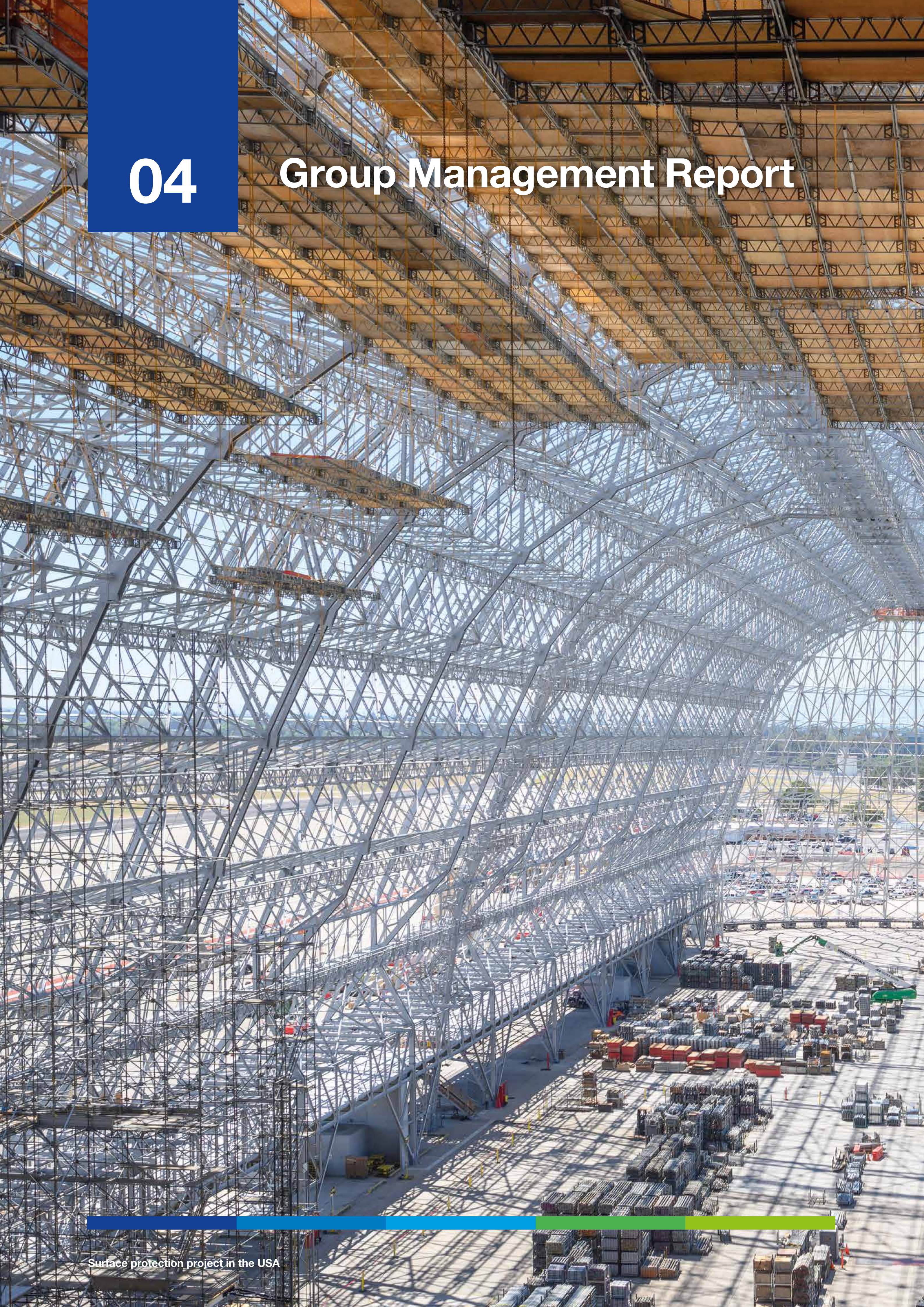
The Muehlhan share is listed on the Basic Board of the Frankfurt Stock Exchange.

Shareholder structure as of December 31, 2022

There were no major changes to the shareholder structure as of December 31, 2022, in comparison with December 31, 2021. More than 50% of the shares remain in the possession of the family that founded the company. Management also holds shares.

Share performance in 2022

04 Group Management Report



Surface protection project in the USA

Muehlhan employees in protective equipment in a blasting hall

I. Overview

The year 2022 marks a watershed in Muehlhan's history as a company. After 140 years of corporate history, Muehlhan AG sold its main subsidiaries and the brand name as of year-end 2022. Muehlhan Holding GmbH, owned by the financial investor One Equity Partners, will continue the business in Europe and North America independently of Muehlhan AG, while Muehlhan AG concentrates on the activities in the Middle East and Russia. The reason for the radical change is management's conviction that the transaction is advantageous for the entities sold, the Muehlhan brand, and the shareholders. The companies sold have the opportunity of exploiting growth opportunities with the new investor that would not have been possible within the Muehlhan Group. An attractive sales price was obtained for the shareholders.

The operating business performed well in the reporting year. Restrictions due to the COVID-19 pandemic were eased and the restrictions and problems caused by the war in Ukraine, high inflation and supply chain problems were largely offset by positive effects elsewhere.

As in the previous year, the year 2022 was again influenced by some non-recurring factors. Therefore, in some places in the following consolidated income statement, reference is made to "operating results" in order to present the business performance in the proper light.

Revenues fell by 3.4% year-over-year in the reporting year to €288.3 million. Comparing revenues with the previous year after adjusting for the company disposals, revenues grew by €78.8 million or 37.6%. Growth came particularly from the services for wind turbines and the US business with its surface protection services. EBIT fell from €16.7 million to €12.7 million. Both years have to be adjusted for special and non-recurring effects to enable a comparison, however. EBIT for the previous year has to be corrected for non-recurring effects such as the results of deconsolidation, and the earnings contributions of the companies sold. Non-recurring effects also have to be eliminated in the reporting year to obtain a meaningful comparison. The non-recurring effects stem from the disposal of subsidiaries in the reporting year (deconsolidation results and transaction costs), earn-out income and an impairment loss on the goodwill of the Russian subsidiary.

Taking these effects into account, adjusted EBIT for 2021 came to €7.7 million compared with an adjusted or operating EBIT in the reporting year of €8.8 million. The EBIT margin for the operating business contracted from 3.7% to 3.1%.

Consolidated income decreased by €3.4 million to €6.4 million. After deducting minority interests, earnings of €3.6 million are attributable to Muehlhan's shareholders, compared with €8.3 million the previous year. Cash flow from operating activities was positive at €5.2 million, mainly because factoring/sale of certain receivables was started in the year under review to strengthen liquidity. Without factoring, the cash flow from operating activities would have been negative on account of the growth in revenues.

The Renewables segment again generated very good results in the reporting year, with a steep increase in revenues and higher EBIT. Muehlhan primarily used its wide range of services to support wind turbine manufacturers, but to a lesser extent also offshore wind farm operators, throughout the entire lifecycle of the equipment. The expansion of service and maintenance business also reduced dependence on the offshore newbuild business, where long-term growth is declining and which is more exposed to cyclical volatility.

Revenues fell slightly in the Ship business segment, with EBIT dropping sharply by 48% for project-related reasons.

By contrast, revenues rose slightly in the Construction/Infrastructure segment, but EBIT declined. If the previous year's figures are corrected for the scaffolding business sold the previous year, then revenues and EBIT both increased.

Revenues in the Oil & Gas business segment fell by half year-over-year due to the disposal of the North Sea oil and gas activities in the previous year. EBIT for the remaining business increased, however; partly because the negative effects of the pandemic restrictions were significantly lower.

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

Another strategic decision was taken in the reporting year concerning the activities in the Middle East. The activities will be continued under strict guidelines, particularly concerning receivables and liquidity management. The collection of outstanding receivables remains the main challenge in the Middle East.

II. Group Fundamentals

1. Group structure

Muehlhan AG (MYAG), Hamburg, was a 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 were included in the consolidated financial statements last year. 21 consolidated entities were sold as of December 31, 2022, and the Group now consists of Muehlhan AG and seven consolidated entities.

Muehlhan AG is a listed corporation traded on the Basic Board of the Frankfurt Stock Exchange.

As one of the few full-service providers in its industry, the Muehlhan Group offered its customers a broad and diversified spectrum of industrial services in the reporting year. Muehlhan combined very strong organizational skills, extensive technical expertise, more than 140 years' experience of serving sophisticated customers and high quality standards.

The services we provided ranged 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.

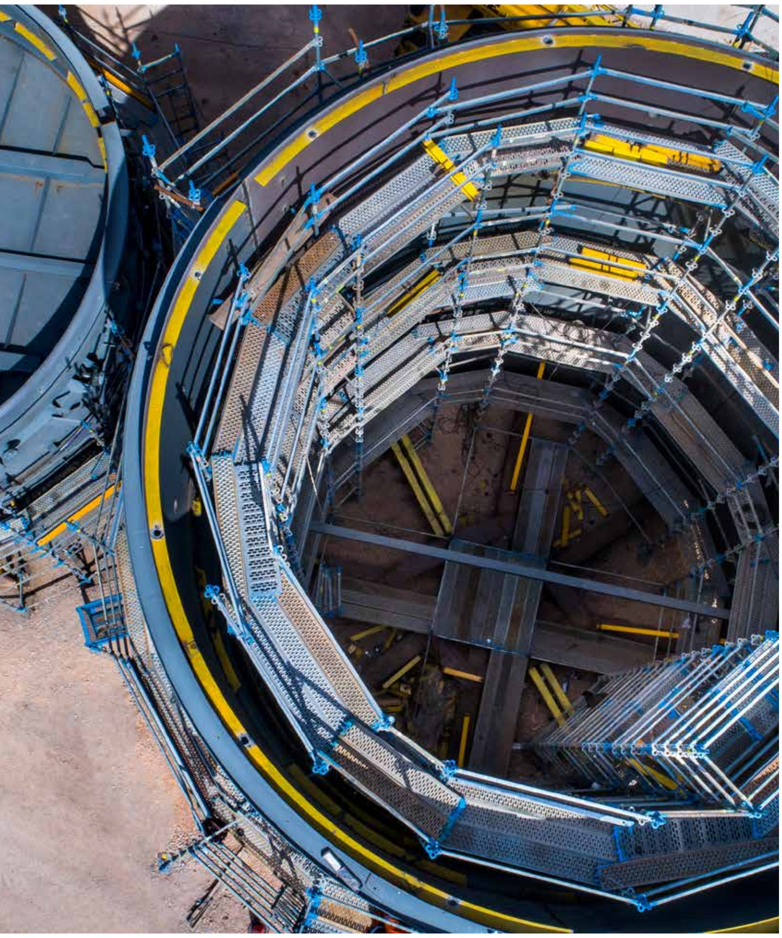
2. Services

The Muehlhan Group offered the following services in the reporting year:

Wind turbine services: Through its Danish subsidiaries Muehlhan Wind Service A/S, Fredericia, and Muehlhan Denmark A/S, Give, Denmark, Muehlhan offered a wide range of services for wind turbines. The companies' portfolios included 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, was part of the Group because the services were closely related to the Renewables business and therefore to services for wind turbines. Muehlhan provided both onshore and offshore access solutions. Muehlhan was 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 was also used in the remaining oil and gas business. Muehlhan was also an important partner for companies involved in building and facade construction and for shipyards, offering special access technology in addition to classic scaffolding.

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



Access technology in construction

They included:

- 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 provided steel construction services for both shipyard and industrial/infrastructure customers. Steel construction services encompassed 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 provided training programs and courses.

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

Following the disposal of selected subsidiaries at the end of 2022, the Muehlhan Group will in the future offer services primarily in the field of passive fire protection, and to a lesser extent in surface protection, insulation and steel construction.

III. Objectives and Strategy

In the past, the Group aimed to maximize profitability in the individual business segments and to achieve, maintain or build on a leading market position. The intention was to achieve this by adapting and expanding the range of services offered, with financial stability and strong organizational skills. These goals require a financially strong strategic partner or anchor investor. After the main shareholder announced that he wanted to sell his shares (“Available Stake”), a decision was taken to offer the entire Group – the preferred solution – or alternatively selected subsidiaries for sale, in order to achieve this objective and enable further growth. For Muehlhan AG and its shareholders, the sale of the companies to a new shareholder and the proceeds this generated are more attractive than the continuation of the existing business without significant growth opportunities for lack of an anchor investor.

The remaining company in Russia still has the same goal of earning profits, even under the difficult circumstances caused by the war in Ukraine, and of maintaining its leading market position in the services and markets where it is present. The companies in the Middle East are working to generate new orders with acceptable margins and payment conditions, and to recover the outstanding receivables.

1. Company objectives

Profitability and cash generation

The Group operated in Europe, North America and the Middle East. Every local commitment was measured against criteria such as profitability, cash generation, sustainability and portfolio range. These aims still apply to the remaining companies in Russia and the Middle East.

2. Corporate strategies

Focus on the Infrastructure segment in Russia and the Middle East

In the remaining Infrastructure segment, where we are leaders in some areas, the aim is to maintain and develop our strong market position. In Russia, the clients for infrastructure and industrial projects ideally 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, Muehlhan’s Russian company is expanding its range of services wherever possible and sensible, and adapting it to meet its customers’ needs. In the Middle East, Muehlhan is concentrating on passive fire protection in construction and in oil and gas projects as appropriate. There is still demand in the region for trustworthy industrial services providers who can carry out larger projects on time and on budget. Since Muehlhan and its local management still have a good reputation in this region, a decision was taken to start accepting selected projects again. This approach also supports the recovery of overdue receivables.

Financial stability and strong organizational skills

The key characteristics that distinguished the Group from its competitors were its financial stability and strong organizational skills. Financial stability will remain a key concern of the now smaller Group going forward. Its financial situation is to be kept stable at all times. Although the company is now much smaller, it will maintain its high level of organizational skills. From our customers’ perspective, Muehlhan therefore remains a reliable and stable partner that can still carry out larger projects.

Quality, occupational health and safety and environmental protection

In addition to standard customer requirements, such as competitive prices, efficiency and productivity, short project turnaround times

Insulation technology

and reliable execution, customers are increasingly looking at other competitive criteria. They 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 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). Individual Muehlhan companies have additional certification; Muehlhan Deutschland GmbH is certified for ISO 50001:2018 Energy Management Systems, for example. The certification continues to apply in 2023.

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.

The high level of organization, regular training and educational courses, the integrated management system and other functions will also be ensured in the future by the purchase of services.

IV. Control of the Group

1. Financial and non-financial performance indicators

Muehlhan Group is managed by a three-member Executive Board. The Supervisory Board also 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 was managed in 2022 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

For many years, Muehlhan provided 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. The Group became a specialist provider of surface protection for wind turbines and rotor blades and thus a coveted partner for leading wind turbine manufacturers. Muehlhan also offered a growing range of installation and maintenance services in recent years via Muehlhan Wind Service A/S in Denmark.

The **Ship** segment encompassed both the Ship Newbuilding segment and the Ship Repair segment in Europe. Muehlhan operated 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 provided 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 included insulation work on new vessels.

In the **Construction/Infrastructure** business segment, Muehlhan provided 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 operated its own fixed blasting and coating facilities. One other service was passive fire protection, which is used in large steel structures.

The **Oil & Gas** business segment combined the business with customers from the oil and gas industry. Muehlhan worked as a partner to major companies in the offshore oil and gas and petrochemical industries. In these areas, Muehlhan was renowned for its surface protection, fire protection, insulation and scaffolding.

After the sale of selected subsidiaries at the end of 2022, the main segment remaining in the Muehlhan Group is Construction/Infrastructure. In the Middle East, this segment consists solely of passive fire protection services. Services in Russia also include surface protection, insulation and steel construction, in addition to passive fire protection.

3. Segments

From 2020 onwards, the individual companies in the Muehlhan Group were divided into the **Energy** and **Marine & Construction** segments. The Energy segment comprises all services 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. The Group's small size means that management by business segment and geographic segment will no longer play a significant role in the future and will be discontinued.

4. Financial and non-financial performance indicators from 2023

The Muehlhan Group continues to be managed in 2023 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 and operational management is by companies and regions.

V. Research and Development

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

Muehlhan viewed itself as a market leader in the area of surface protection technology. The Muehlhan Group worked actively on products and equipment aimed at further developing sustainable, environmentally friendly surface protection techniques. The Group had three employees working in this area and brought in other employees when needed. In addition, the Group worked 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. Following the sale of the main companies, the entire department moved to the new investor as planned at the beginning of 2023.

Insulation work

VI. Economic Report

1. Macroeconomic conditions

The world economy is expected to have grown by 3.4% in the reporting year, compared with growth of 6.2% the previous year as COVID-19 restrictions were eased. Slower growth in 2022 was due to global inflation, the Russian war of aggression against Ukraine and another wave of COVID-19 in China.

Growth rates varied between the major economies. Gross domestic product (GDP) in the euro area rose slightly faster than average at 3.5%, with Germany well behind with growth of 1.9%. The USA also only reported below-average growth of 2.0%. Growth in China of 3.0% was better than in the countries mentioned above, but still represented a definite slump compared with prior years.

Forecasts from January 2023 predict even slower global economic growth of 2.9% in 2023. The main reasons are again the fight against global recession and the war in Ukraine. The slowdown particularly concerns the USA and the euro area. Growth in the USA is only expected to reach 1.4%, with growth of 0.7% forecast for the euro area. Germany is again predicted to be the laggard in the euro area with growth of just 0.1%. China is expected to see faster growth of 5.2%, by contrast, principally due the U-turn by the Chinese government in its handling of the COVID-19 pandemic.

Growth of 0.3% is forecast for Russia in 2023, after a fall of 2.2% in 2022. An agreed reduction in oil production volumes is expected to cause the growth rate in the Middle East and Central Asia to decline from 5.5% in 2022 to 3.2% in 2023. These forecasts are based on a large number of assumptions, including developments in the price of oil and other commodities, interest rates and geopolitical developments.

After years of very low or even negative interest rates, 2022 saw much higher interest rates as central banks around the world raised their prime rates. Despite these interest rate increases, the expectation for 2023 is that inflation will remain high compared with the years before 2022 at 6.6% (2022: 8.8%)[1].

2. Industry-specific conditions

In the **Renewables** segment, a total of 551 new onshore wind turbines with a capacity of 2,403 MW (megawatts) were installed in Germany in 2022. This takes total onshore installed wind power capacity to 58 GW (gigawatts). In the offshore sector (at sea), 38 wind turbines fed a total of 342 MW into the grid for the first time in Germany in 2022[2].

Wind power (onshore and offshore) in Europe is growing fast thanks to the ambitious climate action targets set by the European Commission. 19 GW of new capacity was installed in 2022, with onshore wind farms accounting for 87% and offshore wind farms for 13%. The new turbines were mainly installed in Germany, Sweden and Finland (onshore), and in the United Kingdom and France (offshore). Onshore and offshore wind turbines with a total capacity of almost 255 GW (2020: 219 GW) were installed at year-end 2022 in Europe, of which Germany has the largest share with an installed capacity of 66 GW. New capacity of 129 GW is expected to be installed in Europe in the next five years[3].

Wind power stations with a total capacity of over 94 GW were installed worldwide in 2021 (2020: nearly 93 GW). This took the total installed capacity (onshore and offshore) to around 837 GW at year-end 2021, with the largest share in Asia (404 GW), followed by Europe with some 236 GW. The wind power market is expected to grow by more than 6% a year from 2022 to 2026, building from a high base of new installations (94 GW) in 2021. Onshore wind farms account for the bulk of new installations, but new offshore wind farms of up to 31 GW per year are also planned[4].

The **Construction/Infrastructure** segment served a broad range of markets and customers in 2022. Muehlhan provided construction services in the fields of surface protection, steel construction 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.

The segment suffered badly in the two previous years from the restrictions due to the COVID-19 pandemic. Many projects were interrupted or postponed several times. Activities picked up again significantly in 2022. The positive trend in the infrastructure sector is expected to continue in 2023. Higher interest rates are making construction projects less attractive, however, so there may be less appetite for starting new projects.

In the **Ship** segment, Muehlhan was for many years active exclusively in Europe. German and European shipyards have established themselves as providers in high value-added areas. This positioning allows them to offset their Asian competitors' lower

[1] International Monetary Fund: Global Economic Outlook, January 2023

[2] Bundesverband der WindEnergie: wind-energie.de with the following reports: Deutsche Windguard; Status des Offshore-Windenergieausbaus in Deutschland, Jahr 2022 und Deutsche Windguard; Status des Windenergieausbaus an Land in Deutschland, Jahr 2022

[3] Windeurope.org: Wind energy in Europe: 2022 statistics and the outlook for 2023-2027

[4] GWEC (Global Wind Energy Council): Global Wind Report 2022

labor costs with higher added value. They mainly serve niche markets such as naval shipbuilding, specialty ships and megayachts, as well as customers in the wind power segment. Most European shipyards remain busy in particular thanks to high demand for specialty ships and naval vessels.

Oil prices rose sharply in the reporting year, after several years of low prices, chiefly due to the war in Ukraine. The market for companies in the **oil and gas sector** remains volatile, however, despite significant profit increases for some.

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

The Muehlhan Group's performance in 2022 was slightly better than expected. Planned revenues were significantly exceeded. The operating result was only slightly above budget, by contrast, but still resumed the positive trend of the years before the pandemic, despite some adverse influences such as high inflation rates and supply shortages. There was also a slightly positive result from extraordinary items, such as the deconsolidation of numerous companies as of year-end.

Some extraordinary items must be taken into account when evaluating the results for 2022. They are summarized in the following overview:

€m	2022	2021
Revenues	288.3	298.5
Revenues from deconsolidated entities	0	-89.0
Adjusted revenues	**288.3**	**209.5**
EBIT	12.7	16.7
Contribution to earnings from deconsolidated entities	0	-2.1
Non-recurring effects	-3.9	-6.9
Operating/adjusted EBIT	**8.8**	**7.7**

Group revenues in the previous year have been corrected for the revenues of the companies sold in the previous year (€-89.0 million). EBIT for 2021 has been adjusted for contributions from deconsolidated entities (€-2.1 million) and non-operating activities such as the deconsolidation results of the entities sold and the transaction costs associated with the disposals (€-6.9 million). The operating result presented in the previous year's report included non-recurring effects for the year but did not yet include the adjustment for the earnings contributions of the deconsolidated companies.

To achieve comparable operating EBIT for the reporting year, adjustments were made for the earn-out income from the disposal of the North Sea oil and gas business (€6.2 million), deconsolidation results from the disposals of subsidiaries and transaction costs for the disposals (€-2.2 million) and an impairment loss on the goodwill of the Russian subsidiary (€-0.1 million).

Taking the above non-recurring factors into account, the Group's results of operations for 2022 were as follows:

Revenues for the reporting year totaled €288.3 million, which was 3.4% down on the previous year (€298.5 million) on an unadjusted basis. Comparing revenues for the reporting year with the adjusted revenues for the previous year shows significant revenue growth of €78.7 million, or 37.6%, however. Other operating income fell by €6.7 million to €15.4 million, whereby deconsolidation results of €15.2 million were included in the previous year. In the reporting year, the other operating income includes the deconsolidation result for the companies sold in 2022 of €2.0 million, in addition to income of €6.2 million from an earn-out clause for the previous year's sale of the North Sea oil and gas business. The cost of materials and purchased services rose more sharply than revenues, increasing from €102.8 million to €119.7 million. This is due to tangible price increases in all input factors that could not always be passed on, to the greater use of freelancers and subcontractors, and to material-intensive projects. Compared with the adjusted figures for the previous year, the increase of 40.4% in the cost of materials and purchased services was slightly higher than the rise in revenues. Personnel expenses declined by €30.3 million to €103.8 million. Adjusted for the company disposals in the previous year, however, personnel expenses increased by €26.9 million or 35.1% and thus rose slightly less than revenues. Other operating expenses grew from €56.4 million in the previous year to €62.3 million. In the previous year, they included expenses from the deconsolidation of the oil and gas business and the expenses of the companies sold. In the reporting year, it was mainly travel expenses that were higher, due to increased business activity, as well as advisory expenses in connection with the disposal of numerous subsidiaries.

EBITDA (earnings before interest, taxes, depreciation and amortization) came to €17.9 million, compared with €27.2 million in the previous year. The decline is due to the positive deconsolidation results from company disposals in the previous year. Depreciation and amortization fell by half year-over-year to €5.1 million. In the previous year, the figure included depreciation and amortization for the companies sold the previous year. Compared with the Group average, these companies had high levels of property, plant and equipment, and thus high depreciation. In addition, as required by IFRS 5, no depreciation and amortization was recognized since the contract for the disposal of the subsidiaries was signed at the end of September 2022

This resulted in EBIT (operating result, earnings before interest and taxes) of €12.7 million compared with EBIT of €16.7 million in the previous year. The EBIT margin fell from 5.6% to 4.4%. Operating and adjusted EBIT for the previous year was €7.7 million, and operating EBIT in the reporting year was €8.8 million. The operating EBIT margin fell from 3.7% to 3.1%.

The financial result improved by €0.1 million to €-1.7 million and consists largely of interest on the syndicated loan.

The income tax result was €-4.6 million and consists of income tax expenses of €-3.3 million and deferred taxes of €-1.3 million. Effective income tax expense increased by €0.3 million due to improved earnings before taxes. Deferred taxes relate mainly to the use of tax loss carryforwards.

Consolidated income from continuing operations was €-2.3 million, compared with €4.2 million the previous year. In the future, expenses will be significantly lower due to the group's smaller size. Discontinued operations generated earnings of €8.7 million (previous year: €5.6 million).

Consolidated income fell from €9.8 million to €6.4 million, of which €2.8 million stems from non-controlling interests (previous year: €1.5 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 €3.6 million (previous year: €8.3 million).

Earnings were therefore lower in the reporting year 2022. Adjusted for non-recurring factors, however, this was a slight increase on the previous year's operating result and on the forecast for 2022.

3.1.2. Results of operations by business segment

Revenues in the **Renewables** segment increased significantly, as in prior years, by €31.1 million to €112.5 million, mainly due to the increased installation and maintenance business for wind turbines. EBIT rose slightly to €6.6 million, compared with €6.5 million the previous year. Higher energy costs and supply shortages in some service areas depressed the results.

Revenues in the **Ship** segment declined slightly by €1.4 million to €59.7 million. EBIT fell to €2.9 million, following very strong EBIT of €5.5 million in the previous year.

The **Construction/Infrastructure** segment profited from the easing of restrictions due to the COVID-19 pandemic in the reporting year, and the completion of projects that had been interrupted or postponed during the pandemic. This was boosted by the

Inspection of coating on a wind turbine

resumption of activities in the Middle East, albeit at a low level. Revenues increased year-over-year by €3.4 million to €75.3 million as a result, although the previous year still included revenues from the scaffolding business in and around Hamburg which was later sold. EBIT of €-0.2 million was negative, however, compared with EBIT of €0.7 million in the previous year. Here the companies were not able to compensate for the loss of margin caused by the disposal of the profitable scaffolding business. After adjusting for the disposal in the previous year, EBIT improved by €0.3 million.

The sale of the North Sea activities at the end of 2021 reduced revenues in the **Oil & Gas** segment by over 50% to €40.0 million. EBIT increased from €0.1 million to €4.1 million, however. The reason for the higher EBIT despite revenues being halved is primarily the easing of pandemic restrictions, together with higher energy prices, which indirectly benefited Muehlhan as a service provider.

3.1.3. Results of operations by segment

The **Energy** segment continues to grow. The main growth driver was the Muehlhan Wind Service A/S subsidiary, with its service portfolio for wind turbines. Although revenues fell by €38.5 million to €116.8 million, this was due to the sale of the North Sea oil and gas business in 2021. Adjusted for these disposals, revenues rose by €34.8 million. Despite the decrease in revenues, EBIT improved by 11% to €7.8 million.

In the **Marine & Construction** segment, the Gerüstbau Muehlhan GmbH subsidiary was sold as of September 30 of the previous year. Despite this, revenues increased by €28.1 million to €171.0 million. Projects postponed during the pandemic, or interrupted and then resumed and completed in the reporting year were the main reason for the sharp rise in revenues. EBIT fell by 17% to €4.3 million due to the lack of earnings contributions from the companies sold in the previous year.

3.1.4. Orders on hand

Orders on hand as of the reporting date came to €4 million. In the previous year, the order book amounted to €224 million, with the Middle East and Russia accounting for €6 million.

3.1.5. Employees

The average number of employees decreased to 2,103 (previous year: 2,818 employees). This decline results from the disposal of subsidiaries in the previous year. Employees of companies sold in 2021 are no longer included in the headcount for 2022. Since the disposals of subsidiaries only took place as of the end of the reporting year, this does not affect the calculation of the average number of employees as of year-end. The general aim is to retain employees and their knowledge in the companies, in order to maintain the high level of quality and safety going forward. Following the disposals, around 450 employees will remain in the Group.

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.

There were 11 accidents overall in the reporting year; 18 fewer than the previous year. The accident rate declined from 3.6 to 1.6.

3.2. Net assets and financial position

3.2.1. Capital structure

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

	2022		2021	
	in EUR million	in % of total equity and liabilities	in EUR million	in % of total equity and liabilities
Equity	64.5	82%	77.3	52%
Borrowings	0.0	0%	19.1	13%
Trade payables, contract liabilities and other liabilities	10.7	14%	41.0	28%
TOTAL EQUITY AND LIABILITIES	78.5	–	147.9	–

Rounding differences may occur.

The capital structure is affected by the disposal of numerous companies as of fiscal year-end. The sales proceeds were used to repay all the Muehlhan Group's borrowings. Equity was reduced, chiefly by the dividend paid in May 2022 (€14.5 million), but the equity ratio still went up to 82% because total assets were significantly lower.

After the disposal of numerous subsidiaries and the repayment of all borrowing, the Muehlhan Group had cash and cash equivalents of €55.1 million. In the previous year, net debt after deducting cash and cash equivalents came to €0.4 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 €2.9 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. This will still be the case for the remaining companies in the Group in the future.

At €5.2 million, the Group's cash flow from operating activities was significantly above the previous year's figure of €-5.0 million. The main factor here was lower gains from the disposal of subsidiaries, which had a negative impact on cash flow compared with the previous year. In addition, the increase in receivables resulting from growth in revenues (based on the adjusted prior-year figures) was limited by the sale of receivables (factoring). Muehlhan invested a total of €2.9 million in property, plant and equipment in the financial year (without right-of-use assets). Cash flow from investing activities amounted to €63.2 million (previous year: €27.9 million) due to the proceeds from disposals. Cash flow from financing activities amounted to €-31.9 million due to the complete repayment of all bank loans (previous year: €-17.9 million). Cash and cash equivalents came to €55.1 million as of the reporting date (previous year €18.7 million).

In 2022, the Muehlhan Group was therefore in a position to satisfy its payment obligations at all times. Following the disposal of selected subsidiaries, Muehlhan has cash and cash equivalents of €55.1 million as of the reporting date, of which €47.5 million is freely available.

3.2.4. Net assets

The disposals in the reporting year had a material impact on the net assets of the Muehlhan Group. As of the reporting date, non-current assets (excluding deferred tax assets) totaled €0.9 million, compared with €38.4 million the previous year. The ratio of fixed assets to total assets was 0.3% compared with 13.2% the previous year. Trade receivables and contract assets came to €7.2 million as of the reporting date, compared with €61.5 million the previous year. Cash and cash equivalents amounted to €55.1 million.

3.2.5. Overall statement on the Group's situation

The Group was stable at all times in 2022 and increased its operating result year-over-year. Cash flow from operating activities was positive. The disposals had a material effect on the structure of the Muehlhan Group. The asset and capital structure reflects these changes, particularly the high level of cash and cash equivalents. As announced at the extraordinary Annual General Meeting in November 2022, the cash generated by the disposals is to be distributed to shareholders, whereby sufficient cash will be retained to continue the remaining activities.

VII. Forecast and Report on Opportunities and Risks

1. Forecast report

In the consolidated financial statements for 2021, revenues of €250 million were projected for 2022, along with EBIT of between €5 million and €8 million. The forecast revenues were significantly exceeded as revenues came to €288 million. This was partly because the negative effects of the COVID-19 pandemic were less pronounced than expected in the reporting year, and partly due to an unexpectedly strong fourth quarter in 2022, particularly in the wind energy business. Supply chain problems and rising energy prices as a result of the war in Ukraine have not (yet) affected the Muehlhan Group to the extent feared in March 2022.

Access technology in construction

EBIT of €12.7 million is also higher than forecast, but includes extraordinary items such as the deconsolidation results for the companies sold and earn-out income of €6.2 million from the sale of the North Sea oil and gas business. EBIT from the operating business, i.e., without extraordinary items, was €8.8 million, which was also slightly higher than forecast. This was because the adverse impact of the war in Ukraine was less severe than expected, and the fourth quarter was strong, especially in the wind energy business, due to good weather conditions.

1.1. Forecast by region and company

Revenues of around €10 million are expected for the Russian company – less than in the reporting year – due to the ongoing war in Ukraine. EBIT should still be positive at around €0.5 million, however, thanks to adjustments to the business model. This forecast is subject to considerable uncertainty, however, because the war makes it virtually impossible to predict future developments.

Activities in the Middle East are being resumed or expanded at a low level. Revenues are therefore expected to rise slightly to €8 million and the company should break even. The short-term focus in the Middle East remains on recovering receivables and avoiding credit losses.

1.2. Cash flow forecast

Cash flow from operating activities is expected to break even in 2023. The business in Russia should generate positive cash flow, and cash flow in the Middle East should also be positive as receivables are collected. Cash flow at the holding company will be negative.

1.3. Acquisitions and capital expenditure

No significant capital expenditure or acquisitions are planned for 2023.

1.4. Group forecast

The Executive Board and Supervisory Board are planning revenues of €15 million to €20 million and EBIT break-even for 2023. Cash flow from operating activities is expected to break even.

The war in Ukraine may have an adverse effect, particularly on the activities of Muehlhan's Russian company. By contrast, an end to the war would have a positive impact on operations. Supply chain difficulties for required materials, as well as continued high or even rising energy prices, as well as high inflation, could have a negative impact on the forecast.

The accident rate, a non-financial performance indicator, should be kept at the same very low level as in 2022. 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, such as project losses, are an unavoidable element 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 or in a timely manner in the past, or to which it was impossible to respond. One example of this is the development of the Russian war in Ukraine.

Based on currently available information, we do not expect any further significant strategic corrective actions to be necessary in the future for the Group. However, one should keep in mind that the company may need to make further adjustments if the economic environment in specific markets should deteriorate.

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 or in a timely manner in the past, or to which it was impossible to respond. Possible project losses are operating risks, whereas strategic risks could be the development of the Russian war in Ukraine. Based on currently available information, we do not expect any further significant strategic corrective actions to be necessary in the future. However, one should keep in mind that the company may need to make further adjustments if the economic environment in specific markets should deteriorate.

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

2. Risk management system

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

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

Listed below are risks that could have a material influence on the Group’s net assets, financial position and results of operations. Both our organization and our control systems are designed to optimize the way we deal with existing risks and to address newly emerging risks in a timely manner. 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 Article 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

The disposal of selected subsidiaries means that the structure of opportunities and risks for the Muehlhan Group has changed significantly in some areas and will be different in the future to the reporting year 2022. Other opportunities and risks remain unchanged and will continue to exist for the future, smaller Group.

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. Adverse changes in the economic environment may affect the profitability of a site or a company.

It is possible that other pandemics, wars or other extraordinary events may also pose risks in the future. An end to the war in Ukraine and the related possibility that sanctions are lifted would give Muehlhan the opportunity to gain new business or to recoup lost business.

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 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 and fire protection work. On the other hand, due to the increasing size and number of ships, there is an opportunity in the fact that the volume of steel surfaces and fire protection work will grow.

There is a low risk of defective materials being used in passive fire protection and surface protection. The Group has implemented various preventive measures and controls to minimize this risk.

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

3.3. 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.

3.4. 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. Particularly in the Middle East there is a risk that payment obligations are not met and that Muehlhan has to finance a long period until payment is made. There is also a risk that the receivables are not recovered. Muehlhan must continue to ensure that the necessary liquidity is available for the (pre)financing. There will also be very strict project reviews to ensure that acceptable payment terms are agreed and that the customer is solvent. When receivables fall due, claims will be pursued in the courts, as has been the case in the past. 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 low risk that the client will suffer a loss and become insolvent. Muehlhan has therefore implemented clear 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. System-based project controlling will moreover enable us to detect deviations from the plan and thus enable us to take countermeasures in good time. 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.

Tax risks have been adequately covered in the consolidated financial statements. Nevertheless, given the complexity of the matter, there is a low 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.

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

3.5. 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.

3.6. 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. There is also currently a litigation risk in Germany from the termination of an investment project on the German North Sea coast.

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

3.7. IT-specific risks

Muehlhan uses various IT applications to manage its projects and administrative work efficiently. Risks from cybercrime are therefore an increasing threat and cannot be avoided when a large number of employees work with e-mail and the internet. The failure of the IT or individual IT applications could cause short-term delays to projects and administrative work, as occurred in February 2022. Muehlhan carries out regular IT audits to ensure it remains up-to-date.

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 geopolitical crises, such as the war in Ukraine.

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 2022.

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, Give, had branch offices in Slovakia (closed on April 30, 2022) and the UK.

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

All the branch offices were sold with the subsidiaries as of December 31, 2022.

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

In 2022, the Executive Board’s compensation consisted 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 variable compensation components were canceled at the end of the reporting year. A variable compensation component exists for one Executive Board member from 2023. The component depends on the recovery of outstanding receivables in the Middle East.

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

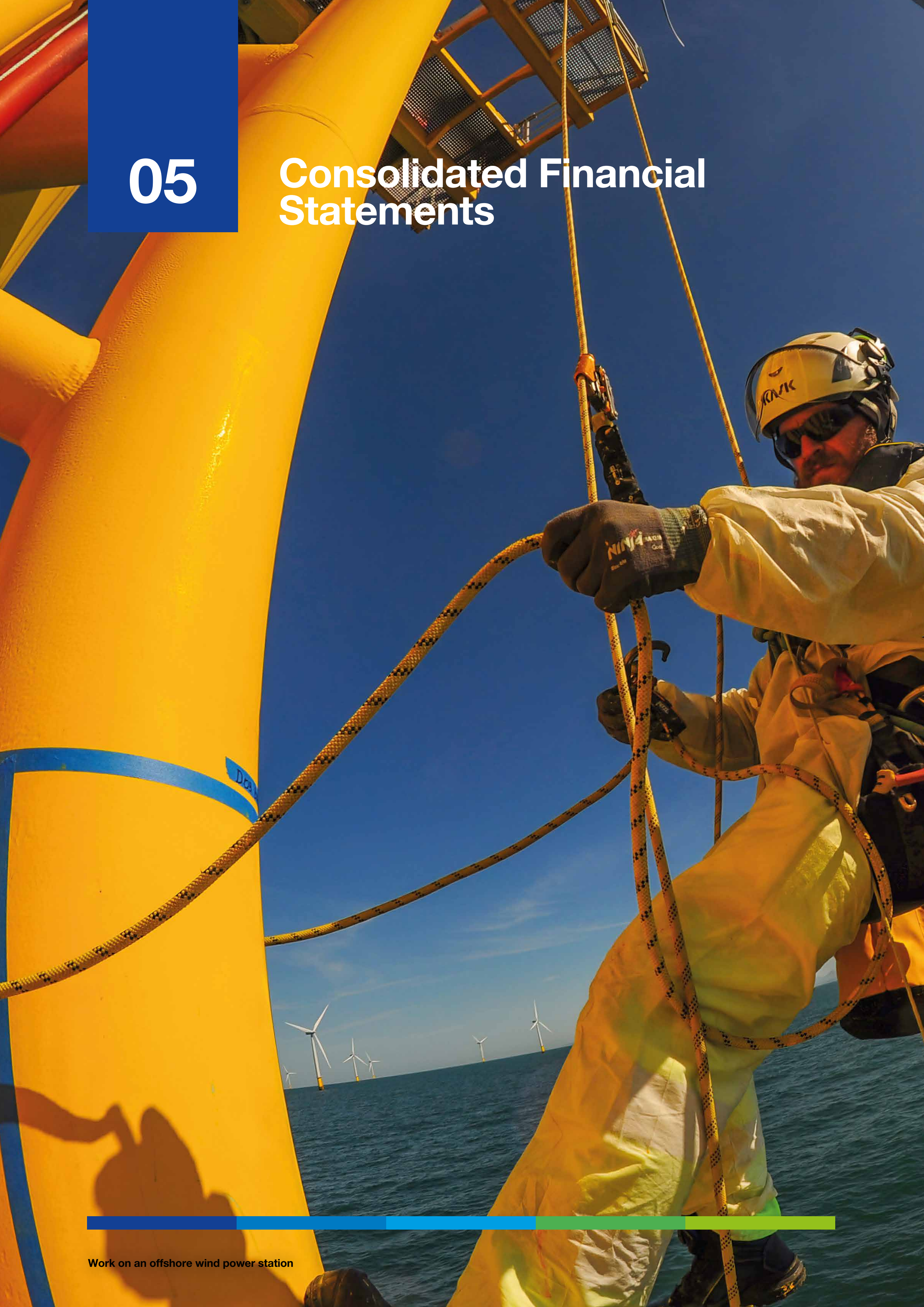
With regard to information according to Article 160 sentence 1 (2) AktG, we refer to the explanations in the notes to Muehlhan AG’s separate financial statements published December 31, 2022.

Hamburg, April 6, 2023

The Executive Board

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

05 Consolidated Financial Statements



Work on an offshore wind power station

CONSOLIDATED BALANCE SHEET

ASSETS in kEUR	Notes	12/31/2022	12/31/2021
NON-CURRENT ASSETS			
Intangible assets	1	0	15,678
Property, plant and equipment	1, 2, 3	240	19,482
Financial assets	24	6	36
Other non-current assets	4	651	3,160
Deferred tax assets	5	255	3,640
Total non-current assets		**1,151**	**41,997**
CURRENT ASSETS			
Inventories	6	1,515	8,229
Trade receivables and contract assets	7	7,191	61,472
Cash and cash equivalents	8	55,121	18,698
Other current assets	9	13,480	17,052
Total current assets		**77,307**	**105,451**
Assets and disposal groups held for sale	10	0	500
TOTAL ASSETS		78,458	**147,948**

Rounding differences may occur.

EQUITY AND LIABILITIES in kEUR	Notes	12/31/2022	12/31/2021
EQUITY	11		
Subscribed capital		19,500	19,500
Capital reserve		13,267	13,490
Treasury shares		-318	-329
Other reserves		6,328	-794
Retained earnings		24,972	38,653
Non-controlling interests		735	6,817
Total equity		**64,483**	**77,336**
NON-CURRENT LIABILITIES			
Pension provisions and similar obligations	12	0	673
Other non-current provisions	15	0	610
Non-current borrowings	13, 14	0	9,925
Other non-current liabilities	3	0	2,394
Deferred tax liabilities	5	53	1,227
Total non-current liabilities		**53**	**14,828**
CURRENT LIABILITIES			
Current provisions	15	3,199	5,624
Current borrowings	13, 14	0	9,184
Trade payables and contract liabilities	16	7,677	18,310
Other current liabilities	17	3,046	22,666
Total current liabilities		**13,922**	**55,784**
TOTAL EQUITY AND LIABILITIES		**78,458**	**147,948**

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEAR 2022

in kEUR		Notes	2022	2021
Revenues		18	288,275	298,516
Other operating income		21	15,404	22,088
Cost of materials and purchased services		19	-119,756	-102,887
Personnel expenses		20	-103,754	-134,037
Other operating expenses		21	-62,312	-56,474
Earnings from operations before depreciation and amortization (EBITDA)			**17,858**	**27,205**
Depreciation and amortization of intangible assets and property, plant and equipment		1, 2, 3	-5,118	-10,462
Earnings from operations (EBIT)			**12,739**	**16,742**
Financial result		22	-1,735	-1,859
Earnings before income taxes (EBT)			11,004	14,884
Income tax result		23	-4,636	-5,089
Consolidated income			**6,369**	**9,794**
of which from continuing operations			-2,306	4,171
of which from discontinued operations		27	8,675	5,623
Consolidated income attributable to non-controlling interests		11	2,814	1,524
of which from continuing operations			158	166
of which from discontinued operations		27	2,656	1,358
Consolidated income attributable to shareholders of Muehlhan AG			**3,555**	**8,270**
of which from continuing operations			-2,465	4,005
of which from discontinued operations		27	6,020	4,265
EARNINGS PER SHARE IN EUR		25		
Shares	number		19,385,993	19,380,674
from continuing operations				
basic			-0.13	0.21
diluted			-0.13	0.21
from discontinued operations				
basic			0.31	0.22
diluted			0.31	0.22

Rounding differences may occur.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR	Notes	2022	2021
Consolidated income	26	**6,369**	**9,794**
Recyclable items			
Currency translation differences (legally independent entities abroad)		2,000	1,283
Currency translation differences reclassified to the consolidated income statement		2,656	178
Non-recyclable items			
Remeasurement of defined benefit plans		21	-8
Other comprehensive income		**4,677**	**1,452**
Income taxes on other comprehensive income		0	0
Other comprehensive income after taxes		**4,677**	**1,452**
Total comprehensive income		**11,046**	**11,246**
of which attributable to non-controlling interests		2,977	1,511
Shareholders of Muehlhan AG		**8,069**	**9,735**
Total comprehensive income from continuing operations		8,369	10,472
Total comprehensive income from discontinued operations		2,677	774

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	Notes	2022	2021
Consolidated income attributable to shareholders of Muehlhan AG	26	3,555	8,270
Depreciation of fixed assets	1, 2, 3	5,118	10,462
Gain/Loss from the disposal of fixed assets	1, 2, 3	-52	961
Non-cash expenses/income from the allocation of gains/losses to non-controlling interests		2,814	1,524
Income tax result	23	4,636	5,089
Gain from the sale of subsidiaries	V.	-2,045	-15,188
Loss from the sale of subsidiaries	V.	0	3,521
Other non-cash expenses/income		259	-5,950
Increase/Decrease in provisions	12, 15	4,151	-1,099
Cash flow		**18,436**	**7,590**
Increase in inventories, trade receivables, contract assets and other assets	6, 7, 9	-17,084	-22,773
Increase in trade payables, contract liabilities and other liabilities	16, 17	8,117	12,005
Income taxes paid	9, 17, 23	-2,272	-1,841
Cash flow from operating activities		**5,197**	**-5,019**
of which from discontinued operations	27	5,115	-5,806
Proceeds from disposals of fixed assets			
in property, plant and equipment		185	1,303
Capital expenditures			
in intangible assets	1	-25	-29
in property, plant and equipment	2	-2,887	-4,232
Proceeds from deconsolidation of subsidiaries	V.	65,878	30,919
Payments for initial consolidation of subsidiaries	V.	0	-25
Interest received	22	57	0
Cash flow from investment activities		**63,208**	**27,938**
of which from discontinued operations	27	63,183	27,967
Payments to shareholders and non-controlling shareholders (dividends)	Changes in Group equity	-15,238	-3,729
Cash flow from repayment of current borrowings	13	-127,604	-18,222
Cash flow from taking up of current borrowings	13	122,475	18,119
Cash flow from repayment of non-current borrowings	13	-10,000	-12,563
Interest paid	22	-1,624	-1,558
Cash flow from financing activities		**-31,991**	**-17,953**
of which from discontinued operations	27	-31,013	-16,969
Currency, scope of consolidation and valuation-related changes in cash and cash equivalents		9	557
Total changes in cash and cash equivalents		36,423	5,523
Cash and cash equivalents at the beginning of the period	8	18,698	13,175
Cash and cash equivalents at the end of the period	8	**55,121**	**18,698**

Rounding differences may occur.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Equity applicable to equity holders of the parent company					
	Subscribed capital	**Subscribed capital**	**Other reserves**			
in kEUR			Profit reserves	Conversion reserve	Cash flow hedge reserve	Adjustment from currency translation
As of 01/01/2021	**19,500**	**13,621**	**4,598**	**-91**	**0**	**-4,653**
Changes in treasury shares						
Changes in non-controlling interests			-553			
Contribution to share-based payment		-131				
Withdrawal from profit reserves			-1,569			
Withdrawal from retained earnings			10			
Dividends paid						
Total comprehensive income			-8			1,473
As of 12/31/2021	**19,500**	**13,490**	**2,478**	**-91**	**0**	**-3,181**
Changes in treasury shares						
Changes in non-controlling interests			-284			
Contribution to share-based payment		-96				
Withdrawal from retained earnings			1,134			
Dividends paid						
Deconsolidations and reclassifications		-127	1,758			
Total comprehensive income			21			4,493
As of 12/31/2022	**19,500**	**13,267**	**5,107**	**-91**	**0**	**1,312**

Rounding differences may occur.

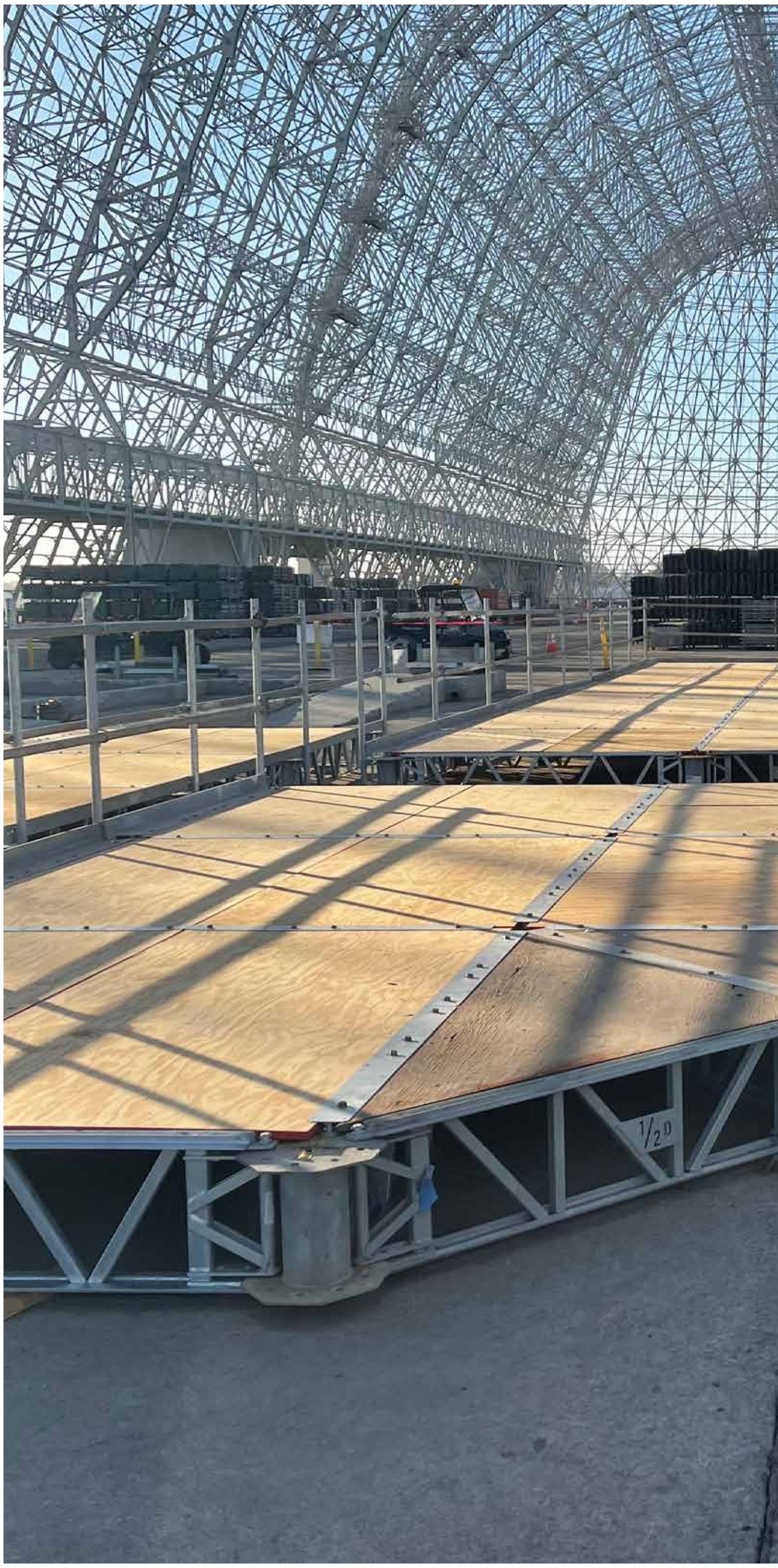
				Equity	Equity
	Retained earnings	Equity	Equity		
	32,719	**-340**	**65,353**	**3,811**	**69,164**
		11	11		11
			-553	1,330	777
			-131		-131
			-1,569	1,568	-2
	-10		0		0
	-2,326		-2,326	-1,403	-3,729
	8,270		9,735	1,511	11,246
	38,653	**-329**	**70,520**	**6,817**	**77,336**
		11	11		11
			-284	-8,360	-8,644
			-96		-96
	-1,134		0		0
	-14,539		-14,539	-699	-15,238
	-1,563		68		68
	3,555		8,069	2,977	11,046
	24,972	**-318**	**63,750**	**735**	**64,483**

Notes

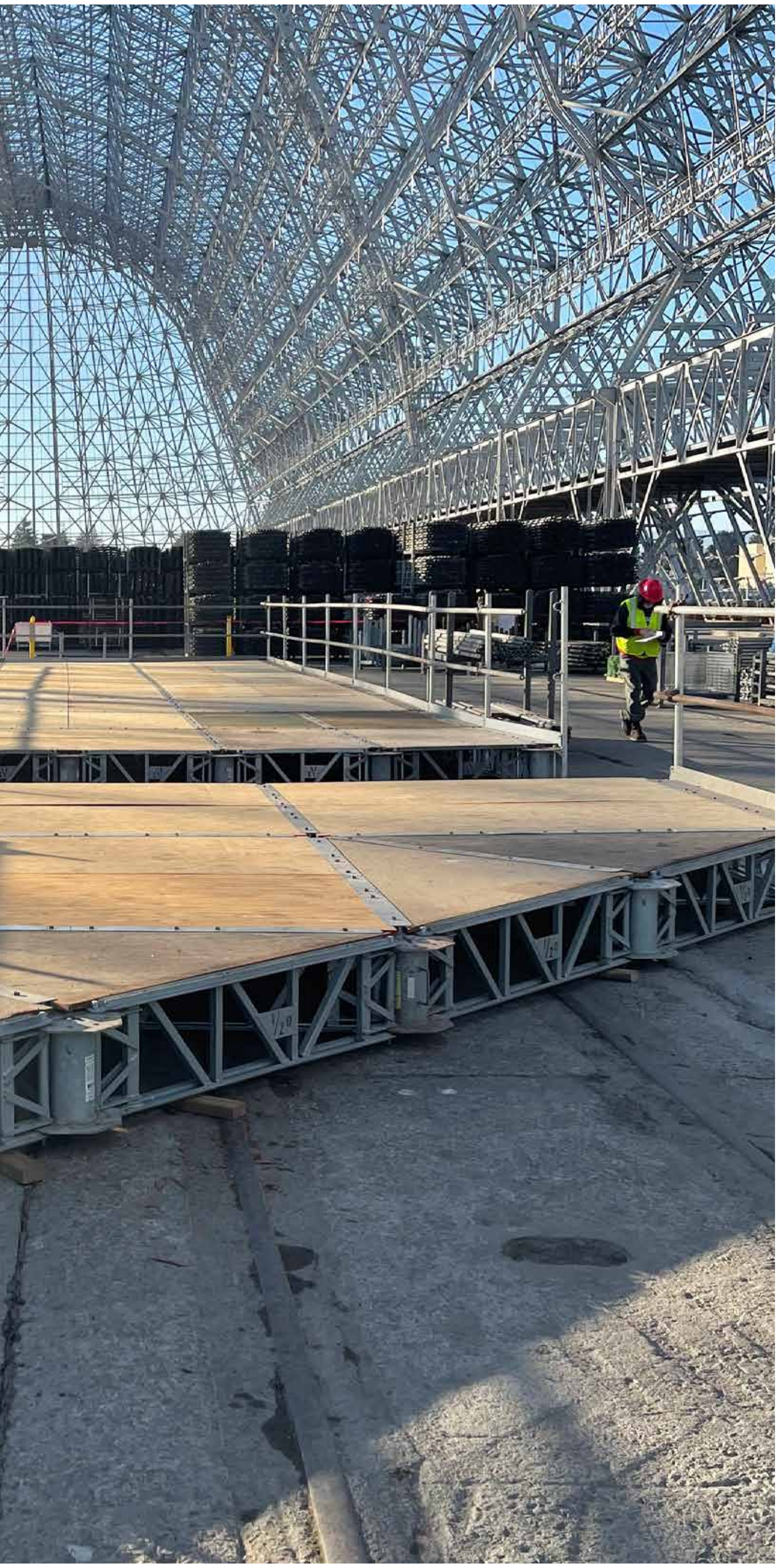
I. Company

Muehlhan AG (hereinafter "MYAG" or "the company") and its subsidiaries operate in the Ship, Oil & Gas, Renewables and Construction/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.



Surface protection project in the USA



II. Application of IFRS

The consolidated financial statements of MYAG as of December 31, 2022, 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, 2022, 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 as follows:

Standard/Interpretation	Note	Effective date	Effect
Amendments to IFRS 3 Business Combinations	Reference to the Conceptual Framework	January 1, 2022	no material effect
Amendments to IAS 16 Property, Plant and Equipment	Proceeds before Intended Use	January 1, 2022	no material effect
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	no material effect
Annual improvements to IFRS	2018–2022 Cycle	January 1, 2022	no material effect

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

Standard/Interpretation	Note	Effective date	Effect
IFRS 17 Insurance Contracts	Accounting for insurance contracts	January 1, 2023	no impact
Amendments to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023	reduced disclosures in the Notes
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates	January 1, 2023	no material effect
Amendments to IAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	no material effect
Amendments to IFRS 17 Insurance Contracts	First-time application of IFRS 17 and IFRS 9 – comparative information	January 1, 2023	no impact

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	Effect
Amendments to IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants	January 1, 2024	no material effect
Amendments to IFRS 16 Leases	Lease liabilities in sale-and-lease-back transactions	January 1, 2024	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 7 subsidiaries it controls (previous year: 28). 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, 2021:

Muehlhan Wind Service B.V. (MWSNL), Vlaardingen, Netherlands, a subsidiary of Muehlhan Wind Service A/S, Fredericia, Denmark, was established in 2021 and included in the consolidated financial statements for the first time as of January 1, 2022. Like its parent, the company offers services for wind turbines. MWSNL generated revenues of €5.0 million and EBIT (earnings before interest and taxes) of €0.1 million in the reporting year.

The company MSI Coating Services PTE Ltd., Singapore, was deconsolidated in January 2022. The company had no operating activities and no assets or liabilities.

Muehlhan AG signed a contract for the sale of 21 direct and indirect subsidiaries on September 24, 2022. The buyer is Muehlhan Holding GmbH (formerly: Shield BidCo GmbH, a company owned by the US private equity investor One Equity Partners).

The closing conditions for the sale were met on December 29, 2022, so Muehlhan AG relinquished control over the direct and indirect subsidiaries in accordance with the contract at midnight on December 31, 2022.

The sales price was €58.9 million, plus interest of €4.4 million for the period from January 1, 2022, to the closing date on December 29, 2022. The buyer also acquired from Muehlhan AG shareholder loans in a nominal amount of €18.1 million that had been extended to the direct and indirect subsidiaries.

The first-time consolidations and deconsolidations limit comparability with prior-year financial statements.

Surface protection work in a blasting hall

The following overview shows the assets sold, including cash and equity and liabilities, including bank loans, over which control was lost as of December 31, 2022. The companies sold are also allocated to the former cash-generating units, segments and business units, and their services listed.

in kEUR	MD	MWY	MES	MDK	MWS	MWSNL
Non-current assets	1,451	6	6,458	8,670	743	39
of which property, plant and equipment	860	6	6,458	2,268	285	39
Current assets	16,497	1	2,013	17,668	32,055	5,929
of which trade receivables and contract assets	12,239	0	553	14,001	20,294	2,742
of which cash and cash equivalents	3,228	1	145	0	2,923	1,071
Equity	11,028	-47	2,084	4,520	10,062	107
Non-current liabilities	2,264	1	86	569	348	3,548
Current liabilities	4,656	54	6,300	21,249	22,388	2,313
of which trade payables and contract liabilities	3,085	32	147	2,785	14,102	1,909
of which current borrowings	0	0	0	1,802	1,930	0

Symbol	Company	Shareholding in % 2022	Held by	CGU
AJS	Allround Job Services Sp. z o.o., Stettin – Poland	100	MPL	MPL
CCC	Certified Coatings Company, Fairfield – USA	100	MSPU	MCC
MBL	Muehlhan Bulgaria Ltd., Varna – Bulgaria	75	MYAG	MD
MCC	Muehlhan Certified Coatings Inc., Fairfield – USA	100	MSPU	MCC
MCL	Muehlhan Cyprus Limited, Limassol – Cyprus	51	MYAG	MCL
MD	Muehlhan Deutschland GmbH, Bremen, Germany	100	MYAG	MD
MDK	Muehlhan A/S, Give – Denmark	100	MYAG	MDK
MES	Muehlhan Equipment Services GmbH, Hamburg, Germany	100	MYAG	–
MF	Muehlhan S.A.R.L., Saint-Nazaire – France	100	MYAG	MF
MIF	Muehlhan Industrial France S.A.R.L., Saint-Nazaire – France	100	MF	MF
MIS	Muehlhan Industrial Services Inc., Fairfield – USA	100	MSPU	–
MNL	Muehlhan B.V., Vlaardingen – Netherlands	100	MYAG	MNL
MPL	Muehlhan Polska Sp. z o.o., Stettin – Poland	100	MYAG	MPL
MRO	Muehlhan S.R.L., Galati – Romania	51	MYAG	MCL
MSI	Marine Service International AS, Drøbak – Norway	60.2	MYAG	MSI
MSIB	MSI do Brasil Servicos Maritimos Ltda. Brasil, Rio de Janeiro – Brasil	60.2	MSI	MSI
MSPU	Muehlhan Surface Protection Inc., Fairfield – USA	100	MYAG	–
MWS	Muehlhan Wind Service A/S, Fredericia – Denmark	55.5	MDK	MWS
MWSNL	Muehlhan Wind Service B.V., Vlaardingen – Netherlands	100	MWS	MWS
MWY	Beschichtungswerk Wyhlen GmbH, Wyhlen, Germany	100	MD	MD
TPO	MSI Group ApS, Gentofte – Denmark	60.2	MSI	MSI

MNL	MF	MIF	MPL	AJS	MCL	MRO	MBL	USA	MSI GROUP
1,545	397	64	2,510	0	4,483	319	35	19,379	1,429
798	368	64	2,312	0	4,373	319	25	1,531	119
7,266	7,453	235	6,283	70	11,562	3,258	271	45,438	5,421
4,163	4,677	0	3,625	0	8,265	2,899	76	33,577	4,374
2,584	1,939	38	2,051	70	380	51	157	9,805	633
-1,420	3,654	-1,736	5,335	70	6,441	1,216	-97	26,956	3,134
561	88	0	738	0	601	167	0	820	37
9,670	4,108	2,036	2,720	0	9,003	2,194	403	37,041	3,678
4,046	1,954	2,011	1,067	0	1,164	1,900	73	33,196	1,535
0	0	0	0	0	0	0	0	0	106

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	Ship, 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, scaffolding, steel construction
Marine & Construction	Ship, Renewables, Oil & Gas, Industry/Infrastructure	Surface protection, scaffolding
Energy	Oil & Gas	Surface protection
Energy	Oil & Gas	Surface protection
–	–	–
Energy	Renewables	Wind service
Energy	Renewables	Wind service
Marine & Construction	Industry/Infrastructure	Surface protection
Energy	Oil & Gas	Surface protection

The list of shareholdings of the consolidated entities as of December 31, 2022, 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
		2022	2021		
MYAG	Muehlhan AG, Hamburg	Parent company	Parent company		–
MCA	Muehlhan Canada Inc., Windsor, Ontario, Canada	100	100	MYAG	–
MDQ	Muehlhan Dehan Qatar W.L.L., Doha, Qatar	100	100	MYAG	MDQ
MMEH	Muehlhan Middle East Holding Limited, Dubai, UAE	100	100	MYAG	–
MMF	Muehlhan Morflot OOO, St. Petersburg, Russia	70	70	MYAG	MMF
MOM	Ruwad Al Athaiba International LLC, Muscat, Oman	100*	100*	MMEH	PRA
PRA	Procon Emirates L.L.C., Abu Dhabi, UAE	100*	100*	MMEH	PRA
PRD	Procon Emirates L.L.C., Dubai, UAE	100*	100*	MMEH	PRA

* 49% of the shares in 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 following non-consolidated entity was also sold:

Symbol	Company	Shareholding in %		Equity in kEUR		Result in kEUR	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021	2022	2021
MPM	Muehlhan Project Management GmbH, Hamburg	51	51	-108,5	-10,7	-97,8	-38,3

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

Symbol	Company	Shareholding in %		Equity in kEUR		Result in kEUR	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021	2022	2021
MFP	Muehlhan Grand Bahama Ltd., Nassau, Bahamas	100	100	0,1	0,1	0,0	0,0
MKSA	Muehlhan Saudi Arabia LLC, Riyadh, Saudi Arabia	100	100	-1.069,4	-867,5	-261,5	-409,2
MIND	Muehlhan India Private Limited, Chennai, India	99.99	99.99	-118,9	-100,5	-24,6	-56,6

MSI Group Ghana Limited, Accra, Ghana, was liquidated in the reporting year. Muehlhan Grand Bahama Ltd., Bahamas, has no commercial operations.

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 equity interests in MKSA and MIND are held indirectly via MMEH.

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.

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

Work on a new ship

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 reporting date	Average rate	Exchange rate on reporting date	Average rate
		12/31/2022	2022	12/31/2021	2021
United Arab Emirates dirham	AED	3.93	3.85	4.16	4.34
Brazilian real	BRL	5.64	5.39	6.33	6.39
Danish krone	DKK	7.44	7.44	7.44	7.44
Polish zloty	PLN	4.68	4.68	4.59	4.57
Qatar rial	QAR	3.90	3.84	4.13	4.32
US dollar	USD	1.07	1.05	1.13	1.18
Russian rubel	RUB	76.40	72.79	84.95	87.18

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.

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.

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

Application of surface protection on a steel structure

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 assumed assets and liabilities 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, and
- 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 total estimated costs, total estimated 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.

Work on a steel bridge in the USA

VIII. Notes to the balance sheet

1. Intangible assets

FIXED ASSET MOVEMENT SCHEDULE 2022

	Acquisition and production costs						
in kEUR	As of 01/01/2022	Additions	Disposals	Transfer	Deconsolidation	Currency translation differences	As of 12/31/2022
Intangible assets							
Concessions, industrial property and similar rights and licenses	2,722	25	-2,300	0	-443	-2	1
Goodwill	31,091	0	0	0	-28,980	262	2,373
	33,812	**25**	**-2,300**	**0**	**-29,423**	**260**	**2,373**
Property, plant and equipment							
Land, land rights and buildings including buildings on third-party land	5,540	192	-405	0	-5,200	9	135
Technical equipment and machinery	44,728	1,602	-1,448	0	-44,545	813	1,149
Other equipment, operating and office equipment	10,312	851	-1,505	0	-8,742	122	1,038
Prepayments and equipment under construction	8	242	0	0	-249	0	0
Right-of-use assets	6,927	427	-2,772	0	-4,579	17	20
	67,515	**3,313**	**-6,130**	**0**	**-63,315**	**960**	**2,343**

Rounding differences may occur.

FIXED ASSET MOVEMENT SCHEDULE 2021

	Acquisition and production costs						
in kEUR	As of 01/01/2021	Additions	Disposals	Transfer	Deconsolidation	Currency translation differences	As of 12/31/2021
Intangible assets							
Concessions, industrial property and similar rights and licenses	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	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.

	Accumulated depreciation and amortization							Carrying amounts	
	As of 01/01/2022	Additions	Disposals	Transfer	Deconsolidation	Currency translation differences	**As of 12/31/2022**	**As of 12/31/2022**	**Previous year**
	-2,636	-26	2,216	0	443	2	-1	0	85
	-15,498	-50	0	0	13,521	-346	-2,373	0	15,593
	-18,134	**-76**	**2,216**	**0**	**13,964**	**-344**	**-2,373**	**0**	**15,678**
	-5,053	-64	393	0	4,659	-5	-69	67	488
	-31,408	-2,425	1,398	0	32,126	-706	-1,014	135	13,320
	-8,259	-786	1,376	0	6,766	-97	-1,000	38	2,052
	0	0	0	0	0	0	0	0	8
	-3,313	-1,768	2,847	0	2,231	-18	-20	0	3,614
	-48,033	**-5,042**	**6,015**	**0**	**45,782**	**-825**	**-2,103**	**240**	**19,482**

	Accumulated depreciation							Carrying amounts	
	As of 01/01/2021	Additions	Disposals	Transfer	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	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**

Concessions, industrial property and similar rights and licenses

In accordance with IFRS 5, no amortization was recognized from September 24, 2022, onwards on concessions, industrial property and similar rights and licenses that formed part of the sales contract dated September 24, 2022. No write-downs were required for the sold concessions, industrial property and similar rights and licenses, since their fair value less costs to sell was higher than their carrying amounts.

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 18. “Revenues and segment reporting”.

The following table shows the changes by geographic segment:

in EUR million	12/31/2021	Impairment/ additions	Deconsolidations	Currency translation	12/31/2022
Europe	13.9	-0.1	-13.7	-0.1	0.0
Rest of the World	1.7	0.0	-1.7	0.0	0.0
TOTAL	**15.6**	**-0.1**	**-15.4**	**-0.1**	**0.0**

The local goodwill of the MMF cash-generating unit was reduced by €0.1 million in February 2022. The impairment is due to the deterioration in the prospects for the Russian company following the Russian invasion of Ukraine, and the sanctions imposed on Russia as a result. After the impairment, the MMF CGU no longer has any local goodwill.

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.

Impairment testing of goodwill was carried out in line with IFRS 5 at the closing date of the contract for the sale of direct and indirect subsidiaries of Muehlhan AG on September 24, 2022. 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 plans were updated in the third quarter of 2022 for the impairment test. 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 2023–2026.

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: €6.5 million) and the MPL CGU, with €5.1 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: 75%) of total goodwill as of September 24, 2022.

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 as of September 24, 2022, fell into the following ranges:

Region	9/24/2022	12/31/2021
Germany	8.0%	8.0%
Poland	9.6%	10.6%
Rest of Europe	7.6%–13.3%	8.1%–13.3%
Rest of the World	7.4%	8.7%

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.

Goodwill was not impaired as of September 24, 2022.

Local goodwill of €15.4 million in total for the MPL, MD, MNL, MF, MCL and MSI CGU was derecognized as of December 31, 2022, in the context of the disposal.

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 as of September 24, 2022. A decrease in the EBIT margin of 1.0% would result in an impairment loss of €0.3 million at the MNL 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 2.0 percentage points would result in an impairment loss at the MNL CGU of €0.1 million. For the other CGU, an increase in the WACC of 2.25% 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. As of December 31, 2021, the threshold for recognition of an impairment loss was 0.5% and 3.5% in each case.

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.

In accordance with IFRS 5, no depreciation was recognized from September 24, 2022, onwards on property, plant and equipment that formed part of the sales contract dated September 24, 2022. No write-downs were required for the sold property, plant and equipment, since their fair value less costs to sell was higher than their carrying amounts.

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

There were no order commitments for property, plant and equipment as of the reporting date (previous year: €0.9 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	12/31/2022	12/31/2021
Land, land rights and buildings including buildings on third-party land	0	1,525
Technical equipment and machinery	0	105
Other equipment, operating and office equipment	0	1,985
TOTAL RIGHT-OF-USE ASSETS	**0**	**3,614**

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

in kEUR	2022	2021
Land, land rights and buildings including buildings on third-party land	449	1,448
Technical equipment and machinery	71	88
Other equipment, operating and office equipment	912	1,293
TOTAL DEPRECIATION OF RIGHT-OF-USE ASSETS	**1,432**	**2,829**

Interest expenses from the compounding of lease liabilities totaled €0.1 million in the reporting year (previous year: €0.3 million). Muehlhan's incremental borrowing rate of 4.0% (previous year: 4.0%) was used for discounting. Cash used for leases amounted to €2.5 million (previous year: €3.6 million).

The undiscounted lease liabilities have the following maturities:

in kEUR	12/31/2022	12/31/2021
Up to 1 year	0	1,666
Between 1 and 5 years	0	2,095
More than 5 years	0	119
TOTAL UNDISCOUNTED LEASE LIABILITIES	**0**	**3,881**

Expenses for leases recognized as per IFRS 16.6 totaled €8.0 million in the reporting year (previous year: €6.6 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.

Inspection of rotor blades on a wind turbine

5. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
in kEUR	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Accumulated tax loss carryforwards	0	3,023	0	0
Intangible assets	0	0	0	281
Property, plant and equipment	3	153	0	1,214
Inventories	20	109	0	0
Trade receivables and contract assets	134	592	49	1,402
Other assets	0	0	5	25
Pension provisions and similar obligations	0	76	0	0
Short term borrowings	0	918	0	11
Long term borrowings	0	0	0	153
Other provisions	97	382	0	0
Trade payables and contract liabilities	0	9	0	0
Other liabilities	0	245	0	7
Netting acc. to IAS 12.74	0	-1,866	0	-1,866
TOTAL	**255**	**3,640**	**53**	**1,227**

In Germany, there were €2.6 million of trade tax loss carryforwards (previous year: €11.0 million) and €2.5 million of corporation tax loss carryforwards (previous year: €10.3 million) as of the reporting date. There were €2.0 million of tax loss carryforwards abroad (previous year: €11.0 million).

According to the medium-term forecasts of the companies involved, no tax benefit (previous year: €3.0 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 achieve taxable profit. Overall, in Group companies that reported a loss in the previous year or the current year, no surplus of deferred tax assets was recognized (previous year: €0.3 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 €2.5 million (previous year: €5.6 million) and trade tax losses of €2.6 million (previous year: €6.5 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: €2.0 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 €0.2 million (previous year: €1.2 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	12/31/2022	12/31/2021
Raw materials, consumables and supplies	797	8,002
Prepayments	718	227
TOTAL	**1,515**	**8,229**

No additional impairment was recognized on raw materials, consumables and supplies (previous year: €0.0 million).

7. Trade receivables and contract assets

Trade receivables include the following items:

in kEUR	12/31/2022	12/31/2021
Trade receivables from services rendered	7,051	44,871
Trade receivables from construction contracts/contract assets	291	33,973
Prepayments received on work in progress	-151	-17,372
TOTAL	**7,191**	**61,472**

Trade receivables include no receivables from unconsolidated Group companies. Trade receivables include receivables of €1.1 million from former Group companies. Contract assets came to €0.0 million as of the reporting date (previous year €0.4 million). As a rule, trade receivables from services rendered are due and payable within 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 €3.9 million as of the reporting date (previous year: €13.7 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.

Surface protection work on a ship's hull

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

Impairment losses on trade receivables

in kEUR	2022	2021
Impairment – as of January 1	-6,535	-6,868
Additions (loss allowance)	-2,105	-968
Reversals (other operating income)	1,353	564
Derecognition of impaired trade receivables	24	933
Deconsolidation	3,928	0
Currency translation differences	-98	-195
IMPAIRMENT – AS OF DECEMBER 31	**-3,433**	**-6,535**

There were no changes year-over-year in the assumptions made regarding the volume of expected losses. Expected losses ranged between 0.0% and 15.0%, whereby the 15.0% was only applied to receivables from services rendered in the Middle East.

As of the reporting date, the company had credit insurance for no trade receivables (previous year: €3.7 million). The framework for credit insurance (previous year: €5.5 million) has been transferred in full to the buyer of the companies sold. There was no concentration of credit risk, but there will be in the future, since Muehlhan now only operates in two regions, and the recovery of receivables in the Middle East is time-consuming and sometimes requires litigation. Measurement of trade receivables in the Middle East takes credit risk into account, partly in the assumptions for expected credit losses and in loss allowances of €2.7 million (previous year: €2.3 million).

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 €55.1 million as of December 31, 2022 (previous year: €18.7 million), and, aside from available cash and sight balances, also included overnight deposits. Interest on overnight deposits averaged 1.0% (previous year: 0.0%) on the reporting date. €4.4 million (previous year: €0.0 million) of the guarantee facility and €3.2 million of the cash and cash equivalents of the Russian subsidiary were subject to drawing restrictions as of the reporting date.

There are no relevant default risks as Muehlhan only works with banks that are regularly tested by the European Central Bank, among 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	12/31/2022	12/31/2021
Security deposits	3,832	3,939
Receivables related to employees	362	594
Receivables due from damage claims/insurance compensation payments	0	210
Credits with suppliers/bonuses	0	198
Creditors with debit balances	0	572
Sundry current financial assets	8,205	5,988
TOTAL	12,399	**11,500**

Sundry current financial assets include a receivable in the form of an earn-out component of €6.2 million from the buyer of the North Sea oil and gas business sold in the previous year, and a receivable of €1.5 million from the buyer of the companies sold and deconsolidated (V. Consolidated group).

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

in kEUR	12/31/2022	12/31/2021
Deferrals and accruals	188	2,276
Income tax receivables	48	156
Other tax receivables	155	2,115
Advance payments	2	633
Receivables related to employees	4	157
Sundry current non-financial assets	683	217
TOTAL	1,081	**5,552**

Sundry current non-financial assets of €0.5 million relate to a leasehold agreement for land and buildings in Aberdeen, United Kingdom. In the previous year, the leasehold agreement was classified under assets and disposal groups held for sale.

All other financial and non-financial assets are due within one year. For initial and subsequent measurement, see note 24. Financial instruments.

During the reporting year, impairment of €0.4 million was recognized for other financial assets (previous year: €0.1 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.

10. Assets and disposal groups held for sale

In the previous 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 were not transferred to the buyer as part of the disposal of the North Sea oil and gas business the previous year. Although a contract has been drafted, the leasehold agreement was not sold in the reporting year.

The leasehold agreement for the land and the building are still for sale, but the criteria of IFRS 5 are not met, so the assets are recognized under other financial assets as of December 31, 2022 (see 9. Other current assets). The market price is still considered to be higher than the carrying amount. There are no liabilities in connection with the assets held for sale.

11. 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 "Employee share-based payments program"), as well as deconsolidation effects and reclassifications.

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 2022. There were no share buy-backs in the previous year.

In 2022, 13,338 shares (previous year: 4,651 shares) were transferred under the Employee Program. Treasury shares are shown separately as deduction items totaling €318 thousand (previous year: €329 thousand) in the consolidated statement of changes in equity. Treasury shares are measured at the average price on the reporting date. As of the reporting date, Muehlhan AG held 101,695 treasury shares (previous year: 115,033 treasury shares).

Employee share-based payments program

Muehlhan AG introduced a compensation program for the Group's senior managers in 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.

In 2022, a tranche of 13,338 shares (previous year: 4,651 shares) with a value of €11 thousand (previous year: €11 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 agreements were terminated as of December 31, 2022.

The existing rights to shares and those vested in 2022 were bought back from the Group's senior managers as of December 31, 2022. The issuance of rights to shares was recognized in equity under the capital reserve. The purchase of the rights to shares means that the resulting obligation is recognized in provisions for personnel (see 15. Provisions). The new rights vested in the reporting year, together with the purchase of these and earlier existing share rights, resulted in expenses of €86 thousand for the Group in the reporting year.

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 and from retained earnings, as well as deconsolidation effects and reclassifications.

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 2022 consolidated income attributable to shareholders of Muehlhan AG, the payment of a dividend to shareholders and reclassifications to other equity items and deconsolidation effects.

A dividend of €0.75 per share with dividend rights was distributed in 2022 for the financial year 2021. A dividend of €0.12 per share with dividend rights was distributed in 2021 for the financial year 2020. With the Supervisory Board's approval, the Executive Board will propose to the Annual General Meeting that for the financial year 2022 a dividend of €1.00 per share be distributed on the €19,500,000.00 of share capital with dividend rights. As a result, the total dividend distribution will be €19,500,000.00, less the dividend on treasury shares. Payment of this dividend will be dependent on approval by the Annual General Meeting on June 6, 2023. The dividend liability will be recognized after approval by the Annual General Meeting in financial year 2023.

Non-controlling interests

There were non-controlling interests of 30% in the Russian subsidiary MMF as of the reporting date. Other non-controlling interests existing in the previous year were deconsolidated as of December 31, 2022, in the course of the disposal (see V. Consolidated group).

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

Maintenance work on a bridge

in kEUR	MCL	MMF	MWS
	12/31/2022	**12/31/2022**	**12/31/2022**
Non-current assets	0	463	0
Current assets	0	6,216	0
Equity	0	2,449	0
of which non-controlling interests	0	735	0
Non-current liabilities	0	53	0
Current liabilities	0	4,176	0
	2022	**2022**	**2022**
Revenues	32,079	15,578	90,077
Earnings from operations (EBIT)	1,391	781	5,531
Earnings after income taxes	680	530	3,659
of which non-controlling interests	333	159	1,527
Earnings after income taxes, previous year	456	552	2,026
of which non-controlling interests	224	166	901
Cash flow from operating activities	2,729	2,434	1,799

The earnings after taxes must be allocated to the other shareholders in accordance with their respective shareholdings. During the reporting year, €699 thousand of dividends were distributed to non-controlling interests (previous year: €1,403 thousand).

12. Pension provisions and similar obligations

There were no longer any provisions for pensions and similar obligations as of December 31, 2022 (previous year: €0.7 million).

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, 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		Germany	
	2022	2021	2022	2021	2022	2021
Discount rate	3.4	0.7	6.5	3.5	3.6	1.0
Future increases in salaries and pensions	2.0	0.7	4.0	3.0	2.0	2.0
Inflation rate	–	–	2.5	2.5	5.2	2.8

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	2022	2021
As of January 1	673	842
Current service cost	-27	2
Interest effects for vested pension entitlements	8	4
Pension benefits paid	-61	-155
Actuarial gains and losses	-101	-24
Deconsolidation	-491	0
Exchange differences	-1	3
As of December 31	**0**	**673**

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

There will not be any pension payments in the future due to the company disposals and resulting deconsolidation.

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. There will not be any expenses in the future for defined contribution plans in Germany (previously: not more than €50 thousand p.a.).

Muehlhan employees working on an industrial plant in Greece

13. Borrowings

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

in kEUR	12/31/2022	12/31/2021
Borrowings		
Non-current	0	9,925
Current	0	9,184
TOTAL	**0**	**19,109**

There is no bank borrowing as of the reporting date.

Muehlhan AG terminated a syndicated loan agreement for Group financing with a total credit line of €65.0 million, divided into three tranches, which was lead managed by Commerzbank AG in July 2017. All the tranches were repaid on December 29, 2022. The tranches paid interest at EURIBOR plus a margin of 2.0% to 3.5%, dependent on performance indicators. The main subsidiaries provided guarantees to the banking syndicate as collateral for the loan until it was repaid in full on December 29, 2022. 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 Muehlhan Group no longer has any credit facilities as of the reporting date (previous year: €45.2 million). The credit lines for guarantees from Euler Hermes Kreditversicherungs AG, Zurich Versicherung Aktiengesellschaft and Zurich Insurance Public Limited Company, USA, were also canceled, with the exception of existing guarantees for which collateral has been pledged (see 8. Cash and cash equivalents). The effective interest rate on borrowings averaged 4.60% during the financial year (previous year: 3.10%).

14. Derivative financial instruments

As a cash flow hedge, Muehlhan AG entered into an interest rate cap transaction (“cap”) in 2019 to limit the variable interest rate on a portion of the syndicated loan. The interest rate hedge was terminated when the syndicated loan was repaid. In the consolidated statement of comprehensive income, the effect of the cap in the reporting year was €0 thousand (previous year: €0 thousand).

15. Other provisions

Other provisions developed as follows:

in kEUR	As of 01/01/2022	Utilization	Reversal	Addition	Deconsoli-dation	Exchange rate effects	As of 12/31/2022
Employees	2,763	-1,962	-151	2,664	-1,365	85	2,034
Tax risks	792	-463	-7	1,205	-444	2	1,083
Litigation	761	-1	-11	0	-751	2	0
Warranty	1,085	-479	-202	3,015	-3,416	-2	0
Anticipated losses	216	0	-214	14	-19	2	0
Other	616	-586	-232	1,368	-1,092	7	82
TOTAL	**6,234**	**-3,492**	**-817**	**8,266**	**-7,088**	**95**	**3,199**

All the provisions are expected to be used within twelve months.

There is a contingent liability resulting from a legal dispute. At the time the financial statements were prepared it was not possible to determine with sufficient certainty whether the clarification of currently open legal issues may lead to an outflow of resources in the future. For this reason, no provision is recognized in accordance with IAS 37.27.

16. Trade payables and contract liabilities

All liabilities have a term to maturity of one year or less. Trade payables do not include any contract liabilities (previous year: €2.9 million). Income is allocated to contract liabilities using the percentage of completion method. Trade payables in the previous year are recognized in revenue in the reporting year 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 performance obligations shown as contract liabilities were therefore largely settled within one year.

17. 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	12/31/2022	12/31/2021
Liabilities to employees	291	7,154
Lease liabilities	0	1,583
Debtors with credit balances	0	164
Security deposits	17	40
Sundry current financial liabilities	608	3,409
TOTAL	**916**	**12,350**

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

in kEUR	12/31/2022	12/31/2021
Liabilities attributable to other taxes	1,193	2,520
Liabilities to employees	221	1,400
Liabilities attributable to social security	106	2,769
Income tax liabilities	0	897
Deferrals	0	1,399
Prepayments received	0	9
Sundry current non-financial liabilities	610	1,322
TOTAL	**2,130**	**10,316**

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

Material direct and indirect subsidiaries were deconsolidated as of December 31, 2022, following their disposal (see V. Consolidation group). The results of the direct and indirect subsidiaries sold are therefore included in full in the consolidated income statement for 2022, together with the result of their deconsolidation.

18. 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 Construction/Infrastructure, and the division by segment 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	2022	2021
Denmark	104,753	120,782
Germany	26,331	44,396
Netherlands	20,341	19,550
Poland	18,220	14,170
USA	39,293	14,114
Russia	15,578	11,351
Middle East	6,115	8,168
Other	57,644	65,985
TOTAL	288,275	**298,516**

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	2022	2021	2022	2021
Renewables	112,473	81,370	6,555	6,493
Ship	59,657	61,042	2,862	5,494
Construction/ Infrastructure	75,339	71,894	-153	706
Oil & Gas	40,028	83,970	4,051	3,945
Holding company/ consolidation	778	239	-576	104
TOTAL	288,275	**298,516**	12,739	**16,742**

Revenue from the remaining Group companies in Russia and the Middle East came to €21.7 million in the reporting year. EBIT was €-1.1 million. Revenue and earnings in the Middle East were generated by passive fire protection services in the Construction/ Infrastructure segment. The Russian company also operates in the Construction/Infrastructure business and to a lesser extent in the business units Oil & Gas and Ship. The services offered comprise passive fire protection, surface protection, insulation and steel construction.

Inspection of surface protection at the indoor swimming pool Alster-Schwimmhalle in Hamburg

Breakdown by geographic segment

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

	External revenues		EBIT	
in kEUR	2022	2021	2022	2021
Energy	116,795	155,341	7,821	7,026
Marine & Construction	170,986	142,898	4,260	5,145
Holding company/ consolidation	494	277	658	4,571
TOTAL	288,275	**298,516**	12,739	**16,742**

The remaining Group companies in Russia and the Middle East operate almost exclusively in the Marine & Construction segment.

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 €0.3 million. Income of €4.4 million is expected from these contracts, of which €4.4 million has been or is expected to be performed in 2023 but has not yet been billed.

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.

19. Cost of materials and purchased services

This item may be broken down as follows:

in kEUR	2022	2021
Cost of raw materials, consumables and supplies	-41,571	-34,049
Cost of purchased services	-78,185	-68,838
TOTAL	-119,756	**-102,887**

20. Personnel expenses

The average number of employees was as follows:

number	2022	2021
Europe (incl. holding company)	1,776	2,425
Middle East	198	326
North America	112	53
Rest of the World	17	14
TOTAL	2,103	**2,818**

Personnel expenses included:

in kEUR	2022	2021
Wages and salaries	-84,176	-112,425
Social security contributions, pension and other benefit expenses	-19,578	-21,612
TOTAL	-103,754	**-134,037**

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 schemes in Germany was only used to a minor degree by some companies. The US subsidiaries received government aid to combat the effects of the COVID-19 pandemic in the previous year. In the reporting year, the correct use of the funds was confirmed and the payment of €1.4 million was recognized in profit and loss, reducing personnel expenses.

21. Other operating income and expenses

Other operating income consisted of:

in kEUR	2022	2021
Income from deconsolidation	2,045	15,188
Exchange rate gains	1,889	2,082
Income from the reversal of impairments of trade receivables and contract assets	1,353	564
Income from the reversal of provisions	810	544
Income from the sale of property, plant and equipment	116	591
Sundry other operating income	9,191	3,119
TOTAL	15,404	22,088

The other operating income includes an earn-out component of €6.2 million from the disposal of the North Sea oil and gas business the previous year. The conditions for the earn-out component were met in the reporting year and the payment was received in early 2023.

Other operating expenses consisted of:

in kEUR	2022	2021
Travel expenses	-14,480	-10,339
Consultancy fees	-9,902	-6,493
Motor vehicle expenses	-6,212	-4,330
Expenses for short-term leases and for leases of low-value assets	-5,341	-5,715
Training and other HR activities	-4,601	-4,551
Insurance	-3,309	-2,904
Repairs	-2,695	-4,164
Exchange rate losses	-2,266	-2,395
Impairment losses on trade receivables and contract assets	-2,105	-968
Other taxes	-1,071	-479
Sundry operating expenses	-10,330	-14,134
TOTAL	-62,312	-56,474

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

Other operating expenses in the previous year included deconsolidation results. Other items within sundry operating expenses are purchased services and IT costs that cannot be allocated to any other item.

Employees of Muehlhan Wind Service A/S

22. 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 €1.9 million (previous year: €2.0 million). The effect of the interest income and expenses for financial assets and liabilities as calculated using the effective interest method was €-0.2 million, with €-0.1 million resulting from the discounting of lease liabilities.

23. 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 31.0% (previous year: 10.0% to 28.0%) and the domestic deferred tax rate was 31.5% (previous year: 31.5%).

Taxes on income may be broken down as follows:

in kEUR	2022	2021
Current income taxes	-3,265	-3,026
Deferred taxes	-1,370	-2,064
TOTAL	-4,636	**-5,089**

Reconciliation of theoretical and actual tax expense:

in kEUR	2022	2021
Earnings before income taxes from continuing operations	11,004	14,884
Theoretical tax expenses at MYAG's tax rate of 31.5%	-3,466	-4,688
Differing foreign tax rates	351	-796
Tax-free income and non-deductible expenses	-1,608	108
Impairment and/or non-recognition of deferred tax assets	-211	-169
Effects of impairment of goodwill	-41	-291
Effects of changes in tax rates	34	-51
Effects of previously unrecognized deferred tax assets on tax loss carryforwards and temporary differences	84	1,185
Tax expenses from prior periods	164	-374
Withholding tax effects	-40	17
Other	98	-30
Income tax expense for continuing operations recognized on the income statement	-4,636	**-5,089**
Effective tax rate	42.1%	34.2%

24. 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.

25. Earnings per share

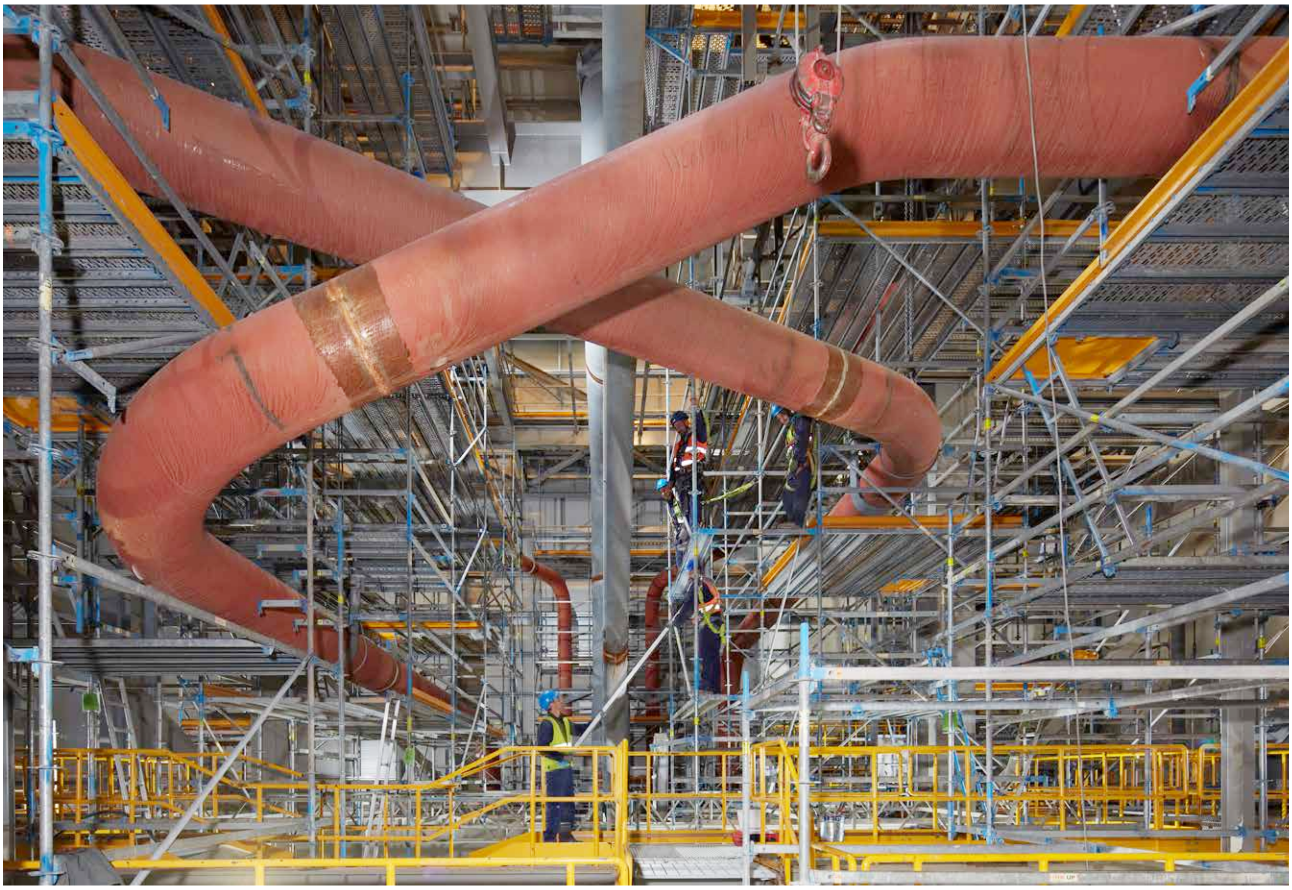
Earnings per share are calculated as follows:

		2022	2021
Consolidated income from continuing operations	in kEUR	-2,306	4,171
Consolidated income from discontinued operations	in kEUR	8,675	5,623
Consolidated income	in kEUR	**6,369**	**9,794**
Consolidated income from continuing operations attributable to non-controlling interests	in kEUR	2,656	1,358
Consolidated income from discontinued operations attributable to non-controlling interests	in kEUR	158	166
Consolidated income attributable to shareholders of Muehlhan AG	in kEUR	**3,555**	**8,270**
Average number of ordinary shares	number	19,385,993	19,380,674
Consolidated income per share from continuing operations	in kEUR	**-0.13**	**0.21**
Consolidated income per share from discontinued operations	in kEUR	-0.31	0.22

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

26. Statement of comprehensive income

The item "Future cash flow hedge" amounting to €0 thousand contains a tax component of €0 thousand (previous year: €0 thousand). As in the previous year, the item "Currency translation differences" does not contain a tax component. The translation differences reclassified to the consolidated income statement result from the deconsolidation of foreign companies that did not report in euros.



Scaffolding work on an industrial plant

27. Discontinued operations

Muehlhan AG signed a contract for the sale of 21 direct and indirect subsidiaries on September 24, 2022. The buyer is Muehlhan Holding GmbH (formerly: Shield BidCo GmbH, a company owned by the US private equity investor One Equity Partners). The closing conditions for the sale were met on December 29, 2022, so Muehlhan AG relinquished control over the direct and indirect subsidiaries in accordance with the contract at midnight on December 31, 2022 (see V. Consolidated group).

The current earnings of the companies sold, together with all related consolidation entries affecting profit or loss, were reported in a separate section of the Group's income statement as "Consolidated income from discontinued operations". In order to enhance the economic significance of the income statement for the continuing operations, their share of consolidation effects has also been presented under discontinued operations in the income statement where they relate to business relationships that are not planned to be maintained on a permanent basis after the planned disposal.

Consolidated income from discontinued operations of €6.0 million (previous year: €4.3 million) is attributable to the shareholders of Muehlhan AG. Consolidated income from discontinued operations attributable to non-controlling interests amounted to €2.7 million (previous year: €1.4 million).

The Group's income from discontinued operations includes the following components for the companies sold:

in kEUR	2022	2021
Income	271,982	285,139
Expenses	-261,051	-277,562
Income from discontinued operations before taxes	**10,931**	**7,577**
Income tax result	-2,257	-1,952
Consolidated income from discontinued operations after taxes	**8,674**	**5,625**
Consolidated income from discontinued operations attributable to non-controlling interests	2,655	1,358
Consolidated income from discontinued operations attributable to shareholders of Muehlhan AG	**6,019**	**4,267**

Of the other comprehensive income attributable to Muehlhan AG shareholders for the 2022 financial year, €2.7 million (previous year: €0.8 million) is attributable to discontinued operations, which will be fully recognized in income in the future or were recognized in income in the reporting year.

Up until the deconsolidation, the companies sold had an average of 1,520 employees (previous year: 2,189 employees including the employees of the companies sold in the previous year).

28. Government grants

Government grants were received in Germany in the reporting year in the form of funding for research projects. The US subsidiaries received government aid to combat the effects of the COVID-19 pandemic in the previous year. In the reporting year, the correct use of the funds was confirmed and the payment of €1.4 million was recognized in profit and loss, reducing personnel expenses.

X. Other disclosures

29. 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 11. 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, 2022, the Group had an equity ratio of 82.2% (previous year: 52.3%). Every month, external minimum capital requirements are reviewed in connection with the syndicated loan agreement (see note 13. Borrowings). With the repayment of the syndicated loan facility at the end of the financial year, the monthly reviews of the minimum capital requirements no longer apply.

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.

Work on a cooling tower in Greece

Currency risk

Around 68% (previous year: 74%) 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. For 2022, a net expense of €0.4 million (previous year: income of €0.3 million) was reported from currency translation differences.

Group revenues will be generated almost exclusively abroad in the future, particularly in Russia and the Middle East. This increases the exchange rate risk.

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. A change in the exchange rate for the Russian ruble (RUB) and the United Arab Emirates dirham (AED) of +5% or -5% would have the following effects on profit or loss and on equity:

Russian ruble	+5%	-5%
Equity	117	-129
EBIT	37	-41

United Arab Emirates dirham	+5%	-5%
Equity	284	-314
EBIT	-103	114

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 13. Borrowings). The disposal of selected Group companies as of December 31, 2022, the repayment of all bank borrowing and high cash balances mean that there is no longer any significant liquidity risk at the end of the reporting year.

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 interest rates – primarily in the form of a syndicated loan – (see 13. Borrowings) were repaid in full in the reporting year. Cash and cash equivalents remain as of the reporting date.

The main variable interest rate risk positions are shown below.

in kEUR	As of 12/31/2022	<1 year
Cash and cash equivalents	55,121	55,121
Borrowings	0	0
Net risk position	55,121	**55,121**

The interest rate risk is limited to cash and cash equivalents going forward. As of February 2023, cash and cash equivalents of €42.0 million are on fixed-term deposit until early June 2023. This will generate interest income of €0.3 million. Other cash is invested at short-term floating rates. This is expected to generate interest income of €0.1 million. If the Annual General Meeting in June 2023 follows the proposals by the Executive Board and Supervisory Board, cash and cash equivalents will decline significantly after the Annual General Meeting. A sensitivity analysis has not been carried out in accordance with IFRS 7, because the remaining interest rate risk is immaterial.

30. 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 present 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.

31. 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 (revenues of unconsolidated companies with consolidated companies: €2.6 million; previous year: €2.0 million).

The composition of the Executive Board and the Supervisory Board is discussed in note 34. Executive Board, and note 35. 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 2022, the Group's expenses relating to Greverath Property totaled €263 thousand (previous year: €267 thousand) and consisted of rent, real estate taxes and Supervisory Board compensation (see 35. Supervisory Board).

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

32. Other financial commitments and contingent liabilities

On the reporting date, performance bonds issued for the companies in Russia and the Middle East entailed the customary contingent liabilities. There were no other financial obligations of material significance as of the reporting date.

33. Auditors' fees

The Annual General Meeting appointed Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the consolidated financial statements for financial year 2022. In 2022, the auditors' total fees amounted to €145 thousand for financial statement auditing services (previous year: €159 thousand) and €0 thousand for other assurance services (previous year: €5 thousand), bringing the total amount charged for all services to €145 thousand (previous year: €164 thousand). Total fees were lower than in the previous year, because the auditors had more Group companies to audit the previous year.

34. 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
- Mr. Gautam Arya, Chief Operating Officer, Dubai, United Arab Emirates
- Mr. Thorsten Hell, Chief Financial Officer, Hamburg

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 breaks down as follows: In the reporting year, €1,063 thousand (previous year: €600 thousand) was paid in current, fixed compensation. Current variable compensation was not paid out. The expense for current variable compensation – mainly the performance bonus (see 11. Equity) – amounts to €598 thousand (previous year: €298 thousand). Shares with a non-cash benefit of €35 thousand were issued under the value bonus program in the reporting year. An expense of €86 thousand (previous year: €208 thousand) was incurred in the reporting year for the purchase of existing share rights. All claims not yet paid out are due in the short term.

Total expenses thus amount to €1,746 thousand, compared with €1,106 thousand in the previous year. This rise is partly due to new appointments on the Executive Board, after one Executive Board position was vacant for six months in the previous year. This is also due to lower variable compensation over the last two years as a result of lower earnings generated during the COVID-19 pandemic.

35. 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 €68 thousand for reimbursement of expenses for the financial year (previous year: €93 thousand). As in the previous year, €50 thousand of the total was a fixed component. The variable portion came to €18 thousand (previous year: €43 thousand) and had not been paid as of the reporting date. Payments to reimburse expenses are payable within the short term.

36. Events after the reporting date

There were no events after the reporting date.

37. 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 April 6, 2023, the consolidated financial statements and the Group management report were approved for publication by the Supervisory Board.

Hamburg, April 6, 2023

Executive Board

Scaffolding work on an industrial plant in Greece

06 Additional Information

Muehlhan employees at the indoor swimming pool Alster-Schwimmhalle in Hamburg

Muehlhan AG, Hamburg, Germany
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT AS OF DECEMBER 31, 2022

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, 2022, 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, 2022, to December 31, 2022, 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, 2022, to December 31, 2022.

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, 2022, and of its results of operations for the financial year from January 1, 2022, to December 31, 2022, 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 are responsible for the other information. The other information comprises the other parts of the Annual Report expected to be made available to us after the date of this auditor's report, but does not include the consolidated financial statements, the Group management report or our audit opinion thereon.

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 of the consolidated financial statements, our responsibility is to read the other information detailed above, when it becomes available, and, in doing so, 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.

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 (i.e. manipulation of the accounting system or misstatement of assets).

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 controls.
- 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 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

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FINANCIAL CALENDAR

April 28, 2023	Publication of results for the first quarter of 2023
June 6, 2023	Annual General Meeting of Muehlhan AG
July 28, 2023	Publication of half-yearly report 2023
October 27, 2023	Publication of results for the third quarter of 2023

LEGAL NOTICE

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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.

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 audit of the consolidated financial statements. 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, April 6, 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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