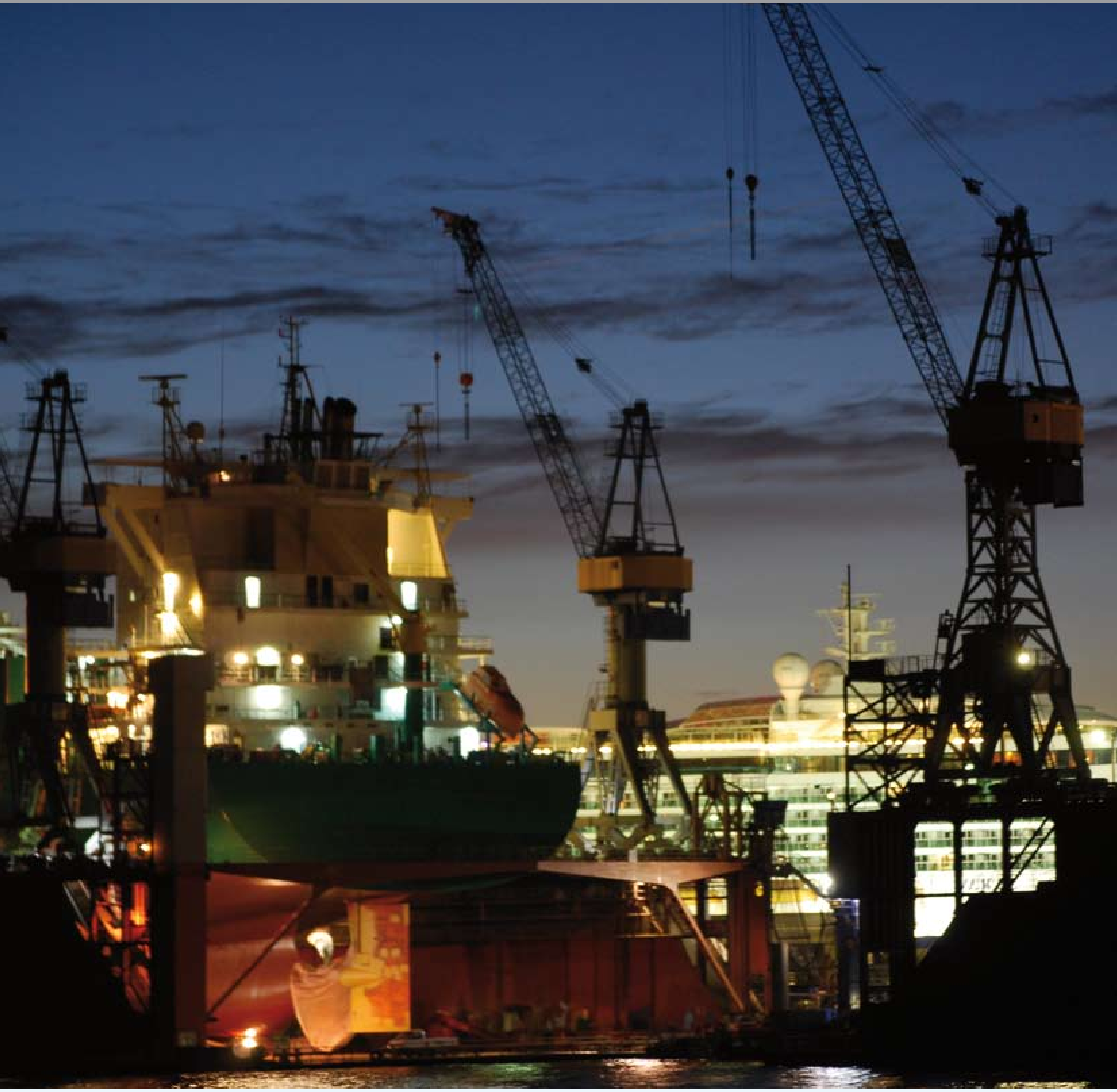
Muehlhan AG



Annual Report 2008

Specialist in industrial and marine surface protection

international premium solid

SHIP NEWBUILDING

Before a ship is launched, we apply a high-quality coating system that guarantees the steel surfaces will have a maximum service life. The Ship Newbuilding segment is Muehlhan's traditional core business.

In this business segment, Muehlhan's primary focus is on providing services for specialty shipbuilding (crude oil and product tankers, NG, LG1), for cruise ships, other cargo vessels and new naval vessels.

SHIP REPAIR

We renew the ship's protective coating at regular intervals throughout its expected useful life. On maintenance and repair jobs, our short turnaround times guarantee that the ships can quickly return to service.

Successful repairs, particularly on water ballast tanks, require technical expertise, an experienced team of professionals who work well together and a modern inventory of equipment. Muehlhan is among those companies that can demonstrate that it has the adequate resources to do the job.

OIL & GAS OFFSHORE

The Oil & Gas Offshore business segment provides surface protection for offshore drilling and production platforms under construction and repairs existing rigs.

We carry out work on operating drilling platforms and oil & gas production platforms. At our Asian locations, our services are integrated into the new platform construction process.

INDUSTRY SERVICES

For our industrial customers, the focus is on tailor-made surface-protection solutions that complement our core business.

Our business segments are rounded out by country-specific specialty structures and technically demanding facilities. We operate in future-oriented markets such as wind energy and are seen as the partner of choice for the surface protection of bridges and facilities in the chemical and petrochemical industries. At the same time, the range of services we provide to our maritime customers is complemented by scaffolding and encasement services and steel construction.

The Muehlhan Group is a global specialist in premium surface protection and industrial services. Our four business segments - **Ship Newbuilding, Ship Repair, Oil & Gas Offshore** and **Industry Services** – enable us to provide a broad range of professional services to our maritime and industrial markets. The high quality of our service, a high level of technical expertise and over 125 years of experience are what set us apart.

With our workforce of just under 2,500 employees at around 40 locations, we generated worldwide sales revenues of EUR 206.5 million in 2008. In the years to come, we will utilize our leadership position as a stable foundation for further expanding our business.

GROUP KEY FIGURES

in kEUR		2008	2007
Result			
Sales		206,508	196,092
EBITDA[1]		16,908	9,362
EBIT[2]		9,891	2,861
EBT[3]		7,627	1,101
Earnings per share	in EUR	0,22	0,00
Consolidated earnings after minority interests		4,325	-73
Cash flow		14,858	9,364
Investments for fixed assets		8,551	12,531
Depreciation		7,017	6,501
Balance sheet			
Balance sheet total		131,286	128,319
Current assets		61,871	58,695
Fixed assets[4]		65,455	65,392
Equity		62,999	59,714
Employees			
Annual average headcount people	number	2,468	2,396

[1] EBITDA: Profit from operations and depreciation
[2] EBIT: Profit from operations
[3] EBT: Earnings before taxes
[4] Fixed assets: Total of non-current assets less deferred tax assets

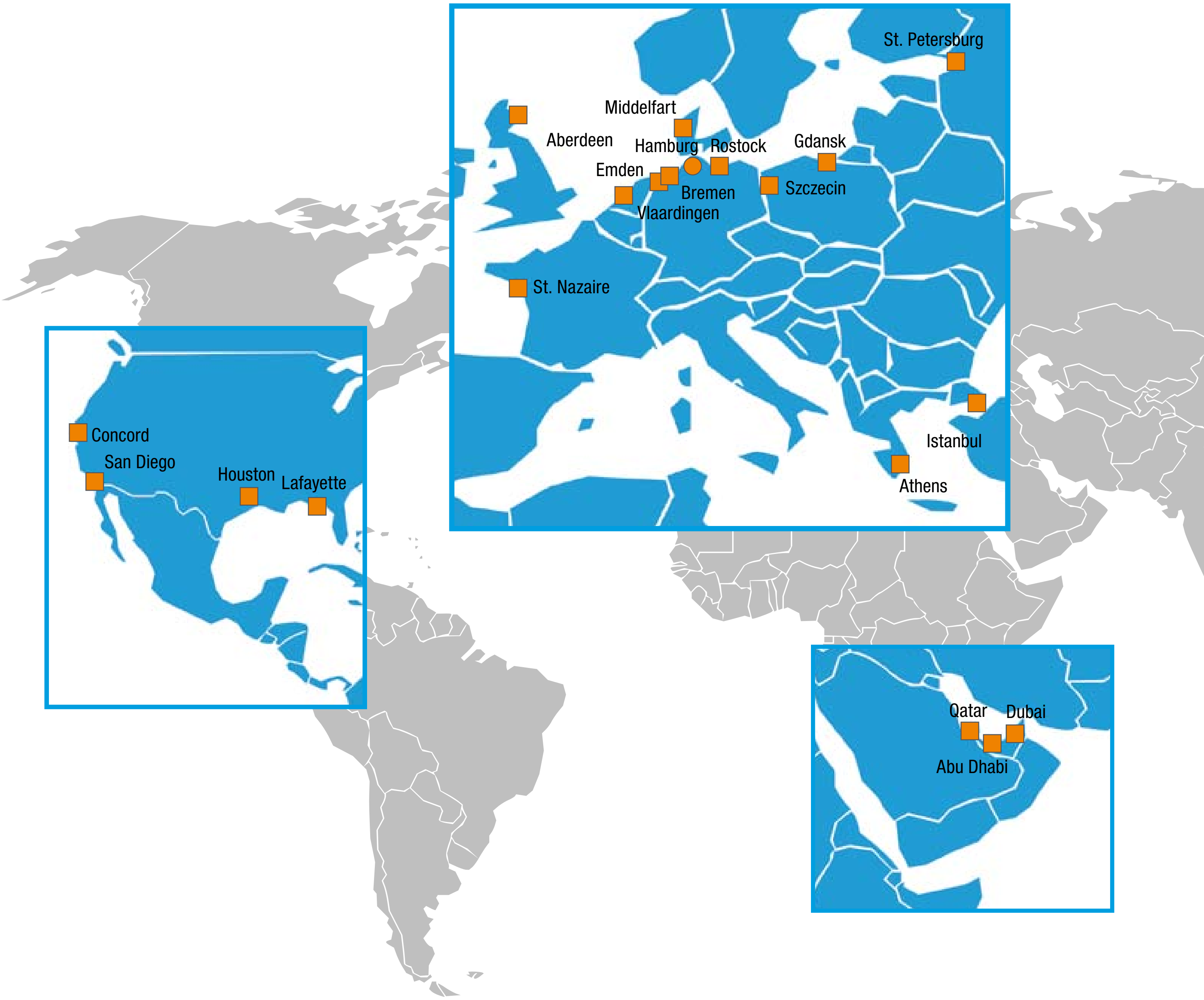
Content

3	**Management**
3	Foreword
5	Executive Bodies
6	Report of the Supervisory Board
8	Corporate Governance
11	Strategy
13	**Our Shares**
15	**Group Management Report**
15	Positioning and Strategy
16	General Economic Situation
17	Business Trend
22	Risk and Opportunity Management
25	Outlook
26	**Group Consolidated Financial Statements**
26	Consolidated Balance Sheet
28	Consolidated Income Statement
29	Consolidated Cash Flow Statement
30	Consolidated Statement of Changes in Group Equity
32	Fixed Assets Movements Schedule
36	Notes
57	**Further Information**
58	Statement of the Auditors´ Report
	Contact and Financial Calendar

Muehlhan AG reports good business figures for fiscal year 2008

- Sales revenues of EUR 206.5 million were considerably higher than in the previous year
- Net income of EUR 4.3 million demonstrates increased profitability
- Well prepared for the challenges ahead

2



Muehlhan AG
Principal Muehlhan locations

Foreword

Dear shareholders,
esteemed business partners,
and employees!

Today, we are pleased to be able to present to you the good results and developments of fiscal year 2008. For the Muehlhan Group, 2008 was marked by a decline in the profitability of the American business and the expansion of Muehlhan's market shares in Europe. In addition, Muehlhan expanded and successfully integrated the newly acquired subsidiaries Muehlhan China and Procon (in the Middle East) into the Group. In the Middle East, the company also systematically proceeded with expansion of the previously established subsidiary Muehlhan Qatar.

In the meantime, both maritime business segments, New Shipbuilding and Ship Repair, have been affected by the global trade and financial crisis. Freight rates have fallen dramatically and ships are being taken out of service. Across the world, the New Shipbuilding segment is seeing cancellations and insolvencies of shipyards, ship owners and external suppliers. Unless the economic situation improves in 2009, the resulting overcapacity will lead to a protracted period of consolidation.

The Muehlhan Group enters this crisis in good shape. The expansion of the Industry Services segment in recent years has significantly reduced our Group's dependence on shipping. Segments such as wind energy, bridge renovation, petrochemicals and passive fire proofing in the Middle East have been affected only to a limited extent, or not at all, by current economic trends. The same applies to the Oil and Gas Offshore business, although we have not yet reached the size that we would like to see in this segment.

But even in the maritime segment which will continue to be our core business, we see significant opportunities despite – or indeed because of – the crisis. It is precisely in times like these that our existing and future customers need a strong, reliable partner. We therefore believe that we are well-positioned, given the expertise of our employees and the long traditions of our Group. In addition, thanks to the initial public offering and the corporate bond issue, our Group has a very solid financial structure.

"Corrosion never sleeps" – even during the economic crisis. Muehlhan enters fiscal year 2009 with confidence and will take advantage of the resulting business opportunities, even as the market consolidates!

We would like to express our appreciation to our employees for their unfailing, extraordinary commitment. We thank our business partners for their professional, faithful cooperation and we especially thank our shareholders for their confidence in the Muehlhan Group and their support for our company.

Hamburg, March 2009
Your Executive Board

Dr Andreas C. Krueger

Carsten Ennemann

Executive Bodies

Carsten Ennemann, Dr Andreas C. Krüger (f. l. t. r.)

Executive Board

Dr Andreas C. Krüger
Hamburg
Chairman of the Executive Board & CEO

in charge of:
Strategy, Operations,
Technical Audit, QHSE and
Corporate Communications

Dr Andreas C. Krüger has a German engineering doctorate degree. He has many years of management experience in both German and foreign industrial companies, among others as a Director of Friatec AG, Mannheim. He has served as CEO of the Muehlhan Group since 2005.

Carsten Ennemann
Hamburg
Member of the
Executive Board & CFO

in charge of:
Finance, Controlling,
Investor Relations, Legal,
Personnel, Financial Audit,
Purchasing and IT

Carsten Ennemann has a degree in business administration. After working as a statutory auditor, he held managerial positions with several international companies, including an appointment as CFO of SITA Deutschland GmbH, Cologne. Since 2006, he has served as the CFO of the Muehlhan Group.

Supervisory Board

Dr Wulf-Dieter H. Greverath
Hamburg
Chairman of the
Supervisory Board

From 1981 to 2005 Managing Partner and chairman of the Muehlhan Group holding company's management board.

Dr Gottfried Neuhaus
Hamburg
Member of the
Supervisory Board

Managing Partner of Neuhaus Partners GmbH, Hamburg

Philip Percival
London, Great Britain
Deputy Chairman of the
Supervisory Board

Managing Director of the SG Capital Europe Ltd, London

Dr Gottfried Neuhaus, Dr Wulf-Dieter H. Greverath, Philip Percival (f. l. t. r.)

6

Report of the Supervisory Board

Muehlhan AG had a good and satisfying year in fiscal year 2008. The company continued to grow. Coming on the heels of the previous year's challenges, the most noteworthy achievements were the improvements in revenues and earnings. At the same time, both the management team and the employees demonstrated their ability to successfully integrate the acquired companies, refocusing their efforts toward achieving healthy future growth. As a result, Muehlhan AG's strategic orientation gives reason for optimism about future prospects, despite the global economic downturn. As the Supervisory Board, we concentrated on supporting the work of the management during fiscal year 2008 to the extent specified by law and by the Articles of Incorporation.

Supervisory Board's review of the company's management and support of the Executive Board

In 2008, the Executive Board's regular written and oral reports to the Supervisory Board concerning the business developments at Muehlhan AG and the entire Group once again formed the core of the joint work performed by the two management bodies. In the process, particular attention was given to the severe changes in the company's market situation brought about by global economic trends. The Executive Board also provided comprehensive reports regarding the financial position of the corporation and of the subsidiary companies, their earnings performance and corporate planning. The Supervisory Board and the Executive Board held a total of six sessions at which they discussed personnel and business policies and agreed on a joint course of action. The three Supervisory Board members also held several internal telephone conferences to discuss the Group's situation.

The central topic of all of these meetings was the Muehlhan Group's strategic focus, how to implement it and the results achieved. In addition, they reported on the latest business trends and finances of the four business segments in each of the company's international markets.

In cases where the Supervisory Board required additional information, this was quickly supplied both verbally and in writing by the Executive Board. Even between meetings, the Executive Board often consulted with the Supervisory Board so that specific questions about important developments and business transactions at Muehlhan could be discussed and decided without delay.

Focal points the 2008 meetings

During the 2008 fiscal year, the meetings of the Supervisory Board concentrated on the following issues:

Following the restructuring of portions of the Group in 2007, the highest priority of the management team and the Supervisory Board was to ensure and increase long-term liquidity and profitability. The comprehensive review of the events of 2007, the effectiveness of the measures taken and the results of these have all been incorporated into the Group's risk management system. Both the Executive Board and the Supervisory Board are convinced that the impact of the measures adopted is not just temporary, but will also reinforce Muehlhan's competitive position worldwide over the long term. The Supervisory Board and the Executive Board have discussed possible improvements to monitoring tools and processes in the past. Muehlhan AG's Integrated Management System, Compliance Guidelines and project control systems in all the business segments and geographic areas demonstrate the important progress made by the company.

Throughout the fiscal year, the Executive Board regularly kept the Supervisory Board informed about compliance with the altered bond terms and the measures adopted to secure financing. The last-minute reallocations of financial investments that were made necessary by the deepening financial crisis were implemented in close consultation with the Supervisory Board. This enabled the company to limit losses in its financial investments.

In particular, the Supervisory Board was kept informed regarding submarkets and subsidiaries where substantial negative or positive variances from corporate forecasts were identified. This included discussions about the underutilization at the Singapore location which was remedied at year-end. The Supervisory Board and the Executive Board also consulted on the acquisitions and related developments in Muehlhan's growth regions of China and the Middle East. The Supervisory Board and the Executive Board also met regularly to discuss business in the United States. Overall, considering the improvement in earnings, the Supervisory Board and the Executive Board are satisfied with the results of the U.S. operations. The reported legal proceedings and a continued weak business climate in the Ship Newbuilding segment and the Ship Repair business with the U.S. Navy will again be on the Supervisory Board's agenda during the next fiscal year.

The possible acquisition of competitors to enhance our portfolio and to accelerate our penetration of the market was a frequent topic of discussion.

Annual financial statements and consolidated financial statements

The Supervisory Board commissioned BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the financial statements of Muehlhan AG and of the Group pursuant to the resolution adopted by Muehlhan's General Shareholders' Meeting on 15 May 2008. BDO has audited the consolidated financial statements for the period ending on 31 December 2008 prepared by the Executive Board in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, para. 1 of the German Commercial Code (HGB = Handelsgesetzbuch) and the Group management report for the fiscal year beginning on 1 January 2008 and ending on 31 December 2008 and the annual report of Muehlhan AG for the period ending on 31 December 2008 prepared by the Executive Board in accordance with the requirements of German commercial law and the management report for Muehlhan AG for the fiscal year beginning on 1 January 2008 and ending on 31 December 2008 and has given them an unqualified audit opinion.

Muehlhan AG's annual report and the consolidated financial statements, the management report for Muehlhan AG's annual report and the management report for the consolidated financial statements, the proposal for the use of the unappropriated retained earnings and the associated audit reports were sent to each member of the Supervisory Board for their independent review. At the meeting on 26 March 2009, the Supervisory Board once again thoroughly discussed and reviewed all the documents in the presence of the auditors.

Based on the audits and reviews, the Supervisory Board has concluded that the representations in the consolidated financial statements and the Group management report of Muehlhan AG are in compliance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, para. 1 of the German Commercial Code, and that they convey a true and accurate picture of the Group's net assets, financial position and results of operations. The same applies to the representations in Muehlhan AG's annual financial statements and the management report , which comply with legal requirements and likewise convey a true and accurate picture of Muehlhan AG's net assets, financial position and results of operations in accordance with generally accepted accounting principles.

Based on the final results of its reviews, the Supervisory Board has no objections to the Muehlhan AG annual report prepared by the Executive Board, the consolidated financial statements or the results of the financial statement audits, and it approves Muehlhan AG's annual report and the consolidated financial statements dated 31 December 2008. The annual financial statements are therefore adopted. The Supervisory Board agrees with the proposal by the Executive Board regarding the use of the unappropriated retained earnings.

Once again, Muehlhan AG performed impressively during fiscal year 2008. Over the coming months and years, the entire Group will need to adapt to the macroeconomic challenges facing the company. In this regard, the Supervisory Board will continue to support and to work closely with the Executive Board so that Muehlhan AG can successfully continue on its path toward a sustainable and secure future.

We thank the Executive Board and the Group's employees for their good work and high level of commitment and we also would like to thank Muehlhan's customers and business partners for their continued confidence during the past fiscal year.

Hamburg, March 2009

Dr Wulf-Dieter H. Greverath

8

Corporate Governance

The corporate activities of Muehlhan AG's Executive Board and Supervisory Board are directly guided by corporate governance principles. By focusing on these principles, we ensure that Muehlhan AG follows management and monitoring practices that are targeted at increasing company value and transparency while recognizing and fulfilling the company's corporate responsibilities. As a stock company listed in the Entry Standard sub-segment, our company is not subject to the provisions of § 161 of the German Stock Corporation Act (AktG). Nevertheless, we have resolved to abide by or to implement the provisions of the German Corporate Governance Code as amended on 6 June 2008, taking into account Muehlhan AG's size and structure.

Shareholders and the Annual General Meeting

Our shareholders have acquired shares in Muehlhan AG either during earlier share placements, through the initial public offering or through later share transactions, and as investors they bear a portion of Muehlhan AG's corporate risk. The Executive Board feels particularly obligated to these shareholders and provides for detailed and transparent disclosures, systematic risk management, compliance with the regulations of the German Stock Exchange (Deutsche Börse) and consideration of and protection for shareholder rights.

While strictly observing the requirement of equal treatment for all shareholders, the company keeps the interested public informed by publishing all company information that is relevant to the capital markets in the traditional publications, on its website or with the assistance of independent news services. This information is provided in German and English. In particular, such information includes ad-hoc relevant announcements, press releases and quarterly and annual reports. In addition, Muehlhan publishes all voting rights changes and notifications from governing bodies regarding transactions in Muehlhan shares. In doing so, the company follows the guidelines for corporations with a Prime Standard listing, despite the fact that there is no corresponding legal obligation for Entry Standard listings. Shareholders are notified about all important dates through the website and in the financial calendars published in the financial and quarterly reports.

Muehlhan offers the appointment of a proxy voter and thereby enables its external shareholders the participation of the AGM.

Collaboration between the Supervisory Board and the Executive Board

Muehlhan AG's Supervisory Board consists of three members. The Executive Board, on the other hand, has two members. The Executive Board and the Supervisory Board have a close relationship built on trust. Management keeps the Supervisory Board informed on a regular, timely and comprehensive basis of business developments in the individual regions and business segments, the company's strategy and planning and its risk exposure.

The Executive Board and the Supervisory Board together strive for sustainable improvements in the control mechanisms. They regularly consult one another on transactions that are relevant to the company and ensure that risk and compliance guidelines are followed. Detailed information on the key aspects of the Supervisory Board's work during fiscal year 2008 is provided in its report on pages 6 through 7.

The Executive Board and the Supervisory Board will jointly tackle a clearly defined goal in 2009: The successful approach pursued during 2008 is to be continued, as it will form a solid foundation for ensuring sustainable growth for the Muehlhan Group – even in the face of the economic challenges it is sure to encounter during the next few years.

Compensation structure of the Executive Board and the Supervisory Board

The shared objectives are also used to measure the Executive Board's compensation. Both members receive compensation with a fixed component and a recurring variable annual component; the latter is based on Muehlhan AG's earnings before taxes. There is no provision for non-recurring variable compensation components. In addition, along with the bonus plan described, the Supervisory Board can also issue virtual stock options in the context of a Phantom Share Program as an additional incentive for the Executive Board. The Supervisory Board most recently allocated such options in fiscal year 2006, both to the Executive Board and to executive management personnel throughout the Muehlhan Group. Such options grant beneficiaries a claim against the company for a cash payment if particular performance targets are met; financially, the effect for beneficiaries is the same as if they had acquired a share of the company at the issue price and resold the share at the market price on the exercise date. The current Phantom Shares Program will remain in effect until 31 December 2012.

The options on these so-called phantom shares can be exercised only if the company's share price has increased in value by at least 10% per year since the date of the allocation. For each share tranche allotted to him or her, the beneficiary is bound by a staggered vesting period which is two years for a third of the allocated options, three years for another third, and four years for the final third.

In accordance with the usual provisions, the members of the Supervisory Board receive a combination of fixed supervisory board compensation and a variable portion that is based on the earnings per share.

DECLARATION OF CONFORMITY

Muehlhan AG's Management and the Supervisory Board deal regularly with good corporate management issues. Therefore, it is only logical for the company to follow the recommendations of the „Government Commission on the German Corporate Governance Code", referred to as DCGK below, to the extent that doing so is reasonable given the size and structure of the company.

Muehlhan has already complied with the Code and its main recommendations in the past. The company is currently in compliance with the requirements of the current version of the Code dated 6 June 2008, as well.

To the extent that individual recommendations from the current version of the DCGK were not followed, or were followed only to a limited extent, or if the company deviated from them in another manner, or will deviate from them in the future, the Executive Board and the Supervisory Board provide justification as follows:

Section 2 of the Code: Invitation to the Annual General Meeting; electronic notification

In paragraph 2.3.2, the DCGK recommends that the invitation documents for the Annual General Meeting be sent electronically, provided that the consent requirement necessary for doing so has been met.

For economic and organizational reasons, Muehlhan limits itself to the manner prescribed by statute for convening the Annual General Meeting. The reports and documents required by law for the Annual General Meeting are normally made available for inspection by the shareholders beginning on the date the Annual General Meeting is announced and may be sent to a shareholder upon request, but not electronically, because the consent requirement stipulated in § 30 b, paragraph 3 of the Securities Trading Act (WpHG) is not met. In addition, the documents will be published on the company's website along with the agenda, provided that doing so is not contrary to the legitimate interests of the company, its shareholders or third parties. All documents can be accessed by the shareholders on the website.

Section 3 of the Code: Collaboration between the Executive Board and the Supervisory Board

Under Section 3.8, the DCGK recommends that a reasonable deductible be provided in liability insurance policies that a company takes out for the members of its Executive Board and Supervisory Board (so-called Directors' and Officers' Liability Insurance Policies – D&O).

In principle, Muehlhan AG does not believe that the motivation and responsibility with which the members of the Executive Board and the Supervisory Board perform their tasks can be further improved by a deductible of this kind. The current D&O insurance policies taken out by Muehlhan AG therefore do not provide for any deductible. For the reasons stated, no change is planned.

Section 4 of the Code: Executive Board

In **Section 4.2.2**, Clause 1, the DCGK recommends that the full Supervisory Board, at the recommendation of the executive committee that deals with the Executive Board contracts, provide advice on and regularly review the structure of the compensation system for the Executive Board, including the major components of the contracts.

Muehlhan AG's Supervisory Board consists of three members. The formation of executive committees is therefore not necessary. At Muehlhan, it is the responsibility of all Supervisory Board members to deal with the Executive Board contracts. All members of the Supervisory Board will provide advice on and regularly review the Executive Board's compensation system, including the major components of the contracts.

In a departure from Section 4.2.5 of the DCGK, Muehlhan does not include a separate compensation report as part of the Corporate Governance report. The total compensation for the Executive Board is included in the figures shown in the annual financial statements. The company views the Executive Board as a management team; an individual breakdown of the amounts would not provide any additional relevant information, and would therefore not add any value for the reader. In the company's opinion, the compilation of a separate compensation report is unnecessary.

Section 5 of the Code: Supervisory Board and Executive Board

Based on the composition of the Supervisory Board already mentioned, the formation of the committees stipulated in **Section 5.3.1** is deemed unnecessary. This also applies to the formation of an audit committee as recommended in **Section 5.3.2**, as well as the formation of a nomination committee as provided for in Section 5.3.3.

All members of the Supervisory Board have the necessary knowledge of and experience in the application of accounting principles and internal audit procedures and they jointly perform the tasks intended for the audit committee and the nomination committee. The chairperson of the Supervisory Board issues the audit mandate pursuant to the resolution by the Supervisory Board and, after a detailed discussion at a prior meeting, agrees on the areas of emphasis for the audit in consultation with the other members and signs the fee agreement with the auditor.

In line with the remarks above, **Section 5.2**, Clause 2 likewise shall not apply when dealing with the Executive Board contracts.

In addition, Section 5.4.1 of the DCGK recommends that age limits be determined for members of the Supervisory Board. Muehlhan AG views such a determination as a limitation on the shareholders' right to select the members of the Supervisory Board as they see fit and on the basis of the knowledge, abilities and technical skills required. Muehlhan AG's Articles of Incorporation therefore include no such age limit.

Accordingly, and in a departure from the corresponding recommendation in Section 5.1.2 of the German Corporate Governance Code, Muehlhan sets no age limit for members of the Executive Board because this would place a blanket limitation on the Supervisory Board's ability to select suitable Executive Board members.

Hamburg, 26 March 2009

Signing for the
Supervisory Board
Dr Wulf-Dieter H. Greverath

Signing for the
Executive Board
Dr Andreas C. Krüger

Strategy

Our goal is clear: We want to be ahead of the competition

We are aiming for the position as the world's leading specialist in the industrial and marine surface protection market segments. We concentrate on big, complex steel structures that tend to be unique in terms of their style and individuality. Both at sea and on land.

The current economic and financial crisis does not change this in any way. Our presence in many regional submarkets means that we are less affected by economic ups and downs. Moreover, over the last couple of years, we have taken steps to optimize our organizational structure for the long term. The Group is now stronger and in a position to effectively take advantage of emerging opportunities.

Commercial focus is on "profitable growth"

Our corporate activities are aimed at achieving key performance indicators: Growth should never be an end in itself; instead, the key parameters should always be profitability and healthy cash flow!

Our economic objective is "profitable growth". By focusing on this objective, we intend to position our Group as a company with a global presence and network capable of providing comprehensive service to its customers at all relevant locations. We rely on **three strategic levers** to accomplish this:

Growth in the core business: Expanding development from the core markets and regions

Our overall strategy will enable us to expand our business beyond our submarkets, because even though our market is global, the laws governing it are regional. We are linked to our customers through our branch offices. Short intra-Group communication channels translate into fast decision-making and coordination processes. As such, we remain close to the project and, consequently, to the customer.

In **Ship Newbuilding**, we are able to rely on long-term customer relationships. All in all, however, developments at the end of 2008 and the beginning of 2009 have demonstrated that the very large backlog of orders that our customers enjoyed until recently is susceptible to the pressures created by the global economic downturn. Our customers' order books will certainly decline over the months. Nevertheless, Muehlhan is confident that it will be able to keep its existing business and to attract new customers.

Beginning in its fourth year of service, every ship that was launched during the recent newbuilding boom represents potential business for the **Ship Repair** segment. Muehlhan has an outstanding reputation, particularly in the overhaul of basic ship parts such as water ballast and cargo tanks. The future rules of the International Maritime Organization (IMO) will further promote the focus on quality going forward. Work on water ballast tanks is particularly significant, as it can only be performed quickly and competently by certified and experienced service providers with professional equipment and sufficient capacity. In this regard, Muehlhan's wide-ranging network of locations may therefore be of particular strategic importance to the Group's success.

The Muehlhan Group has a long and successful track record of working for customers in the offshore industry. This includes more than a decade of work at shipyards in the Far East, as well as maintenance work on platforms on the open ocean, for example in the Gulf of Mexico or in the North Sea. In the past, the **Oil & Gas Offshore** industry has made maximum use of exploration and production capacities. At the same time, such non-stop operations have created a strong demand for maintenance and repair services. In the past few years, Muehlhan has built up a great deal of expertise while satisfying all of our customers' expectations, even under adverse weather and working conditions. In the years to come, we intend to expand this business unit worldwide by targeting our sales activities at existing and new customers.

The **Industry Services** business segment provides a broad range of services to a large number of submarkets. This offers Muehlhan AG extensive opportunities while simultaneously reducing its dependence on specific geographic areas or customers. Our subsidiaries evaluate the respective market opportunities and respond by offering services that meet the regional and segmental needs in different industries and countries. In the Middle East, for example, our business is focused more on providing passive fire-proofing coatings, primarily for large-scale transportation infrastructure projects. In the USA, Muehlhan has established a solid reputation as a bridge renovation company; in Denmark, we have further streamlined and landed new customers for our business providing coatings for well-known wind-turbine manufacturers' tower segments by introducing new technologies and expanding hangar capacity.

The strong existing locations enable us to provide local, individualized support to these business segments. This, in turn, allows us to concentrate on big, profitable projects and financially strong customers. We will increase the profitability of our businesses by providing customized solutions that are both advanced and innovative.

Superlative operating performance: Competitive advantage through quality and technology leadership

Our customers value the fact that we have safe work procedures and that we work hard to save them money and to conserve resources when performing contract work. For large corporations in particular, quality, safety, health and environmental considerations (QSHE) have long been among the key criteria looked at when awarding contracts.

For large projects, timely delivery is a mandatory requirement for commercial success. Muehlhan is known for its reliability, even under the most adverse conditions. Our well-trained employees are highly motivated and proud of the professional work they perform in order to satisfy the most exacting customer demands. Training and continuing education are essential components of corporate management.

In our businesses, market penetration requires know-how; our know-how involves processes, technologies and an inventory of modern equipment. Muehlhan is continually looking for ways to meet customers' changing needs by offering better solutions.

Patent protection for our own developments and the barriers to entry posed by the high levels of investment required mean that there is little chance that our competitors will be able to simultaneously challenge us in all of the segments in which we provide services.

Market penetration by adding services and company locations selectively

The Muehlhan Group's past growth has also involved expanding its operations by taking over other market players. Likewise, in the future, we plan to bolster our presence in those areas that offer strategic and geographic advantages to Muehlhan and where an acquisition can be expected to accelerate the development of new markets through existing customer relationships, know-how, patents or certifications. For each acquisition, we review the target companies according to clearly defined financial benchmarks.

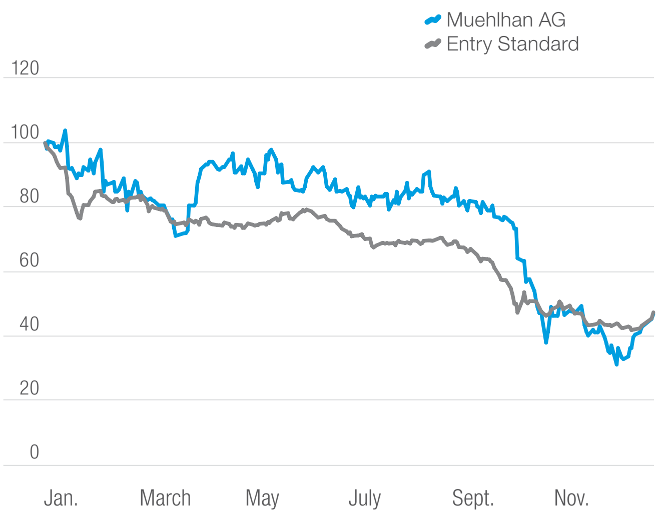
Our Share

The past fiscal year was again characterized by ups and downs for Muehlhan's shareholders. While the stable price trend during the first nine months was accompanied by higher demand and a stronger media presence, by the end of the year Muehlhan's shares had begun to feel the full impact of the financial and banking crisis. As a result, the company's positive developments during 2008 were not reflected in its share price.

Muehlhan's share price started fiscal year 2008 trading at around EUR 3.50 and managed to stay at this level for the first nine months. Even though the Muehlhan Group's results from operations continually increased throughout the course of the year and exceeded 2007 figures, this was not reflected in the price of Muehlhan's shares. While small price increases following publication of the quarterly figures demonstrated interest in the company's shares, the tiny transaction volumes at the same time showed that investors had developed a wait-and-see attitude, wondering whether Muehlhan's positive results were actually sustainable.

After trading at this same level until around the beginning of September, the shares came under tremendous price pressure in the first few weeks of the 4th quarter of 2008. Most shares were unable to withstand the downward trend in the markets brought on by the international banking and financial crisis. Following news reports about issues that are closely connected to our businesses, such as "Steel prices", "Oil prices" and "Freight rates", Muehlhan's shares fell to a low of EUR 1.12.

Price development 2008
in %



The favorable price increased trading considerably. Beginning back in December of 2008 and continuing through the first of the year, the share price trend recovered significantly to EUR 2.00. As of the press date, Muehlhan's share price stood at EUR 1.75.

All in all, more than 3.0 million Muehlhan shares were traded during the period from 1 January 2008 through the end of the year.

Expansion of regular and intensive contact with the capital markets

In 2008, Muehlhan intensified its regular contacts with its investors, especially with institutional investors and analysts. In discussions and conferences with investors, there was marked confidence and interest in the Muehlhan Group's business model.

Institutional investors continue to make up the bulk of the approximately 40% of free float. In 2009, Muehlhan AG intends to intensify its presentations to this group of investors, in particular, by once again holding road shows and special events.

In addition, sizable blocks of Muehlhan shares are still held by the old shareholders, who retained and/or increased their shareholdings after the lock-up period expired. The Directors' Dealings published on the website are a testimony to their confidence in the company.

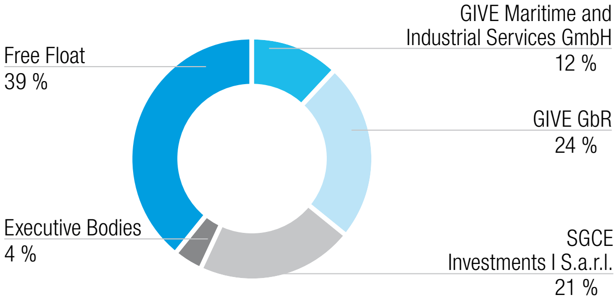
Improved earnings in fiscal year 2008 are accompanied by positive media reports

For Muehlhan AG, the improved quarterly results in fiscal year 2008 served as a prelude to stronger media coverage of Muehlhan. Both our presentation at the Entry & General Standard Conference and our activities in the area of Renewable Energies attracted favorable attention. Before reports about the financial crisis made effective public relations work for small caps next to impossible starting around the beginning of October 2008, the Muehlhan Group was still able to score significant points with its first-half figures: keywords such as "successful turnaround" and "comeback" accurately described the company's business trend.

When the share price increased at the first of the year, the reporting increased again, as well. Particularly positive were the responses to the press release concerning the disposal of old coatings from the U.S. Navy's Reserve Fleet by the Muehlhan subsidiary MCC and the press release concerning the order book in the Ship Newbuilding business in China. Both press releases were accompanied by articles in nationwide daily newspapers.

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2008

	Shareholding in %	Number of shares held
GIVE Maritime & Industrial Services GmbH	12.35	2,407,827
Greverath Investment Verwaltungs- und Erhaltungs-GbR	23.85	4,650,000
SGCE Investments I S.a.r.l	21.19	4,133,000
Executive Bodies	3.93	767,116
Dr Andreas C. Krüger	2.07	403,000
Dr Wulf-Dieter H. Greverath	1.53	299,116
Dr Gottfried Neuhaus	0.28	55,000
Carsten Ennemann	0.05	10,000
Free Float	38.68	7,542,057
	100.00	19,500,000



KEY FIGURES FOR THE SHARES

Nominal value (arithmetic)	Bearer shares with no par value
Number of shares issued	19,500,000
Initial listing	26 October 2006
Issue price	5.80 EUR
Highest price (Xetra) in 2008	3.67 EUR
Lowest price (Xetra) in 2008	1.12 EUR
Designated Sponsor	WestLB AG, Düsseldorf
Market capitalization as of 31 December 2008 (Xetra: EUR 1.67)	32,565,000 EUR

Group Management Report

POSITIONING AND STRATEGY

Positioning and business model: Surface protection in four business segments on three continents

Muehlhan AG (MYAG), Hamburg, is the holding company for a total of 33 directly and indirectly held companies in Europe, the USA and Asia. Of this number, a total of 30 companies are currently included in the consolidated financial statements. Worldwide, the Group is one of the leading providers of services in the field of surface protection for complex steel structures. Business activities include work on ships, offshore facilities and industrial facilities.

In fiscal year 2008, the Group had total revenues of EUR 206.5 million. This represented an increase of EUR 10.4 million, or 5.3%, over the prior-year figure (EUR 196.1 million). The EBIT of EUR 9.9 million was 241.4% higher than in the previous year (EUR 2.9 million). Consolidated net income before minority interests was EUR 5.0 million (previous year: EUR 0.5 million), and EUR 4.3 million after minority interests (previous year: EUR -0.1 million). The Muehlhan Group had an average of 2,468 employees in 2008 compared to 2,396 employees in the 2007 fiscal year.

As a holding company, Muehlhan AG performs the traditional management tasks for the Group. In particular, these include the fields of strategic orientation and group management, marketing, audit, finance and controlling, investor relations and research and development. At the same time, it provides centralized service functions such as accounting and IT.

In addition to pure surface protection work in the Ship Newbuilding, Ship Repair, Oil & Gas Offshore and Industry Services segments, Muehlhan also provides services in the related business segments steel construction and access technology.

The **Ship Newbuilding** segment has traditionally been, and continues to be, a significant part of our business. As an essential part of the production process of our customers, the Muehlhan Group has been closely integrated into the work at many shipyards for years. Our work involves providing coatings for all types of ships, particularly merchant ships and naval vessels, oil, gas and product tankers, cruise ships and megayachts. Coating the outer hulls of ships comprises only a small portion of our work. By far the bulk of the work we do involves tanks (especially for cargo, ballast and fresh water) and the internal steel structures that are often hard to reach and complex because of the ship‘s layout.

In the **Ship Repair** segment, the Muehlhan Group provides surface coating maintenance and renovation services. The range of services we provide extends from short-term repair work on the outer hulls of ships to elaborate renovation of water ballast and cargo tanks. In this business segment, our clients are ship owners and repair shipyards that do not themselves perform surface protection maintenance and renovation work, or only do so to a limited extent.

In the **Oil & Gas Offshore** segment, the Muehlhan Group offers its services both for new construction as well as for the repair and maintenance of offshore facilities. Offshore installations include all stationary and floating drilling, conveyance and production facilities. The customers here are exploration companies, oil & gas production companies and newbuilding and repair yards.

The **Industry Services** segment includes surface protection for complex steel structures outside the marine segment, in particular for chemical and petrochemical production and tank facilities, wind turbines, steel bridges and cranes. In addition, we provide fire-proof coatings for large construction projects. Finally, this segment also offers all the services relating to this business segment, such as scaffolding and access technologies in the Ship Newbuilding business and the Ship Repair business, and even steel construction work for our maritime customers. The Industry Services segment provides services to third parties directly and, through the other business segments, indirectly.

Goals and strategy: To achieve market leadership with sustainable profitable growth

The supply side of the global market for surface protection is sharply fragmented. There are countless local small companies and micro-enterprises serving the many companies on the demand side that have global operations. Only a few global providers have focused on surface protection and have become as strong internationally as the Muehlhan Group. It has faced increasing challenges, above all to the Group‘s organizational structure. Two years ago, structural problems in the USA and Norway led to losses that acted as a drag on the otherwise positive results of the Group.

There is no shortage of opportunities for successfully cultivating the market. Particularly for Muehlhan, as one of the few big providers equipped with a commensurately strong financial position, the market offers a wide variety of opportunities. The more international companies recognize the importance of surface protection for preserving the value of their investments, some of which run into the billions of Euros, the more this market will grow. The same applies to requirements in the areas of quality, safety and environmental protection, where our Group already enjoys a leading position thanks to the broad experience and, in many cases, many years of experience of our employees and our modern, high-performance inventory of equipment.

In the Middle East, we have successfully expanded our operations into the United Arab Emirates and Qatar. In the meantime, we have passed the break-even level with our businesses in those regions.

Muehlhan is already the largest provider of surface protection for wind turbine towers in Europe. We have also successfully completed our entry into the offshore wind turbine segment, which offers excellent opportunities.

The Group's solid long-term financial position was guaranteed by the increase in capital from the initial public offering and the corporate bond issue, both of which were completed in 2006.

This is a secure point of departure that we plan to exploit over the medium term in order to become the global leader in surface protection through profitable growth. We believe that we can achieve this goal by systematically taking advantage of market opportunities.

Company management: Executive Board reduced to two members

On 22 April 2008, the Supervisory Board adopted a resolution accepting the resignation from the Executive Board of Bernd Janssen, who was Chief of Operations. Since that date, the Chairman of the Executive Board, Dr Andreas C. Krüger, has been responsible for both Strategy and Operations. Carsten Ennemann, the Chief Financial Officer, is responsible for Finance and Accounting, as well as all commercial administrative functions.

Existing branch offices

Domestically, the Muehlhan Group has no legally independent branch offices besides the subsidiaries. Abroad, our Greek subsidiary company Muehlhan Hellas S.A., Athens, maintains independent branch offices in Turkey and in Romania.

GENERAL ECONOMIC SITUATION

Overall business environment: Banking and financial crisis develops into global economic crisis

The financial crisis that has been worsening since September 2008 has now developed into a global economic crisis that is also having a substantial impact on the shipping industry. During the year, the Baltic Dry Index (BDI), the price index for worldwide shipments of commodities (e.g., iron ore, coal and grain) plunged by over 80% from its high in May of 2008. The same applies to freight rates for container shipping. The reluctance of banks worldwide to provide the letters of credit that are indispensable for the clearing and settlement of trade transactions has also had a negative effect on the freight business.

Market environment: Considerable downturn in confidence for the time being in the immediate business environment

Due to the sharp decline in demand for transport volumes, concluding new charter agreements has become impossible or can be done only on very unfavorable terms. The excess supply looks even worse when the number of ships still under construction is taken into account. Currently, ship owners are trying to delay the production deadlines for ordered ships or else they are cancelling those orders due to lack of financing and demand. Mass production orders for general cargo vessels and container ships have been hit especially hard. Privately financed shipyards in Japan, China and South Korea that specialized exclusively in this area are currently facing imminent bankruptcy.

The European shipyards have not been affected as badly. As a consequence of the shipyard consolidations in the 1980s, most of the European shipyards already concentrate on specialty shipbuilding (e.g., cruise ships and naval vessels, liquefied natural gas carriers, ferries and megayachts). Here, even over the medium term, the situation is much less dire than for the Asian shipyards that have specialized in the mass production of cargo vessels.

While ship newbuilding activities worldwide were previously not expected to contract until 2012, the slowdown will probably materialize much sooner due to the present economic situation. In the coming years, the excess capacity will experience a marked decline, as existing ship newbuilding yards are shut down and new shipyard construction is delayed.

Market consolidation expected over the medium term

On account of the great reluctance of banks to provide company financing and the worsening order situation in the markets, we do not believe that the smaller competitors, in particular, will survive the next few months.

By contrast, thanks to its currently stable profitability and the company's solid financial structure, Muehlhan believes that it is well positioned in this situation to increase its market shares, thereby pressing ahead with market consolidation.

BUSINESS TREND

Sales and earnings: Sales revenues exceeded EUR 200 million for the first time; EBIT was EUR 9.9 million

The Group's sales revenue of EUR 206.5 million was within the projected range. Sales revenues were 5.3% or EUR 10.4 million higher than the previous year (EUR 196.1 million). The effects of the initial consolidation of Muehlhan Corrosion Protection Service, of Shanghai, China (MCN; consolidation effect of EUR 1.2 million) and the two Procon Emirates L.L.C. companies acquired in Dubai und Abu Dhabi (effect of EUR 4.7 million), all acquired in 2007, were offset by the deconsolidation of the Norwegian subsidiary, Muehlhan Norge AS, effective 1 July 2008 (effect of EUR 2.2 million). After adjusting for these effects, the growth rate was 3.4%.

The earnings trend was also quite positive. Earnings before interest and taxes (EBIT) was EUR 7.0 million, or 241.4% higher than the 2007 figure (EUR 2.9 million). Net income after minority interests was up by EUR 4.4 million from the prior year (EUR -0.1 million). In addition to the good results from operations, the restructuring program initiated in the USA in 2007 and the modified financing structure of the subsidiaries also had a positive impact on earnings.

SEGMENT REPORTING: REGIONS

	External sales revenues		EBIT*	
in kEUR	2008	2007	2008	2007
Europe	165,831	156,843	14,483	14,004
America	21,873	26,730	301	-7,280
Asia	18,768	12,399	-647	1,952
Central divisions / Consolidation	36	120	-4,247	-5,815
Total	**206,508**	**196,092**	**9,891**	**2,861**

* Profits from operations

SEGMENT REPORTING: BUSINESS SEGMENTS

	External sales revenues		EBIT*	
in kEUR	2008	2007	2008	2007
Ship Newbuilding	69,165	65,710	5,057	2,561
Ship Repair	42,164	45,086	3,578	6,695
Oil & Gas Offshore	14,434	13,647	-2,457	-2,605
Industry Services	80,709	71,529	7,959	2,025
Central divisions / Consolidation	36	120	-4,247	-5,815
Total	**206,508**	**196,092**	**9,891**	**2,861**

* Profits from operations

Europe reports growth in core areas

In the **Ship Newbuilding** segment's initial coatings business, the Group continued to benefit from the high capacity utilization rates at European shipyards. The company managed to meet its expected growth rates everywhere in Europe, with the exception of the Norwegian business, which was sold in mid-2008. However, Muehlhan had to set up a valuation allowance totaling EUR 0.4 million for a series of six liquefied natural gas carriers at a German shipyard, because the shipyard's production processes did not allow the level of productivity that Muehlhan was estimating and striving for.

As expected, the **Ship Repair** segment benefited from the steadily increasing transport capacity on the world's seaways. Even today, we expect this trend to continue because of the high level of ship newbuilding worldwide during the last few years and the sharp increase in maintenance needs that this implies for the future Muehlhan has been able to take advantage of this trend in Europe, especially from several major contracts in Greece and Turkey.

The **Industry Services** segment also largely satisfied our expectations. Thanks to a stable market environment, our access and encasement services were able to achieve the same level of earnings as during the previous year. In addition to industrial and structural engineering contracts, a large number of shipyard contracts (e.g., construction of temporary construction sheds for building megayachts) was processed in fiscal year 2008.

The business of providing coatings for wind turbine towers has shown a very positive trend. Muehlhan was able to further expand its position as the European market leader with the commissioning of the world's largest coating facility, which was built by our partner Hendricks Industries and outfitted with special equipment by Muehlhan. In order to increase productivity, production processes were improved and the accident prevention and insurance policy was revised.

In the market for wind turbines, Muehlhan won and successfully completed a contract for coating three cruciform support structures (a piling system that forms the foundation for the wind turbine tower). This project is part of Alpha Ventus, the first German offshore wind farm. Despite the wind farm's planning and construction delays, the potential for follow-up contracts in future years is big.

Muehlhan also successfully seconded welders to shipyards elsewhere in Europe during the past fiscal year. In particular, the construction of megayacht segments in Germany once again showed a positive trend. An exception to this was the management of a contract in Poland. When seconding employees to other European countries outside of Germany, maintaining the economically advantageous taxation under Polish social security law requires meeting a Polish domestic quota for full-time equivalent employment. To satisfy this quota, the company had already accepted a contract in 2007 to build two complete inland barge and push-tug assemblies (consisting of one pusher-tug unit and one foreship). It had already become clear by the end of 2007 that the infrastructure for segment production in Szczecin was only suitable for contracts of this type to a limited extent. While project losses could be reduced through changes in production processes, they could not be eliminated. The barge and push-tug assemblies were completed in the summer of 2008. The loss from this project totaled EUR 1.7 million.

The **Oil & Gas Offshore** segment's main focus in the past fiscal year was on the maintenance contract for North Sea platforms. With hindsight, our entry into this segment - a segment which Muehlhan had hardly ventured into previously in Europe - with the signing of the maintenance agreement in May 2007 was highly successful from an operations standpoint. We trained 48 of our employees as experts in surface protection for Oil & Gas Offshore production platforms, in line with the special requirements of our client, an international oil company. Our client agrees that our employees are setting new benchmarks for technical expertise. In 2008 alone, the expenses associated with this training totaled EUR 0.3 million. This means that, since the end of the third quarter of 2008, we have had enough production capacity to sustain profitable operations even as the order sizes increase.

By retaining our existing clients and expanding our customer base, we believe that we can achieve the level of profitability that we projected when we entered this business segment.

Asia: Undercapacity problem in Far East eliminated; Muehlhan is confident about major projects in the Middle East

In the **Ship Newbuilding** segment, Muehlhan was awarded its first big contract for coating ships in China. The first ship was completed on schedule in October 2008. Overall, the series encompasses eight product tankers, which are scheduled to be completed until 2010.

The **Ship Repair** segment was very negatively affected by the significant underutilization of a shipyard customer in Singapore. This situation led to a decline in sales revenues at our local subsidiary in 2008. Due to the historically high freight rates reached by mid-2008, the ship owners repeatedly delayed repair work. As a result, the Singapore subsidiary's 2008 sales revenues were significantly lower by EUR 2.7 million than in 2007. The company's result decreased by EUR 1.1 million. Since the beginning of the fourth quarter, the order book and capacity utilization rate have improved considerably, once again reaching the prior year's high level.

The **Industry Services** segment benefited from strong growth in the businesses in Qatar, Dubai and Abu Dhabi. With sales revenues of EUR 4.9 million, Muehlhan in Qatar broke even for the first time after only two years. At the world's biggest construction site in Ras Laffan (Qatar), Muehlhan has deployed some 200 employees, firmly establishing the company's reputation as a provider of high-quality surface protection services. The gas liquefaction facilities there, which are mostly still under construction, ensure Muehlhan a promising outlook for years to come in the areas of initial coating and subsequent maintenance work.

The companies Procon Emirates L.L.C. in Dubai and Abu Dhabi that we acquired at the end of 2007 have likewise met our high expectations in every respect. Both companies provide passive fire-proofing services; in this case, that means that they apply a surface-protection coating that can prolong the stability of steel for up to two hours during a fire. Thanks to the large number of structural engineering and infrastructure projects booked, the companies managed to almost double their sales revenues from the prior year to EUR 4.7 million. In addition to numerous superstructure jobs, including work on the world's tallest building, the Burj Dubai, projects worked on in 2008 included infrastructure projects such as the Jebel Ali Airport, which is under construction, the Dubai Metro and the Yas Marina Formula 1 Circuit in Abu Dhabi.

Restructuring in the USA completed with positive results

Following the substantial loss of more than EUR 7.0 million in 2007, the U.S. operations posted a positive EBIT of EUR 0.3 million on sales revenues of EUR 21.9 million for the past fiscal year. This demonstrates that the restructuring efforts of the previous year have worked.

In the **Ship Newbuilding** segment, our involvement has been limited to providing personnel for our San Diego site. In general, the ship newbuilding market in the USA is in any case limited to naval vessels and/or to ships that cannot be built overseas because of legal requirements.

In the **Ship Repair** segment, a master agreement calling for the removal of the old protective surface coating on a scrapped fleet of U.S. Navy ships from 2009 on is worth mentioning. In 2009, the Californian subsidiary MCC will start an initially one year lasting contract for removing contaminated surface protection from ships before they can be towed a long distance for scrapping. Overall, the fleet counts 74 ships. In case of an extension the frame contract offers MCC the possibility of full employment for up to five years.

In the **Industry Services** segment, growth was slightly lower than expected due to continued strong competition. However, in view of the massive government investments in basic infrastructure in the USA that will be required in the coming years, we assume that our sales revenues there will increase significantly.

Due to delays in the construction of the New Oakland Bay Bridge in San Francisco, MCC has not yet started the surface protection work on the contract that was awarded back in 2006. At the present time, it is expected that work will begin in the second quarter of 2009.

The lawsuit concerning the Golden Gate Bridge Project completed during the previous year is still pending. Muehlhan is suing the contractual partner, a joint venture between a local American company and a Japanese construction company, for claims totaling USD 6.3 million. This amount includes USD 3.8 million for compensation for damages that Muehlhan – in our view – incurred as a result of intentionally false contract data provided by the client. The remainder of the claim, for USD 2.5 million, relates to outstanding accounts receivable. To date, the client has acknowledged the latter only to the extent of USD 1.3 million, but initially withheld this amount while asserting its own claims for compensatory damages. Furthermore, it is claiming an additional USD 2.0 million without providing any explanation of the legal grounds; so far, we have created no reserves for this contingency, due to the lack of specificity. Therefore, on the consolidated balance sheet, we have reported only those claims that are due and have been recognized by the client in the amount of USD 1.3 million. We continue to believe that the proceedings will be decided in our favor in the coming months.

In 2008, the **Oil & Gas Offshore** segment continued to be adversely affected by the departure at the end of 2006 of a Managing Director from our subsidiary, Muehlhan Offshore Inc., located in Lafayette, Louisiana (MOI; formerly Meaux). That individual had made extensive preparations to set up a competing company while still working for Muehlhan. After leaving the company, he took a large number of customers and employees with him. In the interim, the pending lawsuit has been decided in our favor (for more on this, please refer to the Supplementary Report).

The remaining business was limited mainly to the construction of new offshore platforms at two shipyard locations. In a few cases, maintenance work was also performed out at sea. We successfully established new customer relationships which possibly contribute to a revival of the maintenance business (for more on this, please refer to the Supplementary Report).

In September 2008, vast stretches of the gulf coast were heavily damaged or destroyed by Hurricane Ike. Our Lafayette branch was directly hit by the storm. Some of our machinery was heavily damaged. However, thanks to existing insurance coverage, we did not incur any financial losses. Past experience – such as Hurricane Katrina in 2006 – has shown that we can expect to receive additional maintenance and repair orders in the year following a difficult hurricane season.

Net assets and financial position: Capital expenditures of EUR 8.6 million

Again in 2008, the company made extensive investments in expansion and replacements totaling EUR 8.6 million.

Muehlhan is building an additional blasting hall on the grounds of a major German customer's shipyard. It will replace a blasting hall that was built by Muehlhan 25 years ago. The new hall will be substantially larger. This investment represents a further expansion of the long-term cooperative arrangement between the partners. The hall will be used in the future to blast large steel sections of naval vessels. The expected start-up date for the hall is 2nd Quarter of 2009.

In Denmark, we installed equipment at the world's largest coating facility for wind turbine towers. Since mid-2008, up to 800,000 m² of steel surfaces are being coated there annually under a five-year cooperative agreement. The facility is capable of coating up to 36 tower segments per week. We have doubled our production capacity to handle the newly awarded ship newbuilding contract in China. Production capacity in the Middle East has also been doubled and the first building for a small blasting hall has been approved. The remaining investments were regular capital investments for replacements at all of the companies.

Corporate bond guarantees long-term financing

In mid-March 2008, we negotiated an addendum agreement ("amendment") with the creditor of our EUR 35 million corporate bond, the U.S. insurer The Prudential Insurance of America, which makes allowances for the unsatisfactory earnings situation between end of 2006 and mid-2007. It was agreed that the bond creditor would waive its right to call in the bond for violation of the bond terms. In turn, we pledged the amount of EUR 10 million in December 2007. New bond terms were agreed to which took into account the temporary worsening in the past earnings situation. At the same time, the new conditions forecast a stronger improvement in earnings for the fiscal year than originally projected. In addition to avoiding termination, this allowed us to avoid an adjustment of the interest rate. The new bond conditions were fully satisfied during the fiscal year. However, the company was not able to meet the additional earnings-oriented requirements that were linked to a partial release of the pledged EUR 10 million in the spring of 2009. Consequently, we do not expect to regain access to that amount in the near future.

Despite the partial capital commitment, we believe that the bond and the related amendment are the most favorable form of financing for our Group. With a nominal interest rate of 5.77%, maturity in 2016 and repayments in 5 installments beginning in 2012, this gives our company the financial stability we require. As a result, our Group was barely affected by the strong turbulence in the financial markets at the end of 2008.

In order to further increase the level of safety on what is already a highly secure form of investment, we decided in mid-October to shift the pledged amount of EUR 10 million from investments in a money-market fund to securities issued by the German government. In this manner, we would be able to limit losses that might result if the value of the money-market funds fell below the purchase price as a result of the turbulence in the financial markets.

Despite the onslaught of the financial crisis, the Group's financing structure at all times guaranteed the smooth issuance of bid bonds and performance bonds, which are specifically required for public contracts for bridge repairs in the USA.

Cash position: A secure foundation for business development

Cash and cash equivalents at the end of the fiscal year totaled EUR 8.0 million. This gives us a solid financial position for achieving our future growth targets, despite the funds that are partially tied up by the bond terms.

POSITION OF THE GROUP

		2008	2007
Assets			
Total assets	in kEUR	131,286	128,319
Equity	in kEUR	62,999	59,714
Equity ratio	in %	48.0	46.5
Financial position			
Cashflow	in kEUR	14,858	9,364
Investments in tangible assets	in kEUR	8,551	12,531
Earnings position			
Sales	in kEUR	206,508	196,092
Other operating income	in kEUR	6,628	6,535
EBIT*	in kEUR	9,891	2,861
EBITDA **	in kEUR	16,908	9,362

* Profit from operations
** Profit from operations and depriciation

Rounding differences may occur.

Personnel: Number of employees again increases slightly in 2008

In the project business, the Muehlhan Group always determines its personnel needs based on the current volume of business. For contracts that are particularly time-sensitive or which are of a limited duration, a portion of the staffing requirements is covered by hiring subcontractors. During fiscal year 2008, we developed our own staff to handle longer-term projects with a sustainable volume of business. The average number of employees in the Muehlhan Group increased to 2,468 in 2008 (2007: 2,396 employees).

Personnel

	2008	2007
Europe (incl. Central divisions)	1,542	1,568
America	342	430
Asia	584	399
Total	**2,468**	**2,396**

The increase in employees and their regional distribution are explained primarily by the Group's sales trend. With the expansion of the businesses in the Middle East and China, in particular, the number of relatively lower-cost employees in those locations has increased, thereby saving the Group money on more cost-intensive jobs in other locations.

Environmental protection and health and safety measures: Processes that are efficient and save resources

In 2008, we once again minimized the environmental impact of our services through the strict monitoring and thrifty use of our consumables, waste and energy. Our research & development department not only looked for efficient and cost-saving, but also environmentally friendly methods for treating surfaces.

In the maritime surface protection market, quality continues to be a major competitive factor. Muehlhan considers itself to be the quality leader for work on cargo tanks, water ballast tanks and offshore work – and it demonstrates that it deserves this title through the uniform standards applied throughout the Group, its DIN EN ISO 9001:2000 certification and the work it does as a member of international standardization panels.

We comply with all domestic and international occupational health and safety regulations and we follow the specific requirements stipulated by our customers, thereby positioning ourselves as a reliable partner for our clients.

Supplementary report: Subsequent events of material significance after the balance sheet date

At the beginning of 2009, yet another German shipyard customer was forced to file for bankruptcy. Bad debt charges of 85% were made in fiscal year 2008 for the outstanding accounts receivable amount of EUR 0.8 million. The work-in-progress continued under the supervision of the bankruptcy trustee.

On 23 February 2009, a ruling was issued in the lawsuit that our subsidiary Muehlhan Offshore Inc. (formerly Meaux Surface Protection Inc.), of Lafayette, Louisiana, had filed against two former employees and the new company they set up. The Court ruled in our favor, upholding our charge that both of the ex-employees had poached a number of employees and key customers in 2006 while still working for Muehlhan and were therefore guilty of acting in bad faith. The Court ordered the defendants to pay our subsidiary compensatory damages of USD 1.43 million (approximately EUR 1.12 million). As of the balance sheet date, the Court ruling was still preliminary and therefore had not yet become legally valid.

As a result of the economic crisis, our subsidiary Muehlhan Offshore Inc. has also been forced to halt the work it was performing for a major customer for which we had coated offshore platforms up until the beginning of 2009 and which generated more than 50% of sales revenues in 2008. At the present time, we are in an advanced stage of negotiations with alternative major customers with a view to offsetting the additional capacity this has freed up. Should this prove to be unfeasible, it is probable that we will have to combine this business with the business of Muehlhan Marine Inc., of Houston, Texas (MMI), in order to take advantage of the potential cost savings from consolidating the management and administrative functions of the two companies. Unless major new clients can be persuaded to compensate for the loss of this customer or we merge this business with MMI, MOI's existence as a going concern will be in jeopardy.

Because of the downturn in the economy and the pessimistic forecasts, the situation has changed dramatically for many of the participants in the markets in which we operate. As a result, further failures among our customers, partners and suppliers cannot be excluded.

No further events of particular significance have occurred since the end of the fiscal year.

RISK AND OPPORTUNITY MANAGEMENT

General Assessment and Risk Management System

Risks jeopardizing the existence of the Group are not apparent

From today's perspective, aside from the risks enumerated below, there are no asset risks worthy of mention that could have a material influence on the Group's net assets, financial position and results of operations, thereby jeopardizing its existence. Both our organization and our control systems are optimally configured to handle existing risks and to deal with newly emerging risks as quickly as possible.

Through ongoing market observations and regular exchanges within and outside of the Group, we ensure that we are able to recognize opportunities in our submarkets in a timely manner. The Muehlhan Group's risk policy is designed to increase the company's value through profitable growth. In addition, control measures are used to review and support the company's mandatory internal codes of conduct.

Introduction of a risk management system

In accordance with Article 91, Paragraph 2 of the German Stock Corporation Law (Aktiengesetz/AktG), the Executive Board must take appropriate steps to set up and/or manage a monitoring system that will identify in a timely manner any risks that might threaten the company as a going concern. The company must have an adequate reporting system for this purpose which falls under the responsibility of the Executive Board. In fiscal year 2008, the company introduced an information system that documents all risks and regularly updates the steps taken to minimize these risks for the Group as a whole.

In addition to quantitative reporting in the form of controllership reports, the Executive Board receives qualitative reports from the departments of the holding company. In this manner, we ensure throughout the Group that all executive managers at the subsidiary companies and all departments are required to perform regular, independent reviews of their work and responsibilities for possible liability risks, financial risks, and risks with regard to customer relationships.

The Group's Executive Board receives reports on important issues from the departments at different intervals, but at least once a month. In order to identify and eliminate problems at the construction sites as quickly as possible, the progress of the work and the hours worked on individual contracts are recorded and compared to the budgeted data.

Discussion of Individual Risks

Market risks and competitor risks

Our markets are subject to risks from the introduction of new technologies, changing customer needs and increasing competition from market players from related industries or services. In addition, the entry into new market cycles and/or general global economic trends may affect our market and competitive conditions. The Executive Board systematically monitors the relevant markets around the world with these risks in mind. The local Managing Directors and Regional Managers support the Executive Board in these efforts.

Transporting liquid commodities, particularly oil & gas, entails a basic substitution risk. The potential risk lies in the possibility that current maritime traffic will be replaced by pipelines. Against the backdrop of current geopolitical developments and the increasing significance of security issues in the producing countries, the great flexibility of ships compared to pipelines is of growing importance. As such, ships may continue to be the primary means of transportation in this product segment. For all other goods, maritime transport will also remain the dominant means of transportation for the next few decades from today's perspective, because shipping is by far the most energy-efficient, inexpensive and environmentally friendly way to move goods and people. Nevertheless, there is a risk that the economic situation and the related fluctuations in demand may cause a slowdown in flows of goods, leading to a decline in available ship transport capacity.

Strategic company risks

The feasibility of implementing the growth strategy that Muehlhan is pursuing will depend on the availability of various resources. In addition to capital, this mainly includes skilled employees who can develop and carry out additional business at existing and new locations. Both in the Oil & Gas Offshore segment as well as in Ship Repair, the availability of these human resources may be a factor limiting growth. Therefore, at the end of 2006, the Muehlhan Group began providing technical and linguistic training to Polish employees for deployment in the Oil & Gas Offshore segment, so that it would not be dependent solely on local staff in this market.

Muehlhan AG's bond issue and initial public offering likewise mean that the Group has plenty of capital, so there is no worry about the availability of capital being a resource that puts the growth strategy at risk.

Ship Newbuilding and Ship Repair are industries that are often used by emerging economies with low labor costs to increase their gross domestic product. Therefore, in principle it is conceivable that the businesses in which Muehlhan is involved will be imitated by national economies in other countries. Experts believe that this is most likely to occur first in Vietnam, Brazil and India. These are countries in which Muehlhan has not yet established any subsidiaries to represent its interests. Muehlhan minimizes the risk of missing market trends such as a shift in the Ship Newbuilding and Ship Repair businesses by tracking developments in these countries very closely and by starting business operations in such places itself if there is an opportunity to enter the market in a sustainable and profitable way. To the extent possible, it aims to develop several lines of business at the same time in order to spread overhead costs over as broad a contract base as possible. For example, in the countries mentioned, a simultaneous entry into the Ship Repair and Oil & Gas Offshore business segments is conceivable.

Economic performance risks

Despite a substantial decline in basic raw material prices at the end of 2008, the overall price level has increased substantially in recent years. This also applies to copper and other raw materials that are used in surface coatings. This has resulted in a rise in the cost of these materials. However, Muehlhan is not directly affected by these price risks, because in most cases the coating substances are purchased by the customers or the costs are passed on directly in the form of a handling fee.

Likewise, there is no risk that a further increase in the price of raw materials used will lead to a substitution of the coating substances and the application technology used, because there are no technological alternatives.

Where technically feasible, Muehlhan uses steel grit for surface-preparation blasting. Muehlhan would be directly affected by a price increase in the materials used for operations, but even here only to a very limited extent, since this material can be recycled. There would continue to be a price advantage over a non-reusable material such as copper slag.

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

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

In general, companies that use patented or licensed processes face the risk of limited patent or license terms. For the µ-jet process that we use, and for the other services in the µ-series, we currently have patent agreements extending beyond the year 2020. In addition, our licenses guarantee the exclusive right of use within a 1-mile zone of coastal locations, rivers and large bodies of water.

Personnel risks

Competition for qualified executives and quality-conscious technical personnel continues to be high in the industries in which Muehlhan is active. Experience from previous fiscal years has demonstrated that the submarkets in which Muehlhan operates are „people businesses“ in which individual employees can affect the success of the Group. Our future success therefore depends in part on the extent to which we are successful over the long term at recruiting the required technical professionals from outside the company, integrating them into existing work processes and retaining them over the long term.

At the same time, the company wants to take advantage of its existing employees‘ extraordinarily high level of identification with our company and its services and to systematically prepare suitable employees from its own ranks for strategically important assignments within the company.

Information technology risks

Muehlhan protects itself against the risk of data loss at the level of the individual companies or, in the worst-case scenario, data loss by the entire Group, by making daily data backups. By storing the backups offsite, the company ensures that all necessary operating and corporate data can be restored promptly.

Financial risks

The companies of the Muehlhan Group work primarily at fixed prices and regularly begin providing their services in advance of payment. As such, there is a risk of customer bankruptcy, as well as a credit risk, particularly in the case of larger contracts. For the fiscal year 2009, these risks may increase due to the changes in cyclical indicators and the overall economic situation. For existing customer relationships, most of which have been in place for years, Muehlhan currently considers these risks to be higher than in the previous year. In order to limit the likelihood of default for important new customer contracts as well, all Muehlhan Group companies are required to evaluate the economic status of their business partners before finalizing contracts. In addition, all companies have a well-functioning accounts receivable management system.

One of the risks materialized when a German shipyard declared bankruptcy in September 2008. This reduced consolidated net income by EUR 0.2 million. The work-in-progress continued under the supervision of the bankruptcy trustee.

From the company's perspective, there are no serious tax risks. Nevertheless, additional tax claims could emerge if the tax authorities' opinion of the law differs from that of the taxed company in particular cases.

As already reported in the previous year, a legal dispute is pending in this regard with the Greek tax authorities. Because a decision has already been issued in favor of Muehlhan in the initial court case, a positive decision can also be expected for the collective proceedings.

All accounts with credit balances invested in the money market are subject to the normal risk of interest-rate fluctuations. In addition, for contracts outside of the Euro zone, there is a fundamental exchange-rate risk, in particular for the US dollar, which is still weaker. In order to at least reduce the impact on earnings, the financing structure for the subsidiary companies was changed from debt financing to equity financing so that, after 2008, the vast majority of future currency fluctuations will affect only shareholders' equity and will no longer impact the income statement. More than 60% of the Group's sales revenues are currently generated in Euros or the Danish Kroner, which scarcely fluctuates in relation to the Euro. There is no exchange-rate risk for these transactions, but over the long term the percentage of contracts from the Euro zone will decrease as the company expands internationally.

Company-specific risks

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

At the same time, the local project managers can count on capable support from the Group's holding company. Technical, commercial and legal specialists again proved to be of great benefit to the Group on a number of projects during the past fiscal year. They were all able to respond much more quickly and in a more targeted manner to specific needs than would have been the case with external support.

Major legal risks

Muehlhan is still engaged in a legal dispute concerning the Golden Gate Bridge Project. Although we are confident that the U.S. court will find in favor of Muehlhan, to date none of the accounts receivable currently in dispute has been reported on the balance sheet.

Furthermore, 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. However, at present the company has no knowledge of any noteworthy legal risks above and beyond those enumerated in the Management Report which could threaten the Muehlhan Group as a going concern.

OUTLOOK

Stability in a difficult economic environment

Over the short and medium term, the changed world economic situation and changes in global trade flows will present new challenges to many of the Muehlhan Group's customers, business partners and competitors.

We are focusing on strengthening our net earnings position, improving profitability and reducing costs and risks as much as possible.

We see excellent opportunities – not only to survive the global economic crisis largely unscathed, but even to profit from consolidation in our submarkets.

Medium-term and long-term prospects continue to be positive, because protecting steel from corrosion will be necessary over the long term as well. The expected useful life of major steel structures often exceeds 30 years and may be up to 100 years for infrastructure projects such as bridges and pipelines. Moreover, surface protection requirements continue to increase in terms of quality, environmental protection and occupational safety.

Growth expected in both sales revenues and net income

As a result of the financial crisis - which is developing into a global economic crisis - it is impossible to make any reliable statement regarding the future. However, assuming the crisis begins to turn around in the second half of 2009, the markets that are most likely to make the fastest recovery are those which are currently suffering primarily from financial problems and not from a decline in demand in the real economy. Specifically, we are referring here to the wind turbine segment.

By contrast, the Ship Newbuilding segment will initially continue to suffer from excess supply even after the situation on the capital markets returns to normal, since both the shipyards and the ship owners have built up significant excess capacity in recent years. In the case of shipyards, this overcapacity is mainly in the Far East, which now almost exclusively handles mass production orders. We can therefore assume that the Asian shipyards will turn their attention to the specialized shipbuilding that is concentrated in Europe (e.g., cruise ships, ferries, yachts and liquefied natural gas carriers). Nevertheless, we do not expect a large-scale shift of this segment to the Far East because of the external supply industry that it requires. In view of the above, we expect to see consolidations in the Far East, especially where the privately financed shipyards in China are concerned.

As soon as an end to the crisis is in sight, the Ship Repair segment should resume growth, because shipping companies will want to be prepared so that they can avoid downtimes for their fleets when the economic recovery begins. We believe that an upturn in this business will be an early indicator that the markets are recovering. Assuming that the crisis does not persist until 2011, the recovery should start no later than the end of 2009.

The Industry Services segment should also weather the crisis well, even outside of the wind energy segment. Our bridge renovation business should benefit considerably from the U.S. government's spending on infrastructure. The same applies to the scaffolding business in Germany, which should benefit from the German government's economic stimulus program. In the Middle East – and particularly in Qatar – the Industry Services segment operates in a special business environment that is currently not affected by the crisis.

Overall, we are convinced that our company will come out of this crisis significantly stronger than our competitors. There are few companies in our industry that can compare to Muehlhan in terms of size and financial clout; consequently, we are convinced that the current developments will be accompanied by a market adjustment from which, overall, we stand to benefit substantially. For the next two years we expect further growth, provided that the recent economic situation will have its low point in 2009.

During the past two years, Muehlhan carried out major restructuring efforts and entered important new markets. The Group has good to very good growth prospects, particularly in the submarkets that are less dependent on freight rates and maritime trade flows. Consequently, despite the altered market situation and the factors mentioned above, we believe that we will at least achieve the same level of sales and income in 2009 as we posted in 2008. We are expecting sales of between EUR 200 and 220 million and EBIT of between EUR 9 and 12 million. Therefore, consolidated after-tax income should be between EUR 4 and 5 million.

Hamburg, 9 March 2009
The Executive Board

Group Consolidated Financial

as of 31 December 2008

CONSOLIDATED BALANCE SHEET

Assets in kEUR	Notes	31.12.2008	31.12.2007
NON-CURRENT ASSETS			
Intangible assets	1	25,310	25,529
Property, plant and equipment	2	30,264	29,781
Financial assets	3	9,881	10,083
Deferred tax assets	4	3,960	4,231
Total non-current assets		**69,415**	**69,623**
CURRENT ASSETS			
Inventories	5	4,456	3,237
Trade receivables	6	39,655	37,773
Cash and cash equivalents	7	7,958	7,599
Other current assets	8	9,801	10,086
Total current assets		**61,871**	**58,695**
Balance sheet total		**131,286**	**128,319**

Rounding differences may occur.

Statements

Equity and liabilities in kEUR	Notes	31.12.2008	31.12.2007
EQUITY	9		
Subscribed capital		19,500	19,500
Capital reserves		28,060	28,060
Other reserves		3,513	4,283
Retained earnings		9,818	5,762
Minority interest		2,108	2,109
Total equity		**62,999**	**59,714**
NON-CURRENT LIABILITIES			
Pension accruals	10	729	645
Non-current financial liabilities	11	34,838	34,588
Deferred government grants	12	247	276
Deferred tax liabilities	14	985	1,093
Total non-current liabilities		**36,799**	**36,601**
CURRENT LIABILITIES			
Provisions	15	890	1,932
Current financial liabilities	11	1,154	2,063
Trade payables	16	17,070	17,033
Other current liabilities	13	12,374	10,975
Total current liabilities		**31,489**	**32,003**
Balance sheet total		**131,286**	**128,319**

Rounding differences may occur.

CONSOLIDATED INCOME STATEMENT

in kEUR	Notes		2008	2007
Sales			206,508	196,092
Other operating income	21		6,628	6,535
Cost of materials and purchased services	18		-93,171	-89,940
Personnel expenses	19		-71,406	-72,680
Depreciation			-7,017	-6,501
Other operating expenses	21		-31,651	-30,645
Profit from operations			**9,891**	**2,861**
Income from investments			0	7
Interest income			238	767
Interest expenses			-2,501	-2,533
Financial result	20		**-2,264**	**-1,759**
Earnings before taxes			**7,627**	**1,101**
Taxes on income	22		-2,603	-649
Net earnings before minority interest			**5,024**	**452**
Minority interest			-699	-525
Net result			**4,325**	**-73**
NET EARNINGS PER SHARE	23			
Shares		number	19,500,000	19,500,000
basic		in EUR	0.22	0.00
diluted		in EUR	0.22	0.00

Rounding differences may occur.

CONSOLIDATED CASH FLOW STATEMENT

in kEUR	2008	2007
Profit from operations	9,891	2,861
Depreciation (+), write-ups (-) on non-current assets	7,017	6,501
Increase (+), decrease (-) of deferred government grants	-29	-29
Gain (-), loss (+) on disposal of fixed assets	-1,022	-150
Unrealised currency gains, losses	-970	1,143
Decrease (-), increase (+) in provisions	-29	-961
Cash flow	**14,858**	**9,364**
Decrease (+), increase (-) in inventories, trade receivables and other assets (excluding payments received on account)	1,325	-11,001
Increase (+), decrease (-) in trade payables and other liabilities	2,406	-24
Cash flow from ordinary activities	**18,590**	**-1,662**
Payments of income taxes	-1,641	-3,875
Payments of interest	-2,367	-2,407
Net inflow, outflow from funds from operating activities	**14,582**	**-7,944**
Receipts of interest	238	774
Receipts from the disposals of non-current assets (+) in respect of		
intangible assets	0	115
tangible assets	2,369	900
financial assets	10,118	0
Capital expenditures (-) in respect of		
intangible assets	-102	-268
tangible assets	-8,551	-12,531
financial assets	-9,934	-10,028
Payments for purchase of consolidated entities (-)	-1,582	-323
Payments for purchase of minority interests (-)	0	-243
Net outflow of funds from investing activities	**-7,444**	**-21,604**
Dividend payments	-482	-142
Decrease (-), increase (+) in payments received on account	-4,737	7,673
Payments (-), receipts (+) on current bank liabilities	-1,270	636
Receipts (+) on non-current bank liabilities	116	0
Net outflow, inflow of funds from financing activities	**-6,373**	**8,167**
Effect of exchange rate related fluctuations of cash and cash equivalents*	-405	-166
Effect of changes in consolidation entity on cash and cash equivalents*	0	164
Total changes in cash and cash equivalents*	359	-21,382
Cash and cash equivalents* at the beginning of the period	7,599	28,980
Cash and cash equivalents* at the end of the period	**7,958**	**7,599**

* Cash and cash equivalents correspond to the balance sheet item “Cash and cash equivalents”.
Rounding differences may occur.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Parent company					
	Subscribed capital	Capital reserves	Other reserves			
in kEUR			Revenue reserves	Transition adjustments	Revaluation reserve	Adjustment resulting from currency translation
At 1 January 2007	19,500	28,060	4,111	589		-1,520
Purchase minority interest			-243			
Transfer to revaluation reserve					16	
Transfer to revenue reserves			1,035			
Dividends paid						
Currency changes						296
Other changes						
Net result						
At 31 December 2007	**19,500**	**28,060**	**4,903**	**589**	**16**	**-1,224**
Transfer to revaluation reserve					-292	
Transfer to revenue reserves			257			
Dividends paid						
Currency changes						-977
Other changes			243			
Net result						
At 31 December 2008	**19,500**	**28,060**	**5,402**	**589**	**-277**	**-2,201**

At 31 December 2008 an amount of kEUR 8,077 (previous year: kEUR 3,958) was available for distribution to shareholders of the parent company.
There are no restrictions applicable to dividend distributions pursuant to the law and / or Articles of Incorporation.

Rounding differences may occur.

			Minority interest			Group equity
	Retained earnings	Equity	Minority interest in equity	Adjustment resulting from currency translation	Equity	
	6,877	57,617	1,694	-24	1,670	59,287
		-243				-243
		16				16
	-1,035					
			-142		-142	-142
		296	9	46	55	351
	-8	-8				-7
	-73	-73	525		525	452
	5,762	**57,605**	**2,086**	**23**	**2,109**	**59,714**
		-292				-292
	-257					
			-482		-482	-482
		-977		-219	-219	-1,196
	-12	231				231
	4,325	4,325	699		699	5,024
	9,818	**60,891**	**2,304**	**-196**	**2,108**	**62,999**

FIXED ASSETS MOVEMENTS SCHEDULE 2008

	Purchase and production costs						
in kEUR	**Balance 1 January 2008**	Additions	Disposals deconsoli-dation	Translation differences	Disposals	Reclassifi-cations	**Balance 31 December 2008**
I. Intangible assets							
1. Concessions, industrial and similar rights and assets	1,805	102	-188	-29	93	0	1,597
2. Goodwill	34,521	0	0	0	0	0	34,521
	36,326	**102**	**-188**	**-29**	**93**	**0**	**36,118**
II. Property, plant and equipment							
1. Land, land rights and buildings including buildings on third-party land	10,786	350	0	-302	1,141	0	9,693
2. Technical equipment and machinery	53,106	4,760	0	286	4,191	109	54,069
3. Other equipment, operating and office equipment	8,560	1,215	0	-189	822	-25	8,740
4. Prepayments and assets under construction	115	2,226	0	1	0	-84	2,257
	72,567	**8,551**	**0**	**-204**	**6,154**	**0**	**74,759**
III. Financial assets							
1. Shares in affiliated companies	54	0	0	0	0	0	54
2. Investments	11	0	0	0	0	0	11
3. Securities	10,028	9,934	0	0	10,136	0	9,826
	10,093	**9,934**	**0**	**0**	**10,136**	**0**	**9,891**
	118,985	**18,587**	**-188**	**-233**	**16,383**	**0**	**120,769**

Rounding differences may occur.

Accumulated depreciation / amortisation						Net book values	
Balance 1 January 2008	Additions	Disposals deconsoli-dation	Translation differences	Disposals	**Balance 31 December 2008**	**Balance 31 December 2008**	**Balance Previos year**
1,001	186	-56	25	93	1,012	585	804
9,796	0	0	0	0	9,796	24,725	24,725
10,797	**186**	**-56**	**25**	**93**	**10,808**	**25,310**	**25,529**
3,829	503	0	191	476	3,664	6,028	6,957
33,673	5,096	0	-43	3,600	35,212	18,858	19,433
5,285	1,232	0	149	748	5,620	3,120	3,276
0	0	0	0	0	0	2,257	115
42,786	**6,831**	**0**	**297**	**4,824**	**44,496**	**30,264**	**29,781**
0	0	0	0	0	0	54	54
10	0	0	0	0	10	1	1
0	0	0	0	0	0	9,826	10,028
10	**0**	**0**	**0**	**0**	**10**	**9,881**	**10,083**
53,593	**7,017**	**-56**	**323**	**4,917**	**55,314**	**65,455**	**65,393**

FIXED ASSETS MOVEMENTS SCHEDULE 2007

in kEUR	Purchase and production costs						
	Balance 1 January 2007	Additions	Additions through initial consolidation	Translation differences	Disposals	Reclassifi- cations	**Balance 31 December 2007**
I. Intangible assets							
1. Concessions, industrial and similar rights and assets	1,508	268	31	13	15	0	1,805
2. Goodwill	31,997	2,524	0	0	0	0	34,521
3. Prepayments	114	0	0	-12	102	0	0
	33,620	**2,791**	**31**	**1**	**118**	**0**	**36,326**
II. Property, plant and equipment							
1. Land, land rights and buildings including buildings on third-party land	9,333	587	0	96	87	856	10,786
2. Technical equipment and machinery	46,138	9,057	2,375	-1,280	3,321	136	53,106
3. Other equipment, operating and office equipment	7,699	1,867	185	-88	1,078	-24	8,560
4. Prepayments and assets under construction	63	1,019	57	-8	49	-968	115
	63,233	**12,531**	**2,617**	**-1,279**	**4,534**	**0**	**72,567**
III. Financial assets							
1. Shares in affiliated companies	135	0	0	0	80	0	54
2. Investments	29	0	0	0	18	0	11
3. Securities	0	10,028	0	0	0	0	10,028
	164	**10,028**	**0**	**0**	**99**	**0**	**10,093**
	97,016	**25,350**	**2,648**	**-1,279**	**4,751**	**0**	**118,985**

Rounding differences may occur.

Accumulated depreciation / amortisation						Net book values	
Balance 1 January 2007	Additions	Additions through initial consolidation	Translation differences	Disposals	**Balance 31 December 2007**	**Balance 31 December 2007**	**Balance Previos year**
788	201	5	-9	3	1,001	804	720
9,796	0	0	0	0	9,796	24,725	22,201
0	0	0	0	0	0	0	114
10,584	**201**	**5**	**-9**	**3**	**10,797**	**25,529**	**23,036**
3,378	470	0	-67	86	3,829	6,957	5,955
31,185	4,737	1,167	665	2,751	33,673	19,433	14,953
5,115	1,092	107	64	965	5,285	3,276	2,584
0	0	0	0	0	0	115	63
39,677	**6,299**	**1,274**	**662**	**3,802**	**42,786**	**29,781**	**23,556**
0	0	0	0	0	0	54	135
10	0	0	0	0	10	1	19
0	0	0	0	0	0	10,028	0
10	**0**	**0**	**0**	**0**	**10**	**10,083**	**154**
50,271	**6,501**	**1,279**	**653**	**3,805**	**53,593**	**65,393**	**46,745**

Notes

I. General comments

The core business of Muehlhan AG (hereinafter “MYAG” or “company”) and its subsidiaries is surface protection for industrial plants, Ship Newbuilding, Ship Repair and offshore facilities. The core business is complemented by access technologies, steel construction and welding services. The company is headquartered at Schlinckstrasse 3, Hamburg, Germany. The competent registration court is in Hamburg.

At 31 December 2006, the Group consolidated financial statements of MYAG and its subsidiaries were prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the complementary provisions of German commercial law applicable under Section 315a, para. 1 of the Commercial Code (HGB). IFRS 1, the authoritative standard for first-time applications, was observed. For the Group Consolidated Financial Statements as of 31 December 2008, all IFRS and interpretations of the IFRIC adopted by the EU commission as of the balance sheet date whose application is mandatory have been complied with.

The consolidated financial statements were prepared in Euro. Because the calculations of the individual items included are based on the full figures, rounding differences may occur where amounts are shown in millions or thousands of Euros.

II. Significant consolidation, accounting and valuation principles

The Group consolidated income statement was prepared using the total-cost method.

The equity of the subsidiaries is consolidated using the purchase method of accounting. The cost of the assets acquired and the liabilities incurred and/or assumed for the subsidiaries included in the consolidated financial statements are recognized at their fair values on the transaction date, including expenses directly attributable to the acquisition. In the initial consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a merger are recognized at the fair value on the acquisition date, irrespective of the size of minority interests. The surplus of the cost of acquisition over the Group’s share in the fair value of the net assets is recognized as goodwill. If the costs of acquisition are lower than the fair value of net assets attributable to the acquired subsidiary, the balance is taken directly to the income statement.

Minority interests are stated at the attributable fair value of the assets and liabilities corresponding to their share. Losses attributable to minority interests in excess of their share were allocated to the parent company.

Intercompany receivables and payables are eliminated. Any currency translation differences arising from such intercompany eliminations during the reporting period are added to/charged against income for the period.

When consolidating the results of operations, intercompany sales and group internal earnings are offset against the related expenses. Unrealized intercompany profits are eliminated with a corresponding effect on net income.

Consolidated group and associated companies

In addition to MYAG, the consolidated financial statements include 30 subsidiaries in which MYAG directly or indirectly holds a majority of voting rights or exercises control over financial and business policies. There are no significant associated companies as defined by the IAS.

The consolidated group has changed since 31 December 2007 as follows.

Effective 1 July 2008, Muehlhan A/S, Middelfart, Denmark, sold 100% of its shares in Muehlhan Norge AS, Stavanger, Norway (MNO). The 2008 results contain operating income from MNO and a gain on its deconsolidation totaling EUR 0.1 million.

Geuer Korrosionsschutz GmbH & Co. KG, Kiel, merged with Muehlhan Bremen GmbH (MHB) effective 2 January 2008.

Maritime Surface Protection Poland Sp. z o.o., Szczecin, Poland, merged with Muehlhan Sp. z o.o., Gdansk, Poland (MG), effective 3 December 2008.

In addition, the data provided in the annual report will be influenced by the effects of the first-time consolidations undertaken during the previous year. For example, Muehlhan Corrosion Protection Service (Shanghai) Co. Ltd., Shanghai, People's Republic of China (MCN), has been fully consolidated since 1 July 2007. During the first half of 2008, sales revenues of EUR 1.2 million were the major factor enabling MCN to break even; there were no comparable figures for the first half of 2007. The Procon Emirates L.L.C. subsidiaries headquartered in Dubai and Abu Dhabi were also consolidated for the first time in the previous year, on 31 December 2007. In 2008, these companies reported sales revenues of EUR 4.7 million and earnings of EUR 0.4 million. There are no comparable figures for the prior year.

Effective 10 September 2008, Muehlhan Offshore Inc., Lafayette, Louisiana, USA, was renamed Muehlhan USA, Inc. On the same date, Meaux Surface Protection Inc., Lafayette, was renamed Muehlhan Offshore Inc.

Geuer Korrosionsschutz Verwaltungs GmbH, Hamburg, Muehlhan Grand Bahama Ltd. and AIS-Allround-Industrie-Service GmbH, Haan-Gruiten, are not included in the consolidation group because they would not have a material effect on the assessment of the Group's net assets, financial position and results of operations. Both individually and collectively, the balance sheet and income statement items of each of these unconsolidated companies comprise less than 1% of the corresponding items in Muehlhan AG's consolidated financial statements.

The Group took advantage of its exemption from the disclosure requirement for the subsidiaries included in the consolidated financial statements in the case of Muehlhan Bremen GmbH, Bremen, Muehlhan GmbH, Emden, Muehlhan Rostock GmbH, Rostock, and Gerüstbau Muehlhan GmbH, Hamburg, pursuant to Section 264, para. 3 of the German Commercial Code (HGB).

As a result, the following companies are included in the consolidated financial statements as of 31 December 2008:

Symbol	Company	Shareholding in %	held by
MYAG	Muehlhan AG, Hamburg	Parent company	
GMH	Gerüstbau Muehlhan GmbH, Hamburg	100	MYAG
MRW	Muehlhan Rostock GmbH, Rostock	100	MYAG
MES	Muehlhan Equipment Services GmbH, Hamburg	100	MYAG
ME	Muehlhan GmbH, Emden	100	MYAG
MHB	Muehlhan Bremen GmbH, Bremen	100	MYAG
MDK	Muehlhan A/S, Middelfart – Denmark	100	MYAG
MG	Muehlhan Sp. z o.o., Gdansk – Poland	100	MYAG
MPL	Muehlhan Steel Services Sp. z o.o., Szczecin – Poland	100	MYAG
MF	Muehlhan S.A.R.L., St. Nazaire – France	100	MYAG
MMF	Muehlhan Morflot OOO, St. Petersburg – Russia	70	MYAG
MNL	Muehlhan B.V., Vlaardingen – Netherlands	100	MYAG
MGB	Muehlhan Surface Protection Ltd., Aberdeen – Great Britain	100	MYAG
MGR	Muehlhan Hellas S.A., Athens – Greece	51	MYAG
MSPU	Muehlhan Surface Protection Inc., Houston, TX - USA	100	MYAG
MMI	Muehlhan Marine Inc., Houston, TX – USA (formerly: Sipco Surface Protection Inc.)	100	MSPU
MUS	Muehlhan USA, Inc., Lafayette, LA – USA	100	MSPU
CCC	Certified Coatings Company, Concord, CA – USA	100	MSPU
MCC	Muehlhan Certified Coatings Inc., Concord, CA – USA	100	MSPU
MOI	Muehlhan Offshore Inc., Lafayette, LA – USA (formerly: Meaux Surface Protection Inc.,)	100	MSPU
MUI	Muehlhan United Inc., Houston, TX – USA	100	MSPU
HSG	Haraco Services Pte. Ltd. – Singapore	100	MYAG
MSG	Muehlhan Pte. Ltd. – Singapore	100	HSG
MSPS	Muehlhan Surface Protection Singapore Pte. Ltd – Singapore	100	HSG
MME	Muehlhan Surface Protection Middle East L.L.C., Dubai – UAE	100	MYAG
MDA	Muehlhan Dehan L.L.C., Abu Dhabi – UAE	100	MME
MDQ	Muehlhan Dehan Qatar W.L.L., Doha – Qatar	100	MME
MMEH	Muehlhan Middle East Holding Limited, Dubai – UAE	100	MYAG
PRA	Procon Emirates L.L.C., Abu Dhabi – UAE	100	MMEH
PRD	Procon Emirates L.L.C., Dubai – UAE	100	MMEH
MCN	Muehlhan Corrosion Protection Service (Shanghai) Co. Ltd., Shanghai – China	100	MYAG

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

Symbol	Company	Share-holding in %	**Equity at 31 Dec. 2008 in kEUR**	**Profit/loss for the year 2008 in kEUR**
GKV	Geuer Korrosionsschutz Verwaltungs GmbH, Hamburg	100	19.6	-2.6
MFP	Muehlhan Grand Bahama Ltd., Nassau – Bahamas	100	0.1	-0.0
AIS	AIS-Allround-Industrie-Service GmbH, Haan-Gruiten	51	74.3	1.4

The investment in AIS is held indirectly via MGR.

Currency translation

In the individual financial statements of the Group companies included in the consolidated financial statements, monetary items denominated in foreign currencies are always translated at the exchange rate on the balance sheet date. The resulting exchange gains and losses are immediately recognized in the income statement as income or expenses.

The assets and liabilities of foreign subsidiaries with a functional currency other than the Euro are translated into Euro at the mid-rates on the balance sheet 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 prior year are not recognized on the income statement but rather are reported separately under equity. Goodwill arising from the initial consolidation of foreign subsidiary acquisitions is translated into Euro and carried forward accordingly.

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

Symbol	Exchange rate at the balance sheet date	Average rate
AED	5.14	5.41
CNY	9.54	10.21
DKK	7.45	7.46
GBP	0.96	0.80
NOK	9.80	8.28
PLN	4.18	3.53
QAR	5.10	5.36
RUB	42.80	36.83
SGD	2.02	2.07
TRL	2.15	2.06
USD	1.40	1.47

Liquid assets

Cash and cash equivalents include cash-in-hand and bank balances. At the present time, bank balances not directly required to finance current assets are invested for a term of up to three months. The total amount of liquid assets shown on the balance sheet is equal to the liquid assets (cash and cash equivalents) shown in the cash flow statement.

Inventories

Inventories are stated at the lower of cost (acquisition or production cost) or market on the balance sheet date. Production costs include direct costs and a reasonable share of production, material and production-related administrative overhead costs.

Construction contracts

If the results of a construction contract can be reliably estimated, revenues and costs are recognized in accordance with the percentage of completion method at the balance sheet date. The percentage of completion is calculated as the ratio of the contract costs incurred through the balance sheet date to the estimated total contract costs, unless this approach does not result in a proper estimate of the percentage of completion.

If the results of a construction contract cannot be reliably estimated, the amount of contract revenues that can be recognized is limited to the amount of contract costs incurred that are likely to be reimbursed. Contract costs include direct costs and a reasonable share of production, material and production-related administration overhead costs. Contract costs are recognized as expenses in the period in which they are incurred. If it is likely that the total contract costs will exceed the total contract revenues, the expected loss is recognized as an expense immediately.

Receivables and other assets

Receivables and other assets are financial assets in accordance with IAS 39.45 and are classified as loans and receivables.

Receivables and other assets are initially stated at their fair values and are subsequently reported at amortized cost less write-downs. Write-downs adequately take into account all discernible risks by assessing risks individually on the basis of empirical values.

Income recognition

Income is reported at the fair value of the consideration received or the fair value of the receivable and includes amounts for services rendered in the course of normal operations, less any discount, value-added tax and other taxes incurred in connection with sales.

Income from long-term make-to-order production is recognized in accordance with internal Group accounting and valuation methods for long-term construction contracts (see above).

Property, plant and equipment

The assets reported as property, plant and equipment are stated at acquisition cost less accumulated depreciation. In general, assets are depreciated on a straight-line basis over their expected useful lives. The expected useful life depends on the type of asset:

Buildings: 5-50 years
Technical equipment, operating and office equipment: 2-15 years

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

Tangible fixed assets are tested for impairment if there is reason to believe that write-downs are warranted. In an impairment test, the recoverable amount (the higher of the net realizable value and the value in use) is compared with the asset's book value. If the recoverable value is lower than the book value, 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.

Goodwill and intangible fixed assets with an indeterminate useful life

Goodwill is reported at acquisition cost and pursuant to IFRS 3 no scheduled amortization has been recorded since 1 January 2005. An impairment test is carried out at least once a year and may lead to a write-down. There are no other intangible fixed assets with an indeterminate useful life.

Other intangible assets

Purchased intangible assets include mainly concessions, industrial property rights and similar rights. They are stated at acquisition cost less accumulated amortization. They are amortized on a straight-line basis over their useful lives, which range from three to 17 years.

Financial assets held for sale

Financial assets are recorded at their acquisition cost (market value) on the acquisition date, plus any transaction costs incurred. Subsequent valuation is at fair value (market value). Subsequent changes in value after taking deferred taxes into account are not recognized on the income statement but instead are reported in equity (revaluation reserve) until the asset is sold or an impairment expense is recorded in the income statement. Assets held for sale are shown as financial investments.

Impairment of assets

Assets with an indeterminate useful life are not subject to scheduled depreciation; instead, an impairment test is carried out on such assets annually. Impairment tests are performed on tangible fixed assets and other intangible assets with a defined useful life if there is reason to believe that write-downs are warranted. In order to determine whether a write-down is required for a specific asset, the recoverable amount (the higher of the net realizable value and the value in use) is compared with the asset‘s book value. If the recoverable value is lower than the book value, 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. No such write-up is made with respect to goodwill. The discounted cash flow method is used for the impairment test. The expected cash flows are based on business planning data. The expected cash flows are discounted at an appropriate market interest rate.

Pension accruals and similar obligations

In addition to defined-contribution plans which, apart from current contributions, do not involve any further pension commitment, two of the companies also have defined-benefit plans, for which one of the required provisions relates almost exclusively to the commitment to a now-retired former managing director of a subsidiary. Pension accruals for the defined-benefit plans are calculated using the projected unit credit method. 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 balance sheet date, but also expected future increases in salaries and pensions. Pursuant to IAS 19.92, the 10% corridor method is applied to actuarial gains or losses. The accrual is reduced by the amount of potential plan assets. Service and interest costs are shown under personnel 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; pension accruals are recorded only for the amounts outstanding on the balance sheet date.

Other provisions

In accordance with IAS 37, other provisions are set up for any risks discernible at the balance sheet 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 also set up for onerous contracts. A contract is deemed to be onerous if the unavoidable costs exceed the economic benefit expected from the contract.

Financial liabilities

In principle, financial liabilities are stated at their fair value less transaction costs and are recorded at amortized cost in subsequent periods. Non-interest-bearing and low-interest liabilities with a maturity of one year or more are recorded at their present values using an appropriate market interest rate. Financial lease obligations are reported at the lower of the fair value or the present value of the minimum lease payments and are reduced by the redemption payments included in the lease installment payments.

In principle, short-term financial liabilities include that portion of long-term loans with a time to maturity of one year or less.

Derivative financial instruments are used by the Muehlhan Group only in exceptional cases and only for hedging purposes, i.e., in order to reduce exchange-rate, interest-rate and market-value risks associated with operations and/or the resulting financial requirements. Pursuant to IAS 39, all derivative financial instruments such as interest-rate, exchange-rate and combined interest- and exchange-rate swaps, as well as forward exchange operations, must be stated at market value, regardless of the reason or intention behind the decision to enter into such arrangements. Market values of derivative financial instruments are determined using market data and recognized valuation methods. Changes in market values of derivative financial instruments which are accounted for using hedge accounting are either recognized as income/expense or recorded in equity under the revaluation reserve, depending on whether a fair-value hedge or a cash-flow hedge is involved. In the case of a fair-value hedge, the results of the market valuation of derivative financial instruments and the underlying transactions are reported as gains or losses in the income statement. In the event of changes in the market value of cash-flow hedges used to offset future cash-flow risks from already existing underlying transactions or from forecasted transactions, the unrealized gains and losses are initially recorded in equity under the revaluation reserve at an amount equal to the underlying transaction covered by the hedge, with no effect on the income statement. This amount is reclassified as income/loss in the same period in which the underlying hedged transaction affects earnings. The portion of the change in market value that is not covered by the underlying transaction is immediately recognized as income/loss.

Research and development costs

Research expenses and development costs are recognized as expenses in the period in which they are incurred. The requirements set forth in IAS 38 for capitalizing development costs have not been met.

Trade payables

Trade payables are non-interest-bearing and are stated at their repayment value.

Deferred taxes

Deferred taxes resulting from temporary differences in the amounts shown in the separate balance sheets prepared for commercial and tax purposes as well as from consolidation entries are calculated separately for each fiscal jurisdiction and shown either as deferred tax assets or liabilities. Moreover, deferred tax assets may include claims for tax reductions deriving from the expected utilization of existing loss carryforwards in future years if there is sufficient certainty to ensure their realization. Deferred taxes are calculated using the tax rates for reversal that either will be applicable or will have been adopted on the balance sheet date. In addition, deferred taxes may arise in connection with transactions that do not affect income. Deferred tax assets are recorded only to the extent that the respective tax advantage is likely to materialize. If this criterion is not met, provisions are set up that take into account past earnings and business expectations for the foreseeable future.

Assumptions and estimates

In preparing the consolidated financial statements, it is sometimes necessary to make assumptions and estimates that affect the amounts of assets and liabilities, income, expenses and contingent liabilities, as well as how these are classified. Actual values may differ from the assumptions and estimates in particular instances. Adjustments are reported as gains or losses on the date when better information becomes available.

Government grants

Government grants for tangible fixed assets are treated as deferred income and recognized as income over the expected useful life of the related asset.

III. Notes to the balance sheet

1. Intangible fixed assets

Intangible fixed assets include the following items:

in kEUR	31 December 2008	31 December 2007
Concessions, industrial property rights and similar rights and assets	585	804
Goodwill	24,725	24,725
Total	**25,310**	**25,529**

Pursuant to IFRS 3, goodwill has not been regularly amortized since 1 January 2005. In accordance with IAS 36, an impairment test was performed during the past fiscal year using the discounted cash flow method. This impairment test took into account the business planning data for the year and the impact of the financial market crisis. No write-down was necessary in fiscal year 2008.

The following assumptions were used for the impairment test:

An interest rate of 7% was used as the base discount factor, which corresponds to the interest rate on the bond we issued plus a markup of some 1% to cover general risk. The discount factor is increased by 2% to reflect the risk of changing cash flows resulting from fluctuating exchange rates. The discount factor is also increased by 2% to take into consideration the low level of planning certainty at newly established or acquired companies and/or companies in the process of restructuring.

Changes to intangible fixed assets for fiscal years 2008 and 2007 are shown in the fixed assets movements schedule included in the Group consolidated financial statements.

2. Property, plant and equipment

Property, plant and equipment includes the following items:

in kEUR	31 December 2008	31 December 2007
Land, land rights and buildings, including buildings on third-party land	6,028	6,957
Technical equipment and machinery	18,858	19,433
Other equipment, operating and office equipment	3,120	3,276
Prepayments and assets under construction	2,257	115
Total	**30,264**	**29,781**

Net book values of tangible fixed assets are deduced from their purchase costs. Accumulated depreciation on tangible fixed assets amounted to EUR 44.5 million (previous year: EUR 42.8 million).

Tangible fixed assets include leased assets in the amount of EUR 0.2 million (previous year: EUR 0.1 million). They pertain to technical equipment and operating and office equipment.

Capital expenditures amounted to EUR 8.6 million in 2008 and were attributable mainly to capital spending on replacements.

Changes to property, plant and equipment for fiscal years 2008 and 2007 are shown in the fixed assets movements schedule included in the Group consolidated financial statements.

3. Financial assets

Financial assets include the following items:

in kEUR	31 December 2008	31 December 2007
Shares in affiliated companies	54	54
Investments	1	1
Securities	9,826	10,028
Total	**9,881**	**10,083**

Shares in affiliated companies pertain to companies that are not included in the consolidated group because they would not have a material effect on the assessment of the Group's net assets, financial position and results of operations.

Securities involve investments in five-year Federal notes (Bundesobligationen) and are classified as financial assets held for sale in accordance with IAS 39; they are stated at fair value (market value). The account in which the notes are held was pledged to the lender (see note 11). The investment in a money market growth fund reported in the previous year was disposed of during the year under review and replaced by the Federal notes.

Changes to financial assets for fiscal years 2008 and 2007 are shown in the fixed assets movements schedule included in the Group consolidated financial statements.

4. Deferred tax assets

The company's deferred tax assets pertain to the following items:

in kEUR	31 December 2008	31 December 2007
Accumulated tax loss carryforwards	2,674	3,681
Non-current assets	817	145
Current assets	158	83
Provisions and other liabilities	312	323
Total	**3,960**	**4,231**

In Germany, there are trade tax loss carryforwards of EUR 10.2 million and corporate income tax loss carryforwards of EUR 5.4 million as of the balance sheet date. There are tax loss carryforwards of EUR 3.7 million abroad.

According to the medium-term forecasts of the companies involved, a tax benefit in the amount of EUR 2,674 thousand will accrue over the next five years which we have already capitalized since the probability that the results will be realized by the companies in question is quite high.

The changes in deferred tax assets are shown in the following table:

in kEUR	2008	2007
Balance at 1 January	4,231	2,467
Currency translation differences	42	0
Amounts netted in the revaluation reserve account in equity with no effect on income	69	0
Allocation affecting net income in the Group consolidated income statement	-381	1,764
Balance at 31 December	**3,960**	**4,231**

5. Inventories

Inventories may be broken down as follows:

in kEUR	31 December 2008	31 December 2007
Raw materials, consumables and supplies	4,322	3,128
Prepayments	134	109
Total	**4,456**	**3,237**

6. Trade receivables

Trade receivables include the following items:

in kEUR	31 December 2008	31 December 2007
Accounts receivable from services rendered	32,745	28,007
Accounts receivable from work in progress	17,050	24,819
Prepayments received on account of work in progress	-10,140	-15,060
Total	**39,655**	**37,766**

Trade accounts receivable have a time to maturity of less than one year. In general, accounts receivable from work in progress also are due within one year. As agreed with customers, we have already received or will receive prepayments on account of construction contracts that will not be invoiced until 2010, meaning that a maturity of up to one year can be assumed in such instances, as well.

Sales amounting to EUR 206,508 thousand (previous year: EUR 196,092 thousand) include contract revenues from long-term make-to-order production (additions to work in progress during the fiscal year) amounting to EUR 16,305 thousand (previous year: EUR 23,494 thousand). The accumulated costs pertaining to construction contracts in progress at the balance sheet date amount to EUR 15,840 thousand (previous year: EUR 23,415 thousand) and the accumulated profits/losses amount to EUR 1,210 thousand (previous year: EUR 1,404 thousand).

In the Management Report (Heading: Restructuring in the USA completed with positive results) it has been stated that we are currently pursuing a lawsuit against a client for a total amount of EUR 4.3 million (USD 6.3 million). Since the realization of this income is not regarded as probable, i.e., more likely than not to occur, and the negotiations for supplementary claims have been broken off, it is impossible to predict whether the client is likely to accept these supplementary claims, so we have not capitalized our claims, except for the recognized portion of our claims totaling EUR 0.9 million (USD 1.3 million).

7. Liquid assets

Cash and cash equivalents amounted to EUR 8.0 million at 31 December 2008 (previous year: EUR 7.6 million) and aside from available cash consist primarily of call money. On average, liquid assets carried interest at 1.5% on the balance sheet date. As of the balance sheet date, there were no drawing restrictions.

8. Other current assets

Other current assets may be broken down as follows:

in kEUR	31 December 2008	31 December 2007
Current tax receivables	3,465	4,936
Prepaid expenses	986	1,277
Sundry	5,349	3,873
Total	**9,801**	**10,086**

Other current assets have a term of up to one year. The fair value is equal to the book value.

9. Equity

Subscribed capital

The parent company's issued capital amounted to EUR 19,500 thousand on the balance sheet date. This corresponds to the issued capital shown in the Group balance sheet. It is split into 19,500,000 non-par bearer shares, each with a EUR 1 share of the issued capital. In the year 2006, an initial contribution of EUR 15,500 thousand of issued capital was made by converting the legal form of the previous Mühlhan Surface Protection International GmbH, headquartered in Hamburg, in accordance with Section 190 et seq. of the German Conversion Act (UmwG). In October 2006, issued capital was increased by a EUR 4,000 thousand new share issue.

On 28 March 2007,SG / GS Europe L.P., Edinburgh, SGCE Investment Holdings I Sarl, Luxembourg, SGCE Investments I Sarl, Luxembourg, SGCE Holding I Sarl, Luxembourg, SG Capital Europe Fund I L.P., London, and SG Capital Europe Ltd., London, advised us, in accordance with Section 20, para. 5 of the German Stock Corporation Act (AktG), that they indirectly hold less than one-fourth of the shares in Muehlhan AG, in accordance with Section 16, para. 2 and 4 of the AktG.

On 3 May 2007, GIVE Maritime and Industrial Services GmbH, Itzehoe, informed us, in accordance with Section 20, para. 5 of the AktG, that it holds less than one-fourth of the company's shares.

On 3 May 2007, Dr Wulf-Dieter H. Greverath and Ms Angelika Ebba Greverath advised us, in accordance with Section 20, para. 5 of the AktG, that they do not hold an indirect majority stake in the company and that, in accordance with Section 16, para. 4 of the AktG, including their interests in GIVE Maritime and Industrial Services GmbH, Itzehoe and Greverath Investment Verwaltungs- und Erhaltungs-GbR, Hamburg, they indirectly hold more than one-fourth of the shares.

On 3 May 2007, Greverath Investment Verwaltungs- und Erhaltungs-GbR advised us, in accordance with Section 20, para. 5 of the AktG, that it holds less than one-fourth of the shares in our company directly and that, in accordance with Section 16, para. 4 of the AktG, it no longer holds an indirect majority stake, including its interest in GIVE Maritime and Industrial Services GmbH, Itzehoe, which it controls. Indirectly, including its interest in GIVE Maritime and Industrial Services GmbH, it holds more than one-fourth of our company, in accordance with Section 16, para. 4 of the AktG.

The parent company's authorized capital amounts to EUR 9,250 thousand.

Capital reserves

In 2006, the premium from the issuance of 4 million new shares totaling EUR 19,200 thousand was allocated to capital reserves. Expenses relating to the issuance of its own shares less the related tax component in the net amount of EUR 1,205 thousand were netted against the capital reserves.

Other reserves

Other reserves include the following items:

in kEUR	31 December 2008	31 December 2007
Revenue reserves	5,402	4,903
Currency translation reserve	-2,201	-1,224
Revaluation reserve	-277	16
Reserve in connection with the first-time application of IFRS	589	589
Total	**3,513**	**4,283**

In fiscal year 2008, the parent company did not make any transfers to revenue reserves.

Retained earnings

No dividends were distributed to shareholders in fiscal year 2008 (previous year: EUR 0 thousand).

Minority interests

MGR and MMF had minority interests as of the balance sheet date. MYAG holds 70% of MMF and 51% of MGR. In the 2008 reporting year, results totaling EUR 699 thousand (previous year: EUR 525 thousand) were allocated to these companies' other shareholders.

10. Pension accruals

Pension accruals totaled EUR 729 thousand (previous year: EUR 645 thousand). There are no plan assets. Of the total amount, EUR 352 thousand (previous year: EUR 232 thousand) are attributable to companies abroad.

In addition to defined-contribution plans which, apart from current contributions, do not involve any further pension commitment, two of the Group companies in Germany also have defined-benefit plans, for which one of the required provisions relates almost exclusively (97%) to the commitment to a now-retired former managing director of a subsidiary.

The calculations for this provision are based on the “2005G” actuarial tables of Dr Klaus Heubeck. In accordance with IAS 19, the valuation was performed using the projected unit credit method. For 2008 and 2007, discount factors of 6.0% and 5.0%, respectively, were assumed, along with future pension payment increases of 1.75%. Since the only person covered by these pension plans is already retired, there was no need to take employee turnover or future salary increases into account.

The Group’s pension accruals changed as follows:

in kEUR	2008	2007
Balance at 1 January	645	519
Interest with respect to earned pension entitlements	30	17
Benefits paid	-36	-36
Addition of defined-contribution plans through initial consolidation	0	93
Increase in accruals – defined-contribution plans	90	52
Balance at 31 December	**729**	**645**

It is expected that pension payments in 2008 will be at the same level as in the previous year. Expenditures for actuarial gains or losses were not netted, since they did not exceed the 10% corridor.

11. Financial liabilities

Financial liabilities include the following items, shown by maturity:

	2008	Time to maturity			2007	Time to maturity		
in kEUR	Total	0-1 year	1-5 years	> 5 years	Total	0-1 year	1-5 years	> 5 years
Bond	34,661	0	14,000	20,661	34,527	0	7,000	27,527
Liabilities to banks	1,069	1,069	0	0	1,984	1,984	0	0
Lease liabilities	262	85	177	0	140	79	61	0
Total	**35,992**	**1,154**	**14,177**	**20,661**	**36,651**	**2,063**	**7,061**	**27,527**

On 28 March 2006, the parent company issued a EUR 35 million bond. The bond runs until 2016. Repayment will be in five equal annual installments beginning in 2012. The bond carries interest at 5.77% payable every six months in arrears. The bond issue was subscribed by The Prudential Insurance Company of America. The transaction costs for the bond issue totaled just under EUR 1.2 million. The bond was recorded at amortized cost after allowing for the transaction costs. The bond will involve annual outflows of funds totaling EUR 2,020 for each of the next three years, EUR 8,818 thousand in 2012 and EUR 31,231 thereafter. Due to low earnings, the company was unable to satisfy two of the performance-related bond terms in 2007. In mid-March 2008, an addendum agreement (“amendment”) was reached with the bond creditor under which the bond creditor waived its right to call in the bond for violation of the bond terms. In turn, we pledged the amount of

EUR 10.0 million in December 2007. All of the bond terms were met as of 31 December 2008 and for the year 2008. To the best of our knowledge, there is no active market for this bond, so as far as we know, the fair value is most likely equivalent to its book value. This does not represent a risk to the Group's liquidity position (see note 3).

In September 2008, in order to hedge future cash flows, the company entered into a forward sale of EUR 200 thousand in Polish Zlotys monthly for a one-year period. The exchange rate of 1 Euro = 3.41 Zlotys was agreed to. This transaction meets the requirements for a cash-flow hedge stipulated in IAS 39. As of the balance sheet date, the market value of the derivative amounted to EUR 363 thousand and is recorded under "Liabilities to banks" in the Financial liabilities section. After deducting deferred taxes, the EUR 294 thousand difference in the value of this transaction as of the balance sheet date was transferred to equity (revaluation reserve) with no effect on the income statement.

Liabilities under finance leases totaled EUR 262 thousand on the balance sheet date (previous year: EUR 140 thousand). The scope of the Group's finance leases is insignificant. In the previous year, lease liabilities were reported under „Other liabilities". The prior-year values have been reclassified accordingly in the annual report.

The Muehlhan Group has at its disposal credit lines totaling EUR 8.8 million (previous year: EUR 10.6 million), which can be used at its discretion as cash loans and guarantee credits. In addition, it has guarantee facilities totaling EUR 21.6 million (previous year: EUR 31.6 million) from Euler Hermes Kreditversicherungs AG and Zurich Versicherung Aktiengesellschaft. Apart from liabilities to banks in the amount of EUR 1.1 million (previous year: EUR 2.0 million), guarantee credits totaled EUR 10.2 million (previous year: EUR 13.0 million) as of 31 December 2008. At 31 December 2008, aside from cash and cash equivalents, the company had at its disposal unutilized overdraft and guarantee facilities in the amount of EUR 18.5 million (previous year: EUR 27.2 million). The effective interest rate on financial liabilities averaged 6.1% during the fiscal year.

12. Deferred government grants

Government grants for tangible assets are treated as deferred income and recognized as income over the expected useful life of the related asset.

13. Other liabilities

Other liabilities include the following items, shown by maturity:

	2008	Time to maturity			2007	Time to maturity		
in kEUR	Total	0-1 year	1-5 years	> 5 years	Total	0-1 year	1-5 years	> 5 years
Tax liabilities	3,493	3,493	0	0	2,816	2,816	0	0
Liabilities relating to social security	1,397	1,397	0	0	1,489	1,489	0	0
Liabilities to personnel	4,937	4,937	0	0	4,599	4,599	0	0
Deferred income	421	421	0	0	357	357	0	0
Sundry liabilities	2,127	2,127	0	0	1,714	1,714	0	0
Total	**12,374**	**12,374**	**0**	**0**	**10,975**	**10,975**	**0**	**0**

We withheld a remaining installment of the purchase price for the acquisition of CCC in the amount of EUR 0.7 million (USD 1.0 million) that would have been due in the third quarter of 2007. It is possible that we will assert claims for damages against the seller. Since realization is not regarded as probable, i.e., more likely than not to occur, we have not reduced the liability.

The fair value of "Other liabilities" is equal to the book value.

14. Deferred tax liabilities

The company's deferred tax liabilities pertain to the following items:

in kEUR	31 December 2008	31 December 2007
Non-current assets	306	286
Current assets	403	458
Provisions and other liabilities	276	348
Total	**985**	**1,093**

The changes in deferred tax liabilities are shown in the following table:

in kEUR	2008	2007
Balance at 1 January	1,093	1,033
Currency translation differences	-2	0
Amounts netted in the revaluation reserve account in equity with no effect on income/loss	8	0
Allocation affecting net income in the Group consolidated income statement	-113	60
Balance at 31 December	**985**	**1,093**

15. Provisions and contingent liabilities

The changes in tax provisions are shown in the following table:

in kEUR	Balance on 1 January 2008	Exchange differences	Utilization	Reversal	Addition	Balance on 31 December 2008
Tax provisions	**1,461**	**35**	**1,319**	**0**	**355**	**533**

Tax provisions mainly comprise income taxes accrued in 2008 but not yet paid as well as expected tax payments for prior years. No deferred taxes are included. Please refer to Note No. 8 above. The tax provisions are expected to result in an outflow of funds in the following fiscal year.

The changes in other provisions are shown in the following table:

in kEUR	Balance on 1 January 2008	Exchange differences	Utilization	Reversal	Addition	Balance on 31 December 2008
Warranties	376	7	14	35	23	357
Anticipated losses	34	2	0	36	0	0
Phantom shares	60	0	0	60	0	0
Total	**470**	**9**	**14**	**131**	**23**	**357**

For the most part, the provisions are expected to result in an outflow of funds in the following fiscal year.

In the Management Report (Heading: Restructuring in the USA completed with positive results) it has been stated that a client is asserting claims totaling USD 3.3 million for damages and additional expenditures. This involves a potential obligation resulting from past events whose existence is dependent on the occurrence or non-occurrence of one or more uncertain future events and therefore is not completely under our control. Since there is more evidence for than against the position that no current obligation exists, we have not set up any liabilities or accruals for this item.

There are no contingent liabilities which are likely to result in an outflow of funds.

16. Trade payables

The fair value of trade payables is equal to the book value. All liabilities have a term to maturity of one year or less.

IV. Segment reporting

17. Segment reporting

Primary reporting is by geographic region. Here, the Group's results are broken down into the European, American and Asian segments. Secondary reporting is by business segment. The Muehlhan Group operates four business segments: Ship Newbuilding, Ship Repair, Oil & Gas Offshore and Industry Services. Central functions and consolidation effects are shown on a separate line, in order to ensure that they are allocated to the Group as a whole. The primary reporting includes a regional breakdown by external revenues and income by segment (EBIT, or earnings before interest and taxes), gross assets, liabilities, investments and depreciation/amortization. Intersegment sales revenues, other non-cash items and investment results are immaterial and therefore have not been provided. The Muehlhan Group operates in all business segments in all the geographic areas; however, Muehlhan started operating in the Ship Newbuilding segment in Asia only in 2007. Within the business segments, figures are broken down by external sales revenues and EBIT. Any further breakdown would not be useful, since various assets are used in different business segments.

Breakdown by region:

	External revenues		EBIT		Depreciation and amortization	
in kEUR	2008	2007	2008	2007	2008	2007
Europe	165,831	156,843	14,483	14,004	3,957	3,416
America	21,873	26,730	301	-7,280	1,469	1,860
Asia	18,768	12,399	-647	1,952	1,082	738
Central divisions/Consolidation	36	120	-4,247	-5,815	510	487
Total	**206,508**	**196,092**	**9,891**	**2,861**	**7,017**	**6,501**

in kEUR	Gross assets (balance sheet total) 2008	Gross assets (balance sheet total) 2007	Debts 2008	Debts 2007	Investments 2008	Investments 2007
Europe	64,070	67,943	28,660	35,965	5,918	6,796
America	14,768	16,415	2,679	3,862	498	1,294
Asia	20,527	16,064	10,590	8,442	1,725	3,038
Central divisions/Consolidation	31,921	27,896	26,358	20,335	10,447	14,222
Total	**131,286**	**128,319**	**68,287**	**68,605**	**18,587**	**25,350**

Breakdown by business segment:

in kEUR	External revenues 2008	External revenues 2007	EBIT 2008	EBIT 2007
Ship Newbuilding	69,165	65,710	5,057	2,561
Ship Repair	42,164	45,086	3,578	6,695
Oil & Gas Offshore	14,434	13,647	-2,457	-2,605
Industry Services	80,709	71,529	7,959	2,025
Central divisions/Consolidation	36	120	-4,247	-5,815
Total	**206,508**	**196,092**	**9,891**	**2,861**

V. Notes to the income statement

18. Cost of materials and purchased services

This item may be broken down as follows:

in kEUR	2008	2007
Costs of raw materials, consumables and supplies	44,035	40,369
Cost of purchased services	49,135	49,571
Total	**93,171**	**89,940**

19. Personnel expenses

The average number of people employed (including the Executive Board) was as follows:

in kEUR	2008	2007
Europe (incl. Central divisions)	1,542	1,568
America	342	430
Asia	583	399
Total	**2,468**	**2,396**

The figures for Asia assume an average number of employees at the newly acquired Procon Emirates L.L.C. of 111. The acquisition at year-end 2007 did not lead to any additions in 2007.

Personnel expenses include:

in kEUR	2008	2007
Wages and salaries	60,623	59,846
Social security costs	10,375	12,540
Post-employment benefit costs	408	295
Total	**71,406**	**72,680**

The expenditure for research and development, which consists almost exclusively of personnel expenses, totaled EUR 0.2 million for the fiscal year.

Employee investment

In January 2007, Muehlhan AG introduced an investment program for executives of the Muehlhan Group in the form of a phantom share program. These share "options" grant beneficiaries a claim against the company for a cash payment if particular performance targets are met; financially, the effect for beneficiaries is the same as if they had acquired a share of the company at the issue price and resold the share at the market price on the exercise date (so-called "virtual share option program").

Phantom shares in the Muehlhan Group may be exercised only if the company's shares have experienced an increase in value (defined in greater detail in the terms and conditions) of at least 10% p.a. over the IPO price (EUR 5.80) since the allocation date. For each phantom share tranche allotted to him or her, the beneficiary is bound by a staggered vesting period which is two years for a third of the allocated phantom shares, three years for another third, and four years for the final third. The maximum term of the phantom shares is six years, after which they expire.

The program provided for the issuance of up to 650,000 phantom shares to members of the Executive Board, continental management, the managing directors of the subsidiaries and other Muehlhan AG executives. As of 31 December 2008, 278,000 phantom shares had been issued. A provision of EUR 60 thousand was set up in the previous year to cover the liability under the employee investment program; however, this amount was reversed and reported in income in 2008 since there is no longer any expectation that it will be used.

20. Expenses for financial instruments

In addition to interest expense, 2008 expenses for financial instruments also include an amount of EUR 134 thousand in connection with the valuation of the bond at amortized cost (previous year: EUR 126 thousand).

Borrowing costs were expensed pursuant to IAS 23. No borrowing costs were capitalized, since these costs could not be attributed directly to a qualifying asset.

21. Other operating income and other operating expenses

Other operating income (2008: EUR 6,628 thousand; previous year: EUR 6,535 thousand) primarily includes exchange gains (EUR 3,137 thousand; previous year: EUR 1,939 thousand), gains from the disposal of fixed assets (EUR 1,716 thousand; previous year: EUR 420 thousand) and insurance benefits (EUR 497 thousand; previous year: EUR 262 thousand). In the previous year, the largest item was income from GIVE's waiver of receivables from MCN of EUR 2,009 thousand.

Other operating expenses (2008: EUR 31,651 thousand; previous year: EUR 30,267 thousand) primarily include travel expenses (EUR 5,063 thousand; previous year: EUR 5,082 thousand), rentals and incidental expenses (EUR 3,069 thousand; previous year: EUR 2,795 thousand), exchange losses (EUR 2,475 thousand; previous year: EUR 4,080 thousand), motor vehicle expenses (EUR 2,644 thousand; presvious year: EUR 2,707 thousand), repairs (EUR 2,693 thousand; previous year: EUR 2,552 thousand), write-downs and losses of receivables (EUR 2,686 thousand; previous year: EUR 1,493 thousand), legal and consulting expenses (EUR 2,307 thousand; previous year: EUR 2,736 thousand), insurance premiums (EUR 1,845 thousand; previous year: EUR 1,953 thousand) and staff training and other personnel costs (EUR 2,411 thousand; previous year: EUR 2,151 thousand).

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

22. Taxes on income

Taxes on income may be broken down as follows:

in kEUR	2008	2007
Current tax expense	-2,336	-2,354
Deferred taxes	-267	1,705
Total	**-2,603**	**-649**

In principle, MYAG and its German subsidiaries are subject to the corporate tax and the solidarity levy, as well as the trade tax, which in 2007 was still deductible from taxable income for corporate tax purposes. This resulted in a composite tax rate of 40% for 2007. By contrast, a composite tax rate of 31.5% is assumed from 2008 onwards due to the tax reform in Germany.

Reconciliation of theoretical and actual tax expenses:

in kEUR		2008	2007
Earnings before taxes		7,627	1,101
Theoretical tax expenses			
at the tax rate of MYAG: 31.5% (previous year: 40%)		-2,403	-440
Adjustments as a result of the utilization or capitalization of hitherto unused tax loss carryforwards		-59	130
Effects of differing tax rates		-8	-275
Adjustments as a result of prior-period tax refunds and tax expenses		-133	-64
Actual tax expenses		**-2,603**	**-649**
Actual tax rate	in %	34.1	59.0

23. Earnings per share

As in 2007, earnings per share were calculated on the basis of an average of 19,500,000 ordinary shares. Since there were no potential ordinary shares as of the balance sheet date, basic and diluted earnings per share are identical.

VI. Other disclosures

24. Transactions with related parties (companies and persons)

Transactions between the company and its subsidiaries deemed to be related parties have been eliminated on consolidation and are not commented on in these notes.

Related companies and persons within the shareholder group have been mentioned under Note No. 9 above. The composition of the Executive Board and the Supervisory Board is discussed in Notes 28 and 29. The Chairman of the Supervisory Board, Dr Wulf-Dieter H. Greverath, is also a related person within the meaning of IAS 24.9, since he is simultaneously a major shareholder of Muehlhan AG through the companies he controls. Dr Greverath and the companies controlled by him are referred to as the “Greverath Property” in the following comments. In 2008, the Group’s expenses relating to the Greverath Property totaled EUR 321 thousand and consisted of rent, real estate taxes and Supervisory Board compensation. These were partially offset by income in 2008 of EUR 7 thousand from the provision of scaffolding services.

At the balance sheet date, the Greverath Property owed the company EUR 36 thousand in trade payables. These liabilities pertain to Supervisory Board compensation.

25. Other financial commitments and contingent liabilities

At the balance sheet date, consortium memberships entailed the customary contingent liabilities.

Other financial commitments consisting mainly of rental and lease payments amounted to EUR 2,853 thousand, of which EUR 1,291 thousand is due in 2009, EUR 722 thousand in 2010 and EUR 839 thousand at a later date.

26. Executive Board

The following persons are or were members of the parent company’s Executive Board:

Dr Andreas C. Krüger (Chairman), Hamburg
Mr Bernd Janssen, Buchholz (through 22 April 2008)
Mr Carsten Ennemann, Hamburg

One director represents the company jointly with another director or authorized officer. Dr Krüger is exempted from the restrictions stipulated in Section 181 of the German Civil Code (BGB). The compensation of the parent company’s Executive Board totaled EUR 728 thousand for the fiscal year.

27. Supervisory Board

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

Dr Wulf-Dieter H. Greverath (Chairman), Managing Director, Hamburg
Dipl.-Ing. Dr Gottfried Neuhaus, Managing Director, Hamburg
Mr Philip Percival, Managing Director, London, Great Britain

The Supervisory Board was paid EUR 61 thousand for reimbursement of expenses for the fiscal year.

28. Financial instruments

For trade receivables, other receivables and other assets, loans, cash and cash equivalents, trade payables and other liabilities, the book value approaches the market value. Financial investments include interests that are not traded on an active market whose fair value cannot be determined reliably and which therefore are valued at amortized cost. The bond issued in 2006 is also valued at amortized cost. For more information, please refer to Section II of these notes, Significant consolidation, accounting and valuation principles.

Capital risk management

The Muehlhan Group manages its capital with the objective of maximizing the income of the company's stakeholders by optimizing the relationship between debt and equity. The Group companies' equity ratio should not be less than 25%. No target is set for the parent company. For the reporting year, the Group was required by the bond terms to maintain a minimum consolidated equity ratio of 45%. As of 31 December 2008, the Group had a consolidated equity ratio of 48.0% (previous year: 46.5%).

Financial risk management

The parent company performs various treasury services for the Group companies. On the one hand, it prepares a liquidity preview 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 regulates, 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. Because 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 book value of all financial assets plus the nominal value of contingent liabilities, not including potential warranty obligations. To the extent that default risks are foreseeable for financial assets, these are reflected by impairment adjustments.

Interest -rate risk

Some 97% of the Group's financial liabilities are long-term and carry a fixed rate of interest. The Group therefore has no significant interest-rate risk exposure.

Liquidity risk

Liquidity planning systems ensure early detection of any risks from cash flow fluctuations. The bond issue and the issue of new shares in 2006 improved the Group's liquidity position on a long-term basis.

Currency risk

More than 60% of the Group's sales revenues are generated in Euros or the Danish Kroner, which scarcely fluctuates in relation to the Euro. For the most part, the remaining revenues generated in foreign currencies are offset by expenses in the same currencies, meaning that the currency risk from operations is limited to the profit contribution from the companies concerned. The Group does not hedge this risk as a basic principle. While foreign currency losses reduced the Group's net income by EUR 2.1 million in the previous year, the Group posted a currency gain of EUR 0.7 million for the current year. The prior-year change in the Group's financing structure substantially reduced the impact of exchange rate fluctuations on the income statement.

Hamburg, 9 March 2009
The Executive Board

Statement of the Auditors` Report*

“We have audited the consolidated financial statements prepared by Muehlhan AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January 2008 to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform our audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.“

Hamburg, 10 March 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Rohardt)
Wirtschaftsprüfer

(ppa. Armbrecht)
Wirtschaftsprüfer

* Translation of the German Auditors’ Report

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31 March 2009	Publication of year-end results 2008
15 May 2009	Publication of 1st quarter figures 2009
19 May 2009	General Meeting 2009
14 August 2009	Publication of half-yearly report 2009
13 November 2009	Publication of nine-month figures 2009

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

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

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