ANNUAL REPORT 2019

2019

Daldrup & Söhne AG

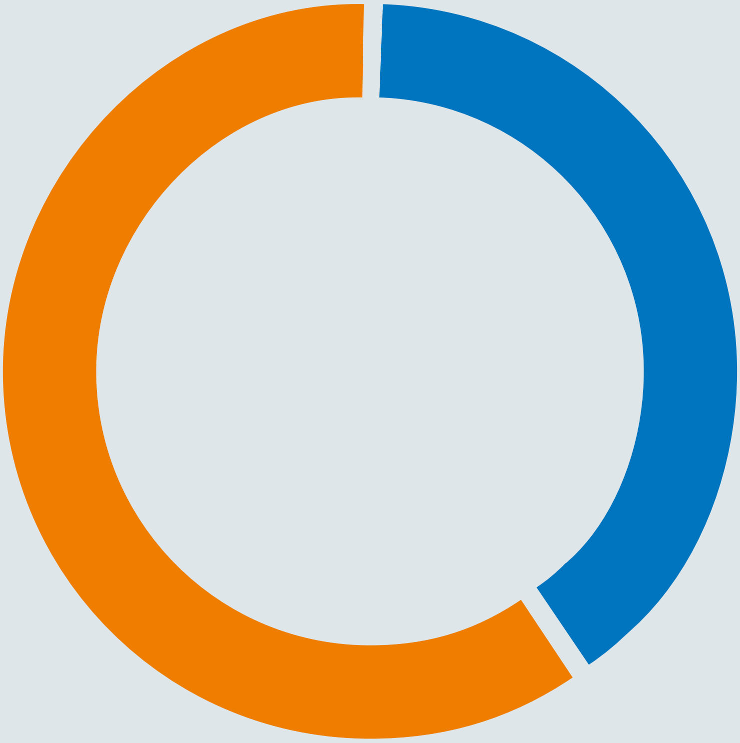
Bohrtechnik

SHARE INFORMATION

ISIN: DE0007830572
WKN: 783057
Exchange segment: Open Market, Scale of the Frankfurt Stock Exchange
Ticker Symbol: 4DS
Fiscal Year End: 31 December

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2019

DALDRUP FAMILY:	59 %
FREE FLOAT:	41 %



Please note that rounding differences may occur if rounded amounts or percentages are used due to commercial rounding practices.

FOREWORD BY THE MANAGEMENT BOARD

Dear Ladies and Gentlemen, Dear Shareholders,

The fiscal year 2019 was a special year for Daldrup & Söhne AG in every respect. In addition to handling a pleasingly high order backlog, work started on key issues relating to the strategic alignment of the business model and the basis was laid down for its implementation in 2020.

A key element was the two-stage sale of Geysir Europe GmbH with its subsidiaries, including their long-term equity investments in the Taufkirchen and Landau geothermal power plants. This sale represented a decisive turning point for the Group from a financial and operational perspective that will have an impact from fiscal year 2020 onwards. In drawing on all of its available resources, Daldrup & Söhne AG can now focus on the operational drilling business in order to be able to meet the high demand for drilling services and projects to exploit geothermal energy. Daldrup will therefore also continue to play an active role in the fields of shallow, medium-depth and deep geothermal energy, in the Water Technology business unit and in its provision of services for mining succession and strata and raw material exploration. The Company will maintain its regional focus on the DACH region and the Benelux countries. The additional aim here is to further strengthen our market position in Germany and other stated European countries as a supplier of geothermal energy projects in the medium-sized enterprise category and expand profitably in line with our plans.

With the sale of the Geysir Europe Group, Daldrup & Söhne AG has made significant adjustments to its strategic aim of becoming an independent medium-sized energy provider. In addition to a profitable drilling business, our aim over the next few years is to build up a portfolio of appropriate minority shareholdings, particularly in heating plants but also in power plants. As always, this relies on the fact that these minority shareholdings comply with the medium-sized company structures and risk profile of Daldrup & Söhne AG. Such long-term equity investments may arise from drilling contracts for geothermal energy projects or be acquired in existing plants. The aim here is to generate continuous and predictable cash flows alongside the project business that is rather volatile in terms of revenue.

Our drilling rigs and teams were working at a continuous capacity in the year under review, which is reflected in gross revenue of EUR 41.8 million, a figure representing a 20 % or so increase compared to the previous year, meaning therefore that we exceeded the Group forecast in this regard. The earnings figures of the Daldrup Group in 2019 are largely shaped by special factors arising from the sale of the Geysir Europe Group. These are primarily losses in conjunction with the sale of receivables and the revaluation of receivables remaining within the Daldrup Group during the course of the sale, which account for approximately EUR 18 million in the earnings statement. The EBIT loss within the Group amounts to EUR 10.8 million in this regard. The EBIT loss within the Group, adjusted to take into account the aforementioned expenses during the course of the sale of the Geysir Group, amounts to EUR 1.3 million. There is a total consolidated loss of approximately EUR - 12.3 million (previous year: EUR - 18.5 million).

When adjusted to take into account the aforementioned factors, there is an operating loss of EUR - 2.8 million, which is primarily attributable to the first half of 2019 and, thus, to the period the Geysir Europe Group was fully consolidated. However, the quality of these results is clearer if we focus on the operational activities consolidated primarily in the individual financial statements of Daldrup & Söhne AG.
When adjusted to take into account the factors attributable to Daldrup & Söhne AG arising from the sale of the Geysir Europe Group, the Company (AG) generated a positive EBIT figure of EUR 1 million in the 2019 year under review.

The Management Board intends to complete the realignment of the internal structures commenced in 2019 as well as the expansion of the management and control mechanisms by the end of this year. The Group's organisational structure, order controlling, management, risk recognition and reporting tools are being expanded in a measured way. We are also endeavouring to hire additional specialist staff to further strengthen our drilling team along with suitable staff for the controlling and management functions in administration. We also hope to give greater impetus in the near future to promoting training for apprenticeship trades such as well constructors, office administrators and plant mechanics. The aim here is to encourage young people to take up these roles of the future with Daldrup & Söhne AG that are relevant to protecting the climate.

Daldrup & Söhne AG's well-filled order books indicate our capacities in all four business units are utilised well into 2021. The future order pipeline looks promising too. Municipalities and infrastructure investors continue to show decisive interest in geothermal heat and power projects which they can also acquire on a turnkey basis from Daldrup & Söhne AG. The initial well for the Luttelgeest project for a consortium of greenhouse operators in the Netherlands has been successfully sunk. Additional wells, the construction of a heating plant and heating supply network for consumers will follow in the next stages of construction. The second demanding deep strata exploration drilling well was successfully started for Nagra, with additional wells notified.

There has not been any noticeable fall in demand to date as a result of the COVID-19 pandemic. It has not resulted in orders being cancelled to date. This is also linked to the fact that investment decisions for our ongoing projects are already made months in advance and we are working within the framework of secure budgets. In addition, investment decisions on the energy supply for municipalities and private investors are guided by long-term considerations and are in many cases part of services of general interest. The increase in energy demand as part of the energy transition (power for heat pumps, replacement for heatextraction from coal-fired power plants, e-mobility, production of hydrogen for power-intensive industry, etc.) will continue to make such investments necessary, regardless of any pandemic.

The benefits of geothermal energy for the success of the energy transition are clear; geothermal electricity and heat are generated almost CO_2-neutrally, are eligible for base-load and are decentralised, i.e. received by the consumers in the region of the production. Geothermal energy is an essential supplement to wind and solar capacities that are not eligible for base-load in the energy mix of renewable energies. This applies in particular if large volumes of previously secure capacities of electricity and heat are removed from the market in the course of withdrawing from nuclear and coal power within relatively short periods of time. No other source of energy than geothermal energy comes closer to the objective of a sustainable, preferably regional energy supply with the lowest possible environmental impact.

Cities and municipalities have long-term plans in place and rely on replacing fossil energy sources to generate electricity and heat with renewable energy sources. This so-called heating transition secures geothermal energy as a market of interest in the medium term. The city of Munich is one such example. It has set itself the target of supplying its population with heat based on renewable energy sources by 2035. Geothermal energy will therefore make a major contribution in the region as a result of the favourable geological conditions in place. In the past three years, Daldrup & Söhne AG has successfully sunk six deep wells to open up hot water aquifers for Stadtwerke München.

The political framework conditions for geothermal energy in the electricity and heating sectors are stable, as far as this can be assessed from today's perspective, and the framework of support continues to be expanded. At the start of the year, the German government implemented an ambitious framework of support entitled "Heating with renewable energy sources" and expanded the support options available within the framework of the German Market Incentive Programme for heating projects.

As a result, the incentives for private households, municipalities and infrastructure investors have been improved further for the use of shallow and medium-depth geothermal energy. We are therefore confident that we will be able to trade profitably in this environment with a strong market position. The numerous reference sites featuring top quality and demanding wells, drilling teams that are experienced in geothermal energy, the fact that Daldrup & Söhne AG has been well known for a number of years and its strong market position in Central Europe all give the corporate group important competitive advantages. We offer our customers tailor-made solutions to cater for their specific geothermal energy needs. With tools to minimise risk, such as the ART structure or tailor-made complete solutions, we are paving the way towards decentralised and environmentally friendly energy supplies.

Given this backdrop, the Management Board is assuming consolidated total revenues of around EUR 40 million and a positive operational EBIT margin of between 2 % and 4 % for the current fiscal year 2020.

We extend our particular gratitude and appreciation to our employees. You have demonstrated your flexibility and huge commitment to our customers as well as Daldrup & Söhne AG. We also wish to thank our customers and you, our shareholders, for the trust that you have placed in us.

Best regards and good luck!

Oberhaching, May 2020

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Board member)

Bernd Daldrup
(Board member)

Peter Maasewerd
(Board member)

Stephan Temming
(Board member)

SUPERVISORY BOARD REPORT FOR FISCAL YEAR 2019

Dear Shareholders,

During fiscal year 2019, the Supervisory Board performed their duties as stipulated by law, the Articles of Association and the Rules of Procedure. They advised the Management Board concerning the management and strategic alignment of the Company and monitored them with regard to their conduct of the Company's business on the basis of all information made available to it. To this end, the Supervisory Board was informed regularly and contemporaneously about the course of business in the four divisions, the Group's economic situation, the risk situation, in particular the status of the Landau and Taufkirchen geothermal power plants, the ongoing negotiations with potential investors in the Geysir Europe Group and current issues. This was done at and outside of Supervisory Board meetings by means of written or verbal reports. For this purpose, the Supervisory Board received information or documents concerning plans, key strategic decisions and the net assets, financial position and results of operations. Departures from specified plans were discussed intensively by the Supervisory Board. Opportunities and risks related to the course of business were regular topics of the Supervisory Board's deliberations.

The Chairman of the Supervisory Board was also in contact with the Management Board outside of meetings and was informed about significant developments that were material for the assessment of the given situation and for the management of the Company and the Group.

The Supervisory Board's deliberations at all meetings during the reporting period focused on organisational and personnel structures within the Daldrup Group, operational business development and the further refinement of the Daldrup business model. During the year under review, this included in particular deliberations and the passing of resolutions regarding the sale of the Geysir Europe Group as a subgroup. The Supervisory Board regularly discussed the development of the order situation within the individual business units, project progress for major deep geothermal projects, the situation regarding the Taufkirchen and Landau power plants and other power and heating plant projects.

MEETINGS AND KEY TOPICS

Ten ordinary Supervisory Board meetings were held during fiscal year 2019 on 18 February, 15 March, 1 April, 22 and 31 May, 19 and 21 August, 26 September, 15 November and 27 December. All Supervisory Board members attended all of these Supervisory Board meetings. The Supervisory Board meetings on 1 April and 31 May were held by telephone. No committees were formed, for reasons of efficiency.

The primary subject of the Supervisory Board meeting on 18 February was to discuss the state of play with the Taufkirchen power plant. At the Supervisory Board meeting on 15 March, options regarding the sale of the Geysir Group were discussed and a resolution was passed to begin negotiations with the potential buyer IKAV, a renewable energy investor. On 1 April, the Supervisory Board approved the purchase of additional shares (22.88 %) in Geysir Europe by Daldrup & Söhne AG in order to be able to simplify the structure of the sale of the entire Group.

At the Supervisory Board meeting on 22 May, the Management Board explained the annual financial statements and consolidated financial statements for Daldrup & Söhne AG and the Group for fiscal year 2018 as well as the Management Board's proposal for the appropriation of net retained profits. This meeting was attended by the Management Board and the auditors. They explained the primary findings of their audit. Questions from Supervisory Board members and individual issues were discussed intensively and in detail. Staff shortages in accounting and controlling and thus weaknesses in the internal control system were addressed.

The Supervisory Board took note of the financial statements and management reports and agreed to take a decision on the annual financial statements and consolidated financial statements for Daldrup & Söhne AG and the Group for fiscal year 2018, respectively, as well as on the proposal of the Management Board for the appropriation of net retained profits and the dependent company report from the Management Board in the form of a telephone conference held on 31 May following its own detailed review. The Supervisory Board was also informed at this meeting about the status of the Landau and Taufkirchen power plants.

In the course of the Supervisory Board meeting held by telephone on 31 May, the Supervisory Board determined that there were no objections to be raised regarding the financial statements and management reports and, by circular resolution dated 31 May 2019, with one abstention, approved the annual financial statements and management reports for fiscal year 2018 presented by the Management Board for the Company and the Group as well as the dependent company report from the Management Board. The annual financial statements of the Company were thus adopted (Section 172 of the German Stock Corporation Act (AktG)). The Supervisory Board also approved the Management Board’s proposal for the appropriation of net retained profits.

At the meeting held on 19 August, the Supervisory Board and Management Board, together with a management consultant instructed beforehand, discussed the Group's liquidity position and the reasons for the operating loss recorded in fiscal year 2018, as well as the resulting proposals to reorganise the Company. In addition, the Supervisory Board and the Management Board discussed the ongoing negotiations and the agreements reached with IKAV.

On 21 August, the Supervisory Board and the Management Board talked about the progress of discussions with IKAV and the other potential investors.

At the meeting held on 26 September, the Supervisory Board discussed the half-year consolidated financial statements as at 30 June 2019 and business development for the first eight months of the fiscal year. The Management Board presented the status of individual drilling projects and the development of the order situation within the individual divisions. The board in turn talked in particular about the measures for reorganising the corporate structure along with additional staff appointments. The Management Board also discussed the state of play of negotiations with IKAV.

At the meeting held on 15 November, the Supervisory Board discussed in particular the ongoing negotiations with potential investors regarding the sale of the Geysir Europe Group and the Company's efforts to make additional staff appointments. The Supervisory Board meeting held on 27 December also dealt with both of the aforementioned issues. No resolutions were passed.

There were no conflicts of interest among members of the Supervisory Board during the reporting period.

ORGANISATION OF THE SUPERVISORY BOARD

The members of the Supervisory Board during the year under review were Wolfgang Clement (Chairman), Wolfgang Quecke (Deputy Chairman) and Joachim Rumstadt. They have been elected until the end of the Annual General Meeting which resolves on the discharge of the members of the executive bodies for fiscal year 2021.

On 31 December 2019, Joachim Rumstadt stepped down from his mandate as a member of the Supervisory Board. The Supervisory Board and the Management Board thanked him for his long service and his constructive and highly skilled work on the committee for the Company.

Stephan Temming has been reappointed to the Management Board for a period of five years with effect from 21 August 2019. He is responsible for the Finance, Controlling, Business Development and Investor Relations business units and their expansion.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2019

The Management Board has prepared the annual financial statements, the consolidated financial statements and the Group management report for Daldrup & Söhne AG for fiscal year 2019 in accordance with the provisions of the German Commercial Code. Warth & Klein Grant Thornton AG, Auditing Company, Düsseldorf, which was elected as auditor by the Annual General Meeting on 22 August 2019, audited the annual financial statements, the consolidated financial statements and the Group management report for Daldrup & Söhne AG for fiscal year 2019, including the accounting, and issued an unqualified audit opinion in each case. The Supervisory Board satisfied itself of the independence of the auditor and of the persons acting on behalf of the auditor. The annual financial statements, the consolidated financial statements, the Group management report and the auditor's reports were made available to, and acknowledged by, all members of the Supervisory Board. These documents were discussed in detail by the Supervisory Board together with the Management Board and the auditor, who reported on the primary results of the audit and was available to provide information and explanations, at a Supervisory Board meeting on 28 May 2020.

The first appointments of new members of staff to resolve the shortages in the Company's Accounting department were effected at the start of fiscal year 2020. The order-based controlling for the Company needs to be expanded. This required more extensive measures, including those related to staffing, including the IT infrastructure. Thereafter, the Supervisory Board unanimously approved the results of the audit on 28 May 2020 by way of a circular resolution and approved the annual financial statements, the consolidated financial statements and the Group management report prepared by the Management Board for the year ended 31 December 2019.

The annual financial statements for Daldrup & Söhne AG for fiscal year 2019 have thus been adopted in accordance with Section 172 of the German Stock Corporation Act.

DEPENDENCY REPORT

The dependent company report as at 31/12/2019 prepared by the Management Board contains, in accordance with the audit by the public audit company, the prescribed disclosures pursuant to Section 312 (1) AktG and concludes that Daldrup & Söhne AG was not disadvantaged with regard to the presented legal transactions and measures, and received appropriate consideration. The financial statement auditor issued the following unqualified auditor's opinion:

"In accordance with our conscientious audit and assessment, we confirm that 1. the statements of fact in the report are correct, 2. the consideration of the Company in the course of the transactions listed in the report was not unreasonably high or any detriments were offset, 3. the measures listed in the report are not the occasion for an assessment substantially different from that of the Management Board." The Supervisory Board assessed the dependent company report provided by the Management Board and the audit report provided by the financial statement auditor. Following the final result of the Supervisory Board's own assessment of the dependent company report, it has no objections against the declaration of the Management Board in respect of the dependent company report.

The Supervisory Board thanks the members of the Management Board and all employees of Daldrup & Söhne AG and its affiliated companies for their personal contribution and commitment during the year under review.

Oberhaching, 30 May 2020

Wolfgang Clement
Chairman of the Supervisory Board

DALDRUP & SÖHNE AG 2019 WEAKER THAN MARKET INDICES

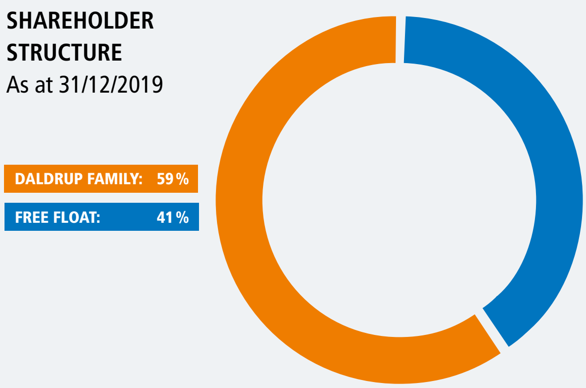
Daldrup & Söhne AG shares started the stock market year 2019 with a price of EUR 8.65. By mid-April, the share reached its annual high of EUR 9.50. The share price fell significantly in several stages up until the start of August, when it reached its annual low of EUR 2.70. By the end of the year the share price had recovered to EUR 3.73. The share price thus fell by around - 57 % over the year as a whole (previous year: - 36.5 %). Major factors here were the operating losses in fiscal year 2018 and the outlook for fiscal year 2019 as part of the strategic realignment of Daldrup & Söhne AG with the gradual sale of Geysir Europe GmbH and all associated power plant activities to IKAV Invest S.à r.l..

The stock market year 2019 was characterised by almost continuous share price increases, with the DAX increasing by 25.5 % (previous year: - 18.3 %). The TecDax gained 22.3 % (previous year - 3.1 %). The sector-specific DAXsector All Industrial index, which covers Daldrup & Söhne AG, surged by 28.9 % (previous year: - 16.3 %) and the DAXsub-sector All Renewable Energies increased by 71.3 % (previous year: - 36.1 %). The Scale 30 Index grew by 24.5 % (previous year: - 29.2 %).

Sales of Daldrup shares on XETRA, tradegate and the regional stock exchanges averaged 9,265 shares per day during the reporting period (2018: around 4,750). Market capitalisation at the end of the year was around EUR 22 million (previous year: EUR 48 million).

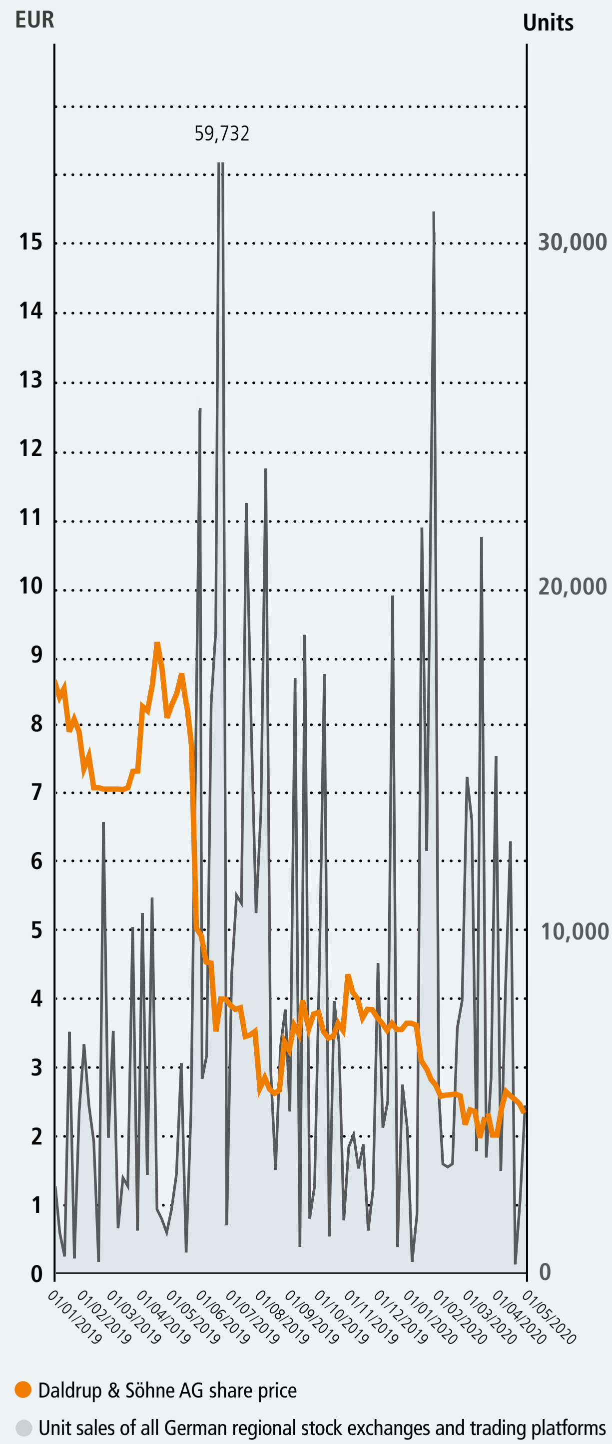
The latest valuations and price targets of the analyst firms Pareto Securities and SMC Research were EUR 4.00. Analysts rated the share "buy" and "hold" respectively.

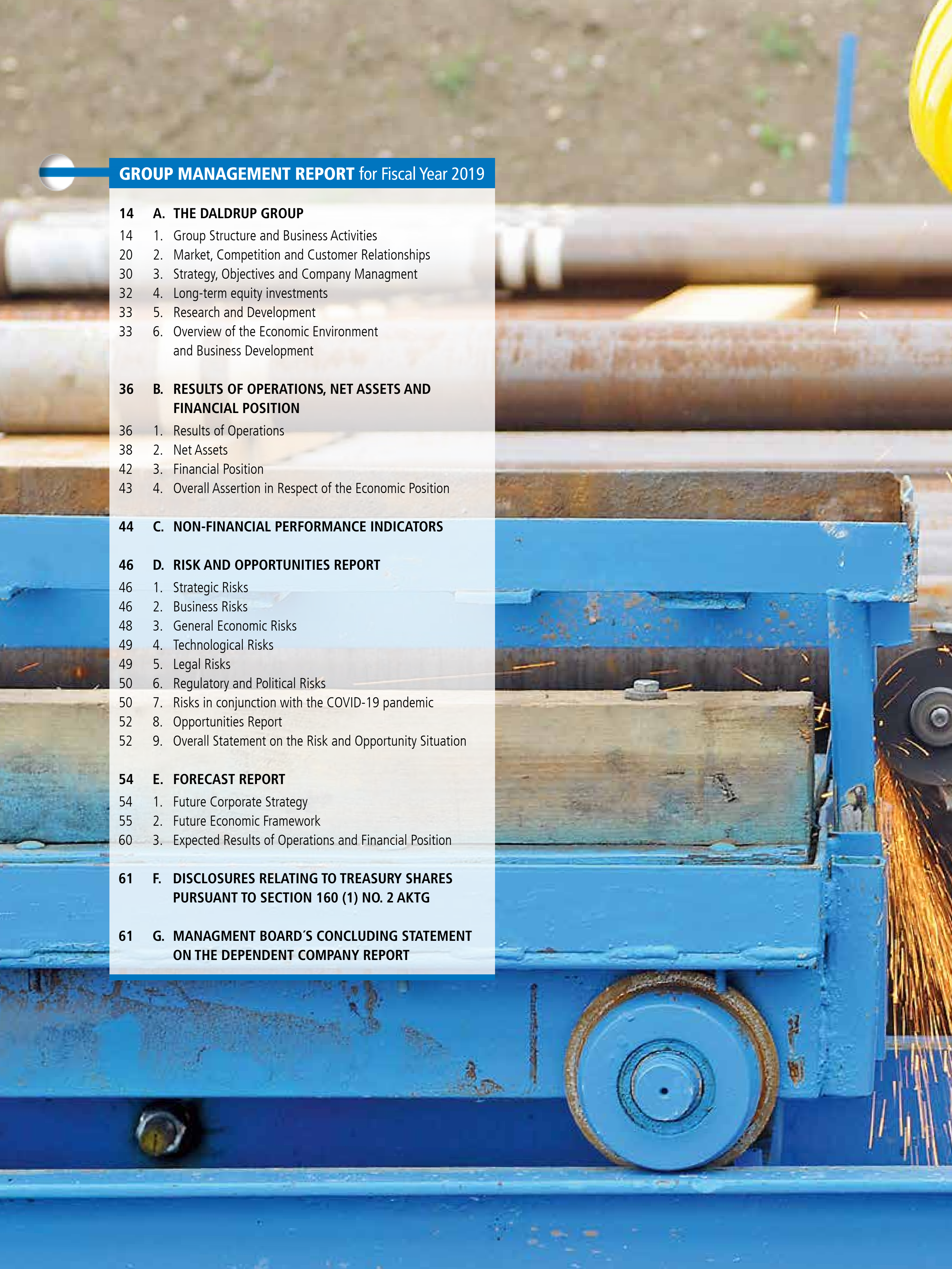
SHAREHOLDER STRUCTURE
As at 31/12/2019



Investor relations work in the year under review focused in particular on discussions with investors and analysts to clarify consolidation as well as the further development of the Daldrup Group's business model at capital market events such as the Equity Forum of Deutsche Börse AG.

DALDRUP & SÖHNE AG SHARE PRICE DEVELOPMENT FROM 2019 TO APRIL 2020





GROUP MANAGEMENT REPORT for Fiscal Year 2019

GROUP MANAGEMENT REPORT
FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019 OF DALDRUP & SÖHNE AKTIENGESELLSCHAFT, OBERHACHING

A. THE DALDRUP GROUP

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

As the parent company of the Daldrup Group, Daldrup & Söhne AG remains one of the most sought-after leading providers of drilling and environmental services in Germany and Central Europe. The Company's activities are organised into the business units of Geothermal Energy, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS).

The Daldrup Group also occupied all positions in the value chain for geothermal projects via Group division II up until 31/12/2019. All power plant activities were grouped together within Geysir Europe GmbH and its direct subsidiaries. The aforementioned companies formed a subgroup within the Daldrup Group. This Group division II primarily included the claim rights, the development companies and/or the general contractor Exorka GmbH for purposes of developing new products through to market launch. The interests in the power plants in Landau and Taufkirchen were also grouped together here.

Daldrup sold this Group division II, including the shares in the stated power plants, in a two-stage process to a renewable energy investor on 30 June 2019, and then in a second stage on 13 January 2020, except for shares in the project company Geothermie Neuried GmbH & Co. KG, Neuried.

The business activities of Daldrup & Söhne AG primarily remained the same in the year under review. The company is one of the most sought-after leading providers of drilling and environmental services in Germany and Central Europe. The Company's activities are organised into the business units of Geothermal Energy, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS).

Within the framework of these geothermal energy projects, Daldrup & Söhne AG combines its drilling equipment and drilling know-how to provide fundamental service elements for the utilization of geothermal energy in heat and power projects.

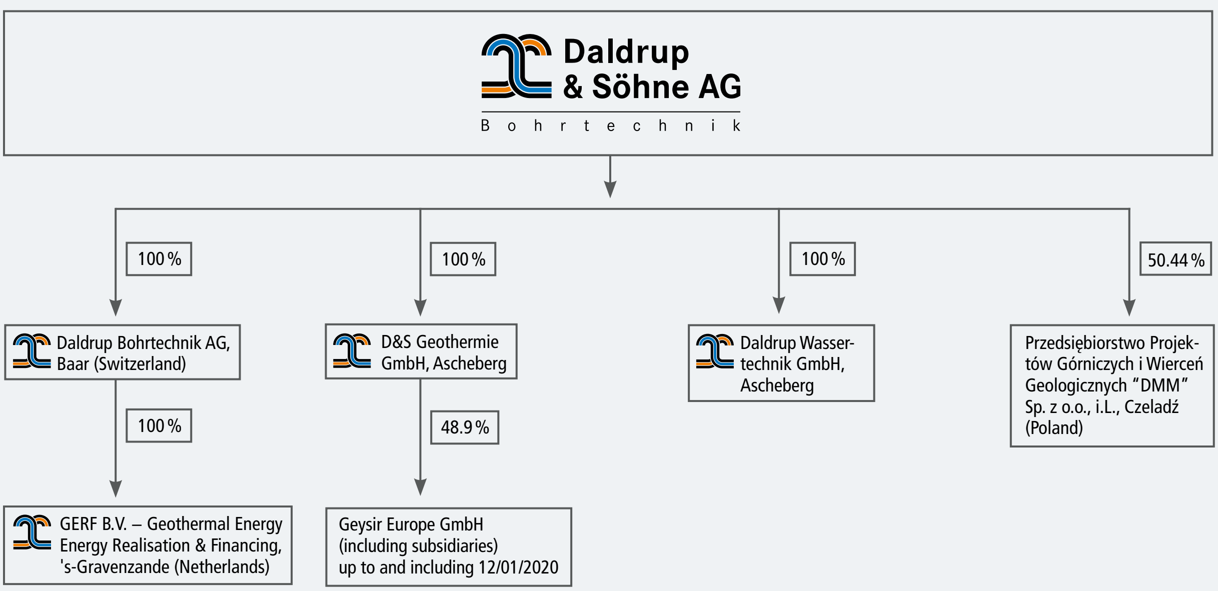
PROVIDER OF DRILLING SERVICES

Daldrup
& Söhne AG
Bohrtechnik

Daldrup provides numerous customers from industry, suppliers, municipal/government bodies and private customers with comprehensive drilling and environmental services.

Geothermal Energy Deep | Medium-depth | Shallow	Water Procurement	Raw Materials & Exploration	EDS

GROUP STRUCTURE AS AT 31/12/2019



GEOTHERMAL ENERGY: A RENEWABLE AND INFINITE ENERGY SOURCE

The Geothermal Energy business unit provides drilling services for near-surface geothermal energy (particularly geothermal probes for heat pumps) but, above all, drilling services for deep geothermal energy as well. The utilisation of deep geothermal energy requires drilling to depths of up to 6,000 metres so that the geothermal energy that then becomes accessible can be used profitably for electricity and/or heat generation.

Geothermal energy continues to gain importance globally in terms of the generation of heat and electricity as a minor component of renewable energies within the overall energy mix; its growth trajectory is sound. Particular preference here is given to countries that have high enthalpy deposits. High enthalpy deposits are sites in which high temperatures (over 200 °C) or pressures can be found at relatively shallow depths (< 2,000 m). In low enthalpy regions, however, such as Germany and its neighbouring countries, deeper wells and processes called binary power plant circulation processes are used to generate electricity from geothermal energy.

The direct use of geothermal energy for heating and cooling also offers very profitable opportunities in Germany and in areas of neighbouring EU countries. These include, for example, the housing industry, both for new construction projects as well as the energy-efficient building renovation and local and district heating as well as commercial applications of heat use, such as in greenhouses, fish farms, drying processes, etc. Reservoirs with thermal water temperatures that are lower than 110 °C and that generally require drilling depths of between 1,000 and 3,000 metres can be used in this manner. During the last few years, the German regulatory framework to promote the use of heat from renewable energy sources has also continued to be extended and improved. Neighbouring countries, such as the Netherlands, are pursuing similar paths in order to break up existing dependencies on fossil fuels.

The main focus of the Daldrup & Söhne AG German operations remains in geothermal hotspots located in Germany, in the Bavarian Molasse basin around Munich, the Upper Rhine Rift Valley, and at a later stage, in the North German Plain. The activities undertaken in Europe in fiscal year 2019 concentrated particularly on the Netherlands and Switzerland. Beside these countries, there are specific options to make acquisitions in parts of Italy that are of interest from a geological perspective. To such an extent, Daldrup & Söhne AG's activities across Europe will subsequently continue to focus on sites with especially good geothermal energy potential and corresponding sales opportunities for electricity and heat.

Deep wells down to a depth of 6,000 metres represent ever greater challenges for planning as well as cross-connection between employees, technology and suppliers in the drilling phase. Daldrup & Söhne AG has successfully drilled more than 10,000 wells in various geological formations during the course of the Company's history, including the sinking of over 50 wells for deep geothermal projects. The Geothermal Energy business unit's share of gross revenue generated by Daldrup & Söhne AG in 2019 reached 31 % (previous year: 81 %).

NEURIED GEOTHERMAL POWER PLANT PROJECT

The project rights and assets of the Neuried geothermal power plant project have not been sold as part of the sale of shares in Geysir Europe GmbH. They have been retained by Daldrup. The further intention here is to utilise geothermal energy in Neuried.

The aim is to implement this with a strong financial partner that intends to take a majority stake in the project company to begin with, and then in the operating company at a later date.

Deep and medium-depth geothermal energy

Shallow geothermal energy

1 Bentec 350-t-AC for deep wells up to 6,000 m

4 plants for drilling depths of 2,000 m up to max. 4,000 m

8 plants for drilling depths of 400 m to 2,000 m

27 drilling rigs up to max. 400 m drilling depth or for special wells

THE DALDRUP GROUP ALTERNATIVE RISK TRANSFER (ART) CONCEPT

Together with well-known partners of the insurance industry, Daldrup & Söhne AG has recently developed a risk transfer structure to hedge the exploration risks inherent in the preparation of deep geothermal projects. This hedging concept, which is exclusively available to customers of Daldrup & Söhne AG, enables geothermal drilling and energy projects for medium-sized customers of Daldrup & Söhne AG in the first place in many cases as the financing of geothermal projects can now also be accompanied with a high proportion of borrowed capital. For project developers and investors this therefore means that geothermal wells – including the initial well which entails the highest exploration risk – can be financed via banks right from the outset. Daldrup acts neither as a financier nor as an insurer in this context. The exploration risks are borne by third parties. The ART concept is therefore an extremely important customer and project acquisition tool in Central Europe and remains a unique selling point for the Daldrup Group.

Raw Materials & Exploration

In the Raw Materials & Exploration business unit, Daldrup & Söhne AG carries out drilling operations on behalf of national and international mining and exploration companies for the exploration of deposits of fossil fuels (especially anthracite, oil and gas) as well as mineral raw materials (e.g. salts, ores, copper, nickel, zinc and limestone). Another major area comprises activities in respect of the exploration and securing of the substratum in mining areas. The share of Group revenue generated in 2019 by this business unit amounts to 46 % (previous year: 12 %).

Water Procurement

The Water Procurement business unit represents the entrepreneurial origins of Daldrup & Söhne AG. It includes drilling wells to obtain drinking water, process water, thermal and mineral water, boiler feedwater and cooling water as well as thermal brine. Alongside the actual drilling, Water Procurement also uses a number of special techniques; from stainless steel piping supplying drinking and mineral water to the professional development of well systems, right through to the installation of modern filtration and pump systems. The Water Extraction business unit represents 7 % (previous year: 3 %) of Group revenue generated in 2019.

EDS

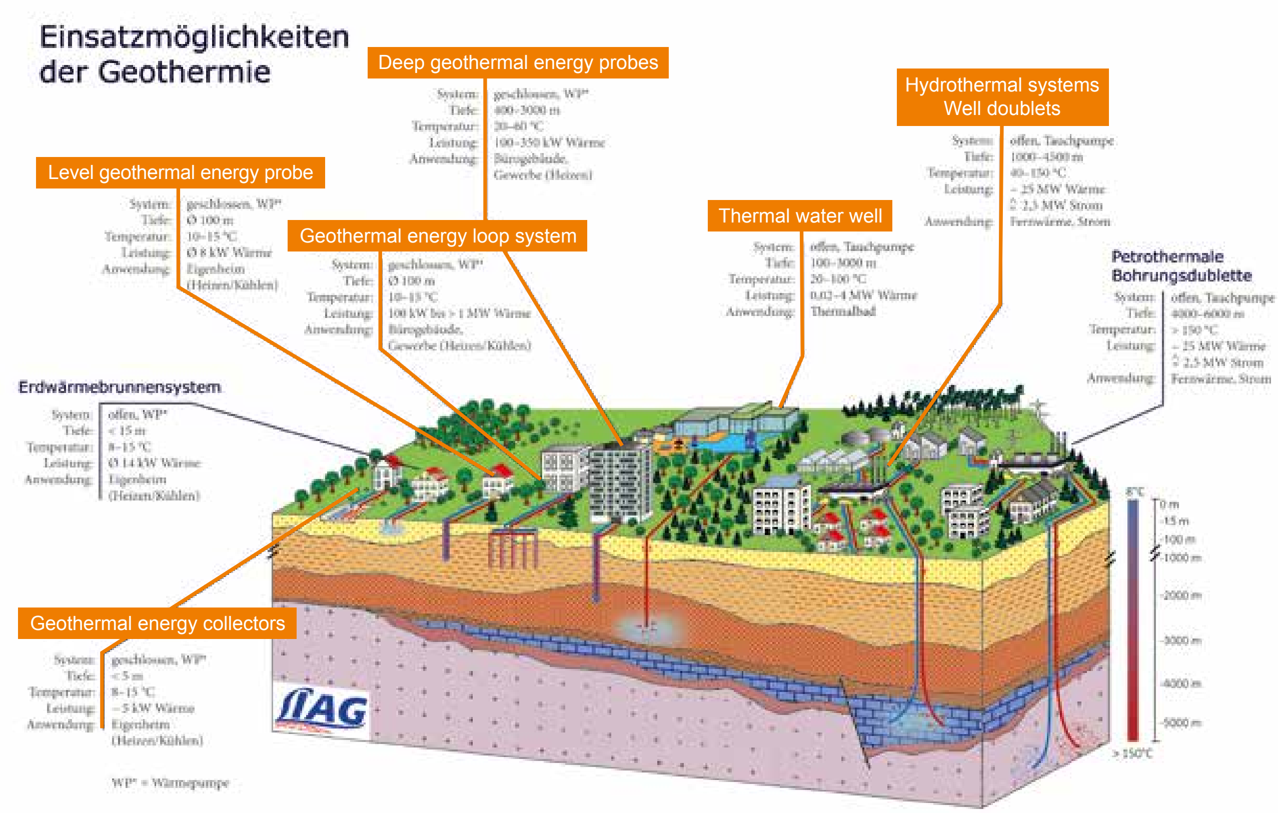
The Environment, Development & Services (EDS) business unit brings together special environmental technology services for a broad range of clients. Daldrup & Söhne AG's expertise has been repeatedly demonstrated in relation to the hydraulic remediation of contaminated sites, the planning and construction of gas extraction wells for obtaining landfill gas, the provision of groundwater quality measurement points or the construction of water purification plants. The EDS business unit contributed a 16 % (previous year: 4 %) share of Daldrup Group revenue generated during fiscal year 2019.

The experience derived from the four business units enhances and ensures refinement of drilling know-hows on a daily basis. However, revenue growth for Daldrup & Söhne AG is limited owing to the existing lack of well-educated young employees. As a result, it is important to absorb employment fluctuations in the operation of major installations by staff pooling. An average of 149 employees were employed within the Group in 2019 (previous year: 157). In addition to this, other companies made further employees available to Daldrup & Söhne AG in a flexible manner on a project-by-project basis.

2. MARKET, COMPETITION AND CUSTOMER RELATIONSHIPS

Geothermal energy is the thermal energy stored beneath the solid surface of the Earth, which generally increases the greater the drilling depth is. In Central Europe, the temperature increases by approximately 3 °C per 100 metres of depth. Geologists work to the assumption that temperatures reach between 5,000 and 7,000 °C in the Earth's core. This heat stored in the ground is infinite by human standards as there is a constant flow of energy from the centre of our planet to the surface, known as the terrestrial heat flow.

As a result, geothermal energy is a regenerative energy source. Power can be generated and heat can be extracted in a reliable manner using the hot deep water transported to the surface – including in a parallel process. Unlike wind and solar energy that have fluctuating availability, this energy source can be used on a continual basis and is therefore eligible for base-load. Other benefits of geothermal energy include low carbon generation, fixed and variable costs that are easy to predict even over an extended period of time and the provision of energy at the place of consumption (in a decentralised manner) and development that is kind to the landscape and environment.



Daldrup & Söhne AG provides its customers with these usage options for geothermal energy in the form of tailor-made solutions. There are numerous reference projects.

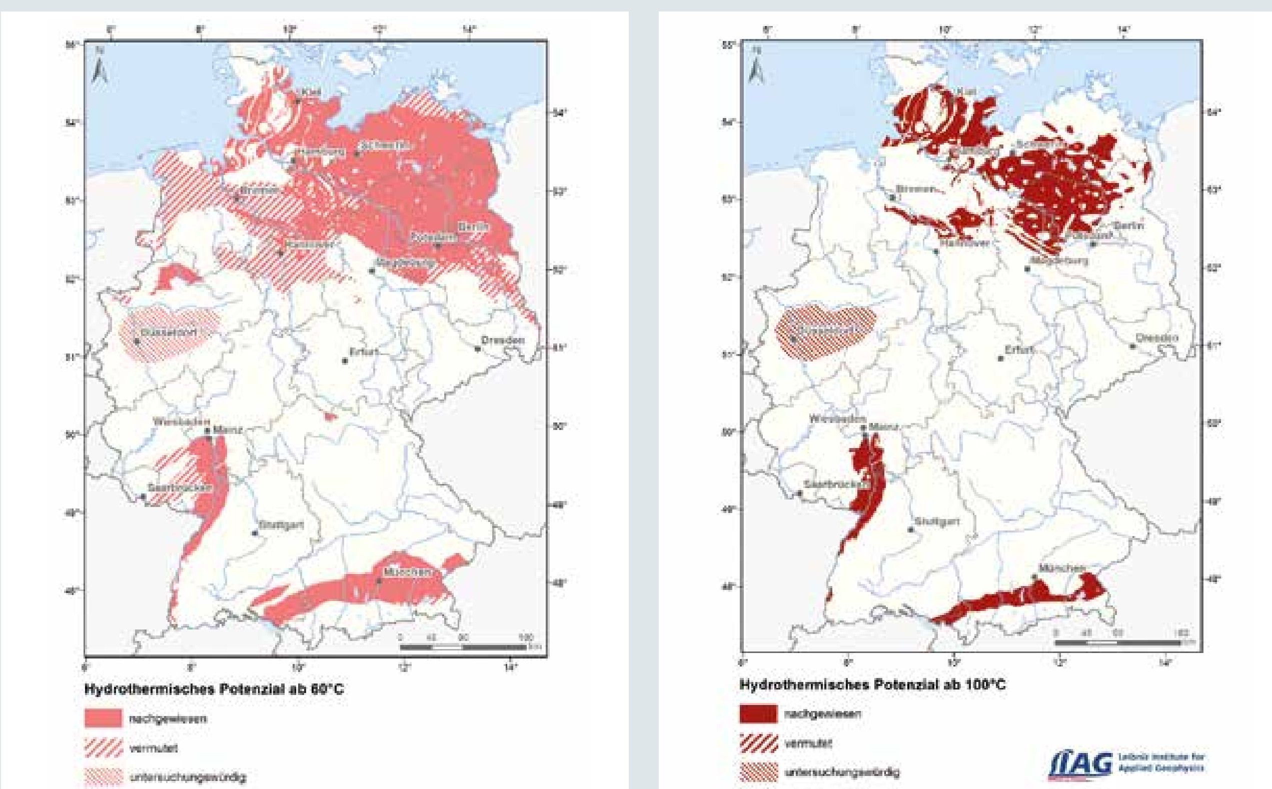
Source: Leibniz Institute for Applied Geophysics, The Heating Transition with Geothermal Energy (Wärmewende mit Geothermie), June 2019

Geothermal energy is a niche market with potential for growth in Germany. Overall, geothermal energy use has significant potential which can theoretically be used to cover the German energy needs many times over.

Currently, power generation by means of deep geothermal energy is even more expensive than comparable renewable energy sources. The average prime electricity costs for 1 kWh of electricity generated from geothermal energy are 37 ct/kWh. As a result, remuneration at the current levels stipulated by the EEG is required to enable the further expansion of deep geothermal energy as part of electricity generation in Germany. Combined plant operation may in particular continue to be profitable after the end of any remuneration term as these plants are then able to cover their operating costs exclusively through the sale of heat. This includes the costs for the power plants.

On the contrary, the production of geothermal heat is, broadly speaking, already financially viable without subsidies for local and district heating as well as for heating buildings. Aquifers whose deep waters reach temperatures of at least 70 °C, or preferably in excess of 80 °C, and have good storage properties and, thus, enable high flow rates are required for the hydro-geothermal extraction of heat used to supply local and district heating systems. The use of heat with the aid of deep geothermal energy is a proven technique over many decades. Reliable heating and possibly cooling can be provided for residential development, district heating systems, public buildings or industry for most of the year (more than 8,000 hours) by using the geothermal heat obtained. If the thermal water temperatures are too low, the district heating water can also be raised to the required temperature with the aid of a heat pump or other equipment.

AREAS WITH GEOTHERMAL RESOURCES IN GERMANY WITH A TEMPERATURE LEVEL IN EXCESS OF 60 °C



From a financial perspective, pure heating projects are primarily local and district heating projects as the investment costs for the wells and the equipment technology are relatively low, unlike the investments required for electrical energy derived from geothermal energy or investments in the supply network. The district and local heating systems lie mostly in the hands of municipalities or large infrastructure companies. The potential both in terms of enhanced use of geothermal energy as well as a reduction in greenhouse gas emissions is enormous. In order to contribute to achieving the Paris Agreement target of keeping the increase in global temperature to well below 2 °C, the German government passed a resolution on reducing greenhouse gas emissions by at least 55 % compared to 1990 levels in its Climate Action Law in October 2019.

This target cannot be achieved without a heating transition, namely a switch to renewable energy sources in the heating sector. Progress in terms of energy efficiency is slow. The expansion of geothermically fed heating networks is one option that can be implemented quicker than the renovation of energy systems in old buildings and the construction of new buildings with reduced heating consumption. Daldrup & Söhne AG has already been involved in such projects with its drilling services provided for Stadtwerke München, Stadtwerke Schwerin and the municipalities of Oberhaching and Taufkirchen.

The situation in the heating market, using Germany as an example, is briefly illustrated below using figures from the German Environment Agency (Umweltbundesamt). Heat makes up more than 50 % of the final energy consumption figure and is used in many ways, such as for space heating or air-conditioning, hot water and process heating or refrigeration. Only space heating and process heating have cross-sector shares of around 26 % and nearly 23 % respectively, as shown in the graph entitled "Energy consumption by intended application". Approx. 1,450 TWh of heating/cooling are currently consumed in Germany. By way of comparison, electricity consumption over the course of a year amounts to just over 500 TWh. In other words, almost three times as much heat is required than electricity – a factor that is frequently underestimated when assessing geothermal heat. However, the supply of heat also causes approximately 40 % of Germany's energy-related greenhouse gas emissions. The trend of renewable energy sources becoming increasingly important is therefore logical with regard to the supply of heat.

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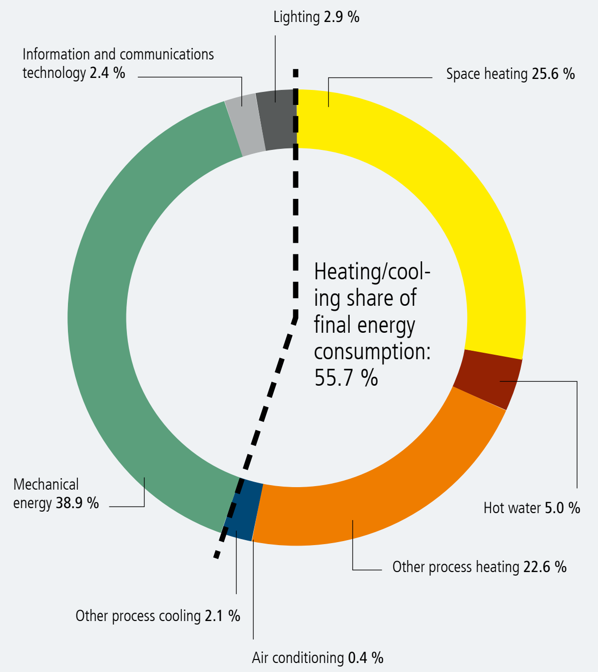
ENERGY CONSUMPTION BY INTENDED APPLICATION IN 2018



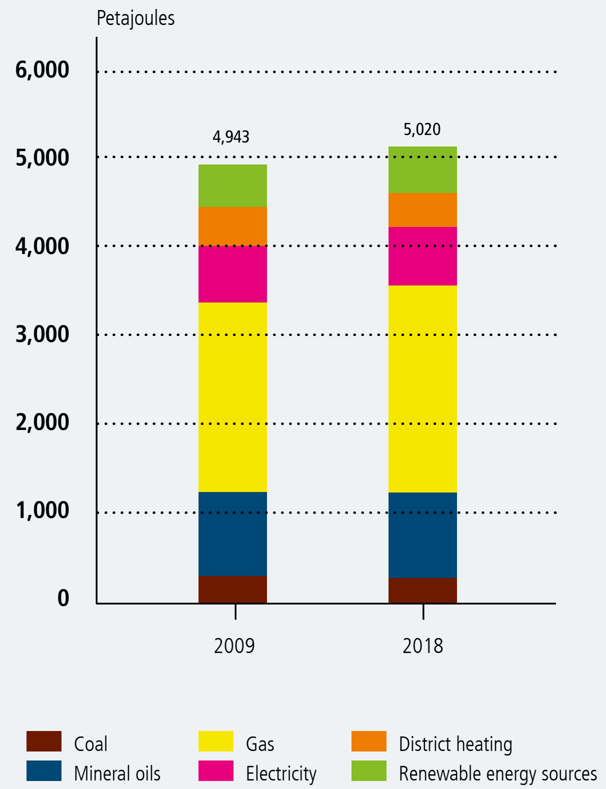
Total final energy consumption in 2018: 8,995.8 PJ

Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), Reviews on Germany's Energy Balances (Anwendungsbilanzen zur Energiebilanz Deutschland), November 2019

Heat is mostly generated and consumed directly in the three end-use sectors, namely "Private Households", "Industry" and "Trade, Commerce and Services" (TCS). In addition, almost a tenth of heating demand is covered by district heating from the transformation sector of the general supply. As shown in the graph entitled "Heating consumption by source of energy", the shares of different sources of energy in the supply of heat have barely changed in the past ten years and are therefore predictable.

The graph entitled "Heating consumption by sector and area of application" shows that households and trade, commerce and services (TCS) are the biggest consumers of space heating and hot water processing. Process heating, as predominantly required in industry, typically requires higher initial temperatures.

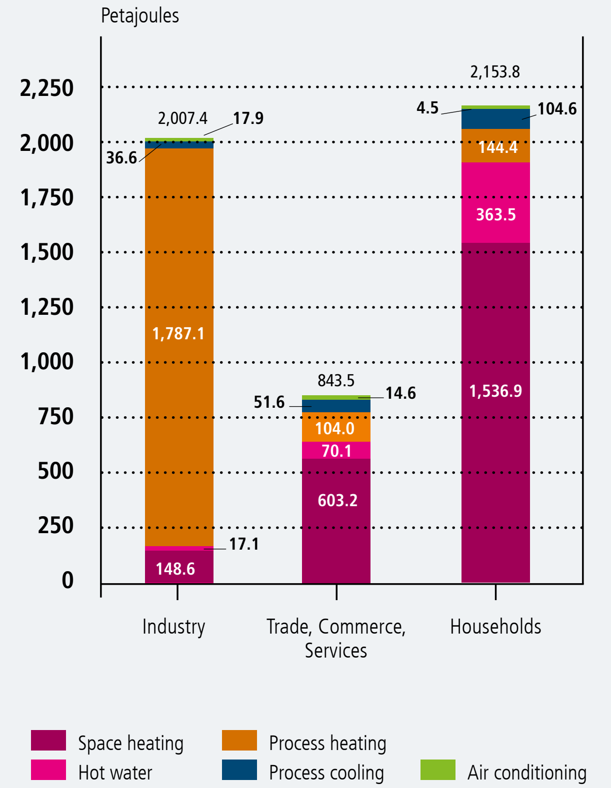
HEATING CONSUMPTION[1] BY SOURCE OF ENERGY



[1] including cooling applications

Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), Reviews on Germany's Energy Balances (Anwendungsbilanzen zur Energiebilanz Deutschland), November 2019; German Environment Agency (Umweltbundesamt), Energy consumption for fossil and renewable heat (Energieverbrauch für fossile und erneuerbare Wärme), 16 March 2020

HEATING CONSUMPTION[1] BY SECTOR[2] AND AREA OF APPLICATION IN 2018

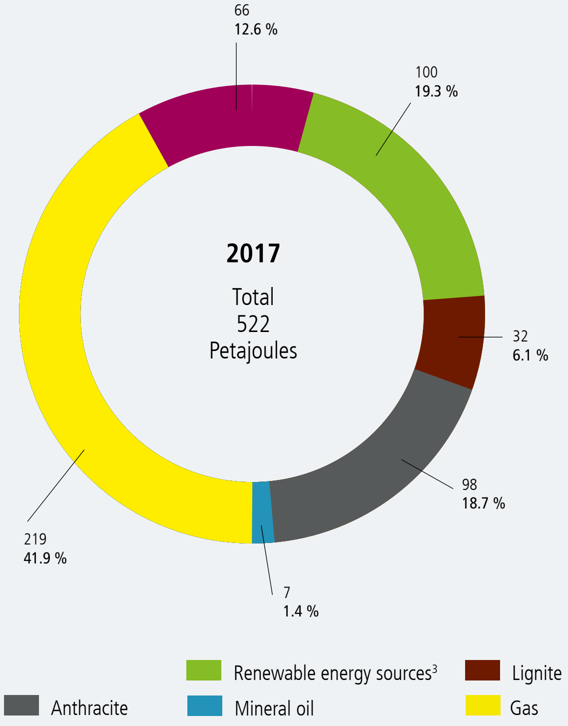


[1] including cooling applications [2] excluding traffic (2018:15.6 PJ)

Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), Reviews on Germany's Energy Balances (Anwendungsbilanzen zur Energiebilanz Deutschland), November 2019

With regard to the generation of district heating in the transformation sector, gas (including in particular natural gas) is used the most, followed by coal. 68 % of the generation of district heating is based on primary fossil fuels. There is huge potential to reduce this share. Consumers of district heating are split equally among industry and private households, with the share of the TCS sector amounting to approximately 10 %.

ENERGY USE FOR THE GENERATION OF DISTRICT HEATING IN POWER PLANTS[1] FOR THE GENERAL SUPPLY



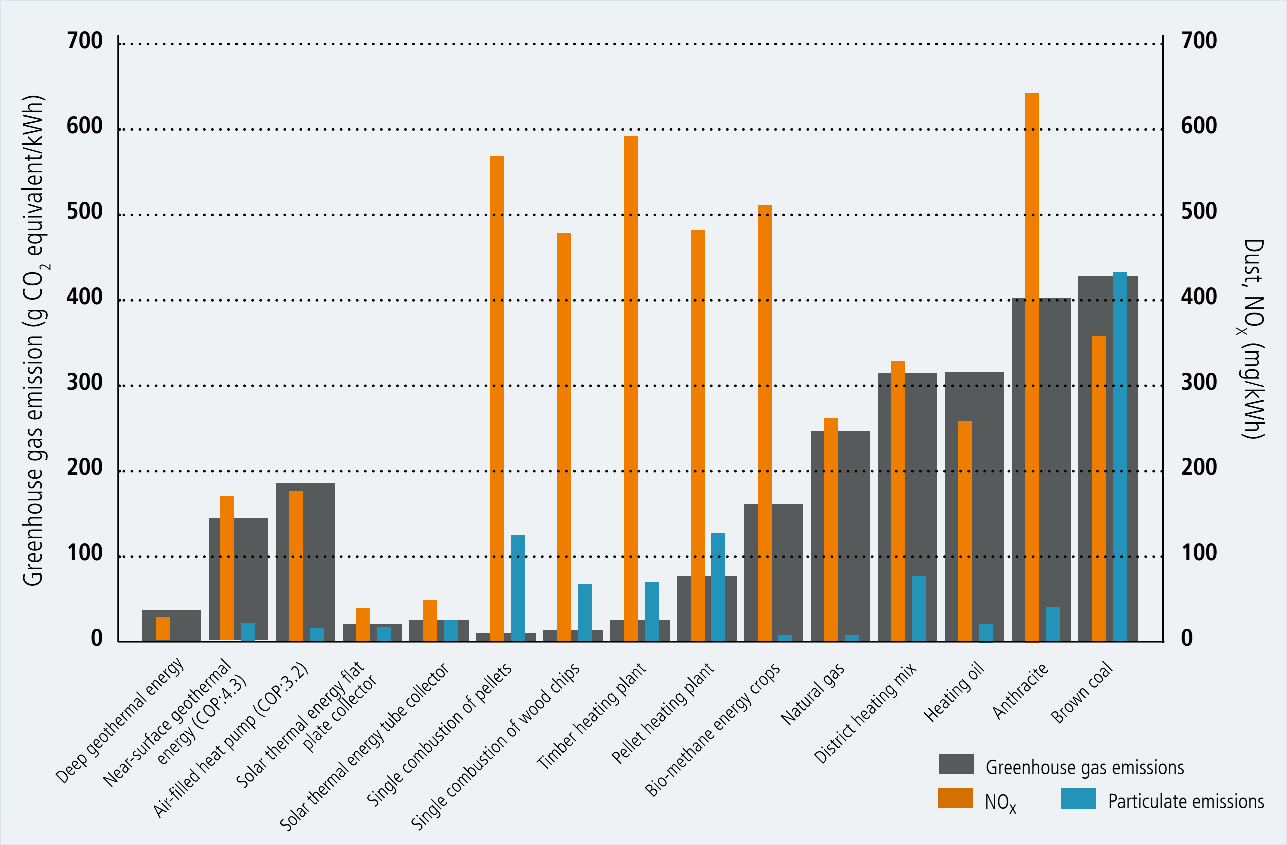
[1] Power plants for the general supply and district heating
[2] Non-renewable waste material and waste heat
[3] Primarily biomass and renewable municipal waste

Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), Reviews on Germany's Energy Balances (Anwendungsbilanzen zur Energiebilanz Deutschland), November 2018

The share of renewable energy sources to cover the heating and cooling demand in Germany increased by around 164 % to 11.6 % in the decade covering 2000 to 2009. Between 2010 and 2019, this share grew by just 17 %, a much slower rate. In 2019, the share of renewable energy sources in the final energy consumption for heating and cooling amounted to 14.5 %. Deep and near-surface geothermal energy currently provides around 9 % of renewable heat – its share is increasing constantly compared to the use of biomass (share in excess of 80 %). As a result, the supply of heat from ambient heat and geothermal energy of 16 TWh in the year under review was significantly above the level achieved the previous year (+ 8 %).

To date, however, renewable heating in Germany has predominantly been obtained from wood, biogenic waste and biogas. Just like the burning of fossil fuels, this generates both emissions that are harmful to health, mainly particulates and nitrogen oxide, as well as greenhouse gas emissions. An expansion of the use of these input fuels is unlikely, owing as well to the large areas of land required and competition over land use. However, solar thermal energy cannot be used to supply the basic thermal load all year round due to the weather-related dependency involved. On the contrary, geothermal energy is not affected by weather conditions and has low requirements for space. This means geothermal energy occupies an excellent position for the basic thermal load. The fact that geothermal energy is one of the most climate and environmentally friendly technologies for the supply of heat is demonstrated in the graph entitled "Particulate, nitrogen oxide and greenhouse gas emissions per kWh for different heating technologies".

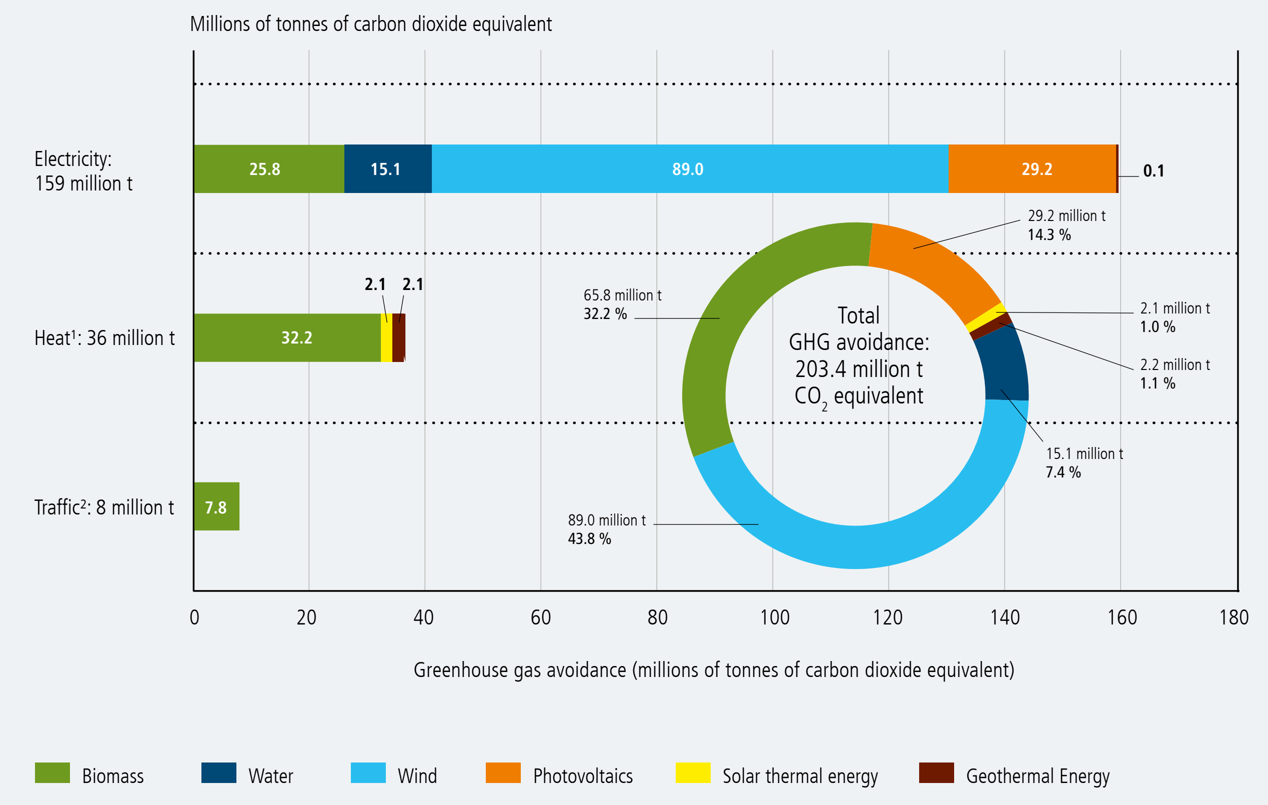
PARTICULATE, NITROGEN OXIDE AND GREENHOUSE GAS EMISSIONS PER KWH FOR DIFFERENT HEATING TECHNOLOGIES



Source: German Environmental Agency (Umweltbundesamt), Emissions balance of renewable sources of energy – determining avoided emissions in 2016 ("Emissionsbilanz erneuerbarer Energieträger – Bestimmung der vermiedenen Emissionen im Jahr 2016"), 2017

In 2019, the generation of geothermal heat made up a share of approximately 6 % of greenhouse gas emissions avoided through the use of renewable energy sources, a figure that is on a par with solar thermal energy. The avoidance of greenhouse gas emissions is dominated by the renewable generation of heat from biomass, with a share of approximately 88 %. As illustrated in the graph entitled "Net balance of greenhouse gas emissions avoided through the use of renewable energy sources", renewable heat contributed a total of 18 % of the CO_2 avoidance figure, with electricity contributing 78 % and traffic almost 4 %.

NET BALANCE OF GREENHOUSE GAS EMISSIONS AVOIDED THROUGH THE USE OF RENEWABLE ENERGY SOURCES IN 2019*



[1] excludes charcoal consumption

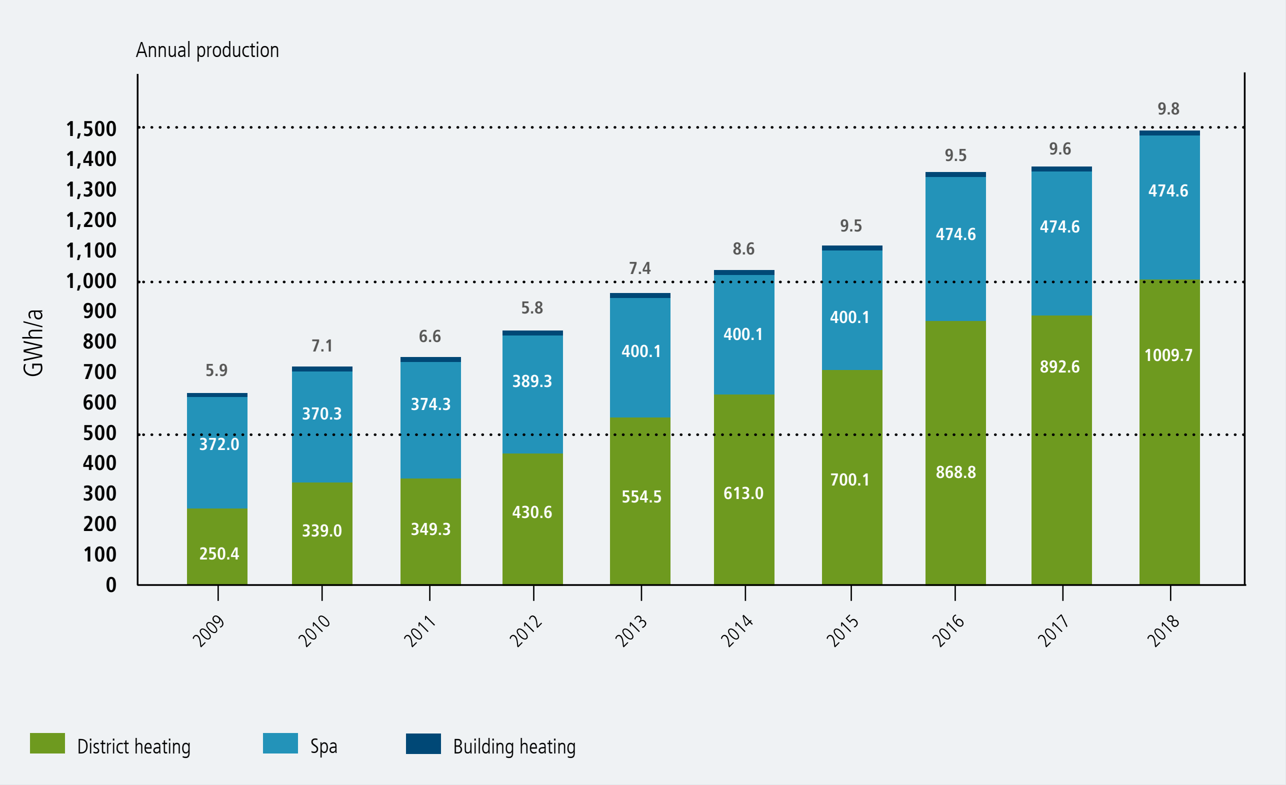
[2] exclusively biogenic fuels in traffic (excluding agriculture and forestry, construction and military), based on data from the Federal Office of Agriculture and Food (BLE)

* other disclosures

Source: German Environmental Office (Umweltbundesamt), Emissions balance of renewable sources of energy using data from the Working Group on Renewable Energies-Statistics (AGEE-Stat) (Emissionsbilanz erneuerbarer Energieträger unter Verwendung von Daten der AGEE-Stat), February 2020

The German government has set tough sectoral-based emission reduction targets up until 2030 in order to achieve its climate targets laid down in the Federal Climate Action Law (Bundes-Klimaschutzgesetz). The aim is to achieve these targets using measures that are laid down in the Climate Action Programme 2030. As an example, renewable energy sources and unavoidable waste heat should be used to a greater extent in heating networks. Greenhouse gas emissions with regard to the provision of grid-bound heating can be significantly reduced with the aid of geothermal energy. The use of deep geothermal energy is generally possible throughout the entire federal territory. The Leibniz Institute for Applied Geophysics (LIAG) estimates the technical potential of heating provided on the basis of deep geothermal energy up until 2050 to be up to 100 TWh per year (“a”). In 2018, almost 1.5 GWh/a was produced with an installed capacity of 406 MW. The importance of district heating has increased significantly in recent years, making up two-thirds of annual production in 2018. With a share of 0.7 %, the use of such energy to heat buildings has always been negligible to date.

DIRECT HEAT USAGE FROM EXISTING AND CALCULATED VALUES BETWEEN 1999 AND 2018 IN GERMANY



Source: GeotIS Information System for geothermal energy, “Direct heat usage from existing and calculated values in the Federal Republic of Germany” (Direktwärmenutzung aus vorhandenen und berechneten Werten in der Bundesrepublik Deutschland), https://www.geotis.de/geotisapp/templates/heatsumstatistic.php, 5 May 2020

When considering the field of geothermal heat in its entirety, there is enormous potential for expansion with low requirements for space and flexible usage options at the same time. Fossil fuels, such as coal, oil and natural gas, can be substituted by geothermal energy in many areas of the heat generation process. One such example is the city of Munich, which hopes to become the first major German city to obtain 100 % of its district heating from renewable energy sources by 2040 – deep geothermal energy therefore plays a key role here thanks to the favourable geological subsoil conditions.

The expansion of geothermal heating networks enables quicker implementation of the heating transition than the renovation of energy systems in existing buildings. There is also huge potential for expansion with regard to ground-source heat pumps in near-surface and medium-depth geothermal energy.

According to the German Federal Geothermal Association (BVG), deep geothermal power plants in Germany have an installed output of 37.1 MW in 2019 (previous year: 34.8 MW). There are currently 37 (previous year: 36) deep geothermal power plants in operation, the vast majority of which are hydrothermal. In addition to the electrical output they generate a thermal capacity of 336.5 MW (previous year: 315.4 MW). A further 33 (previous year: 32) deep geothermal energy projects are currently under way or in the planning stages.

Unlike deep geothermal energy, near-surface geothermal energy (drilling depth up to 400 m) has already achieved greater market penetration. The BVG estimates that more than 400,000 units (previous year: around 390,000) (e.g. geothermal energy probes or collectors in conjunction with heat pumps) are in operation and provide approximately 4,400 MW.

The production of deep geothermal energy units to generate electricity and/or heat also receives additional support through the German Market Incentive Programme, the KfW CO_2 building rehabilitation programme as well as other individual measures. This complex funding landscape to date should be structured in a more user-friendly and attractive way in any future German Energy Act for Buildings (Gebäudeenergiegesetz, GEG). In autumn 2019, the German government incorporated the project into the Climate Action Programme 2030 in order to implement the German Climate Action Plan 2050. The aim is for greenhouse gas emissions generated by the building sector to be reduced by at least 55 % by 2030, when compared to the base year of 1990. In order to increase the share of renewable energy sources in the final energy consumption for heating and cooling at the same time, the German Association of Energy and Water Industries (Bundesverband der Energie- und Wasserwirtschaft, BDEW) believes it is necessary to have harmonisation with no preference given to certain technologies in the GEG, the tax concessions introduced at the beginning of 2020 and ambitious investment support.

Other programmes, including those within the framework of the European Commission's Renewable Energy Directive (RED II), are aimed at support for regenerative heat as the key to accelerating the decarbonisation of the energy system.

Research funding also plays an important part in the deep geothermal energy sector. For additional information on this, please refer to chapter 5, "Research and Development".

The limited availability of drilling capacity and the limited possibilities of developing this capacity are continuing to be in high demand. This results in stable drilling prices and sometimes intense competition. As well as the few specialised geothermal drilling companies, particular competitors in the area of deep geothermal wells include drilling companies that are primarily engaged in the oil and gas business and occasionally participate in invitations to tender for geothermal projects. In times of rising crude oil prices, competition tends to decline as lower drilling capacities of the oil and gas industry are offered in the market.

The market position of Daldrup & Söhne AG as a drilling service company and geothermal specialist is solid across all business units. The Group continues to operate in an environment that is attractive and benefits from growing demand on the whole. The business model has positive support thanks to more specific requirements by the government regarding the energy transition, including in particular for renewable heat, environmental protection and drinking water quality. As a result, the competitive situation facing Daldrup & Söhne AG continues to be high overall. It is countering this challenge based on its many years of know-how, experienced drilling teams and high-quality level of performance in the planning and implementation of projects commissioned by customers.

The Daldrup Group's strong competitive position in Central Europe is supported by high technical, financial and increasingly official as well as administrative market entry barriers. Furthermore, the market is restricted thanks to the limited availability of qualified drilling capacities of companies with sufficient drilling experience in the geothermal sector and the limited number of drilling rights in Germany.

Good relationships with our customers in the corporate and municipal segments have been in place for decades. As was the case the previous year, we have established business relationships with new customers from the segments referred to above and with other investors interested in larger scale geothermal projects over the course of the past twelve months. Business with private and commercial customers remained stable. The Group now has numerous reference sites in all divisions, particularly in Germany, Switzerland, Austria, Benelux and Poland, with drilling depths of up to 6,000 metres.

All business units have a healthy order book, which computes to high capacity utilisation well into fiscal year 2021 from a planning perspective. The Management Board of Daldrup & Söhne AG believes that government guidelines, local energy initiatives in a primarily urban environment and the operation of heat generation plants today without any subsidies highlight a sound growth trajectory for the Group in this respect.

3. STRATEGY, OBJECTIVES AND COMPANY MANAGMENT

The purpose of the Daldrup Group is therefore to expand geothermal energy in order to provide municipalities, businesses and European consumers with competitive access to climate-friendly, geothermal energy sources as an alternative to fossil primary energy sources.

Daldrup Group companies are addressing future subjects like energy, drinking water and raw materials and/or exploration via their business units. They want to grow sustainably and intend to expand their leading market position in Germany and Europe as an experienced drilling technology specialist. Daldrup also wants to be involved in financially viable geothermal energy heating projects that are regional and decentralised in nature and of medium-sized enterprise category magnitude. This could generate a constant stream of income from the sale of heat in addition to the more volatile income from the project-driven drilling business.

For the further development of the Group, it is of particular importance that the strategy process initiated be driven forward further in terms of sales, project organisation and finance. The complete sale of the Geysir Europe Group with the Taufkirchen and Landau geothermal energy power plants has significantly improved and stabilised the Group's income and liquidity situation in a single step. No more significant cash outflows to the power plant companies have occurred since the sale. However, further organisational changes will also be necessary in the medium term in order to align the Group towards its future goals. These include, for example, the optimisation of internal processes and the management and monitoring of drilling projects and long-term equity investments. From an economic perspective, the strategic process aims to establish a sustainable improvement in the financial capacity and profitability of the Daldrup Group and significantly reduce the project risks involved. With suitable financial stability in place, the Daldrup Group can then participate successfully in the "generation of geothermal heat" structural growth market and tackle other future issues in Central Europe within a stable financial and political environment.


Daldrup
& Söhne AG
Bohrtechnik

4. LONG-TERM EQUITY INVESTMENTS

The companies remaining following the sale of the power plant activities are operating in the Switzerland and Austria as well as Benelux regions. They strengthen and run the operational drilling business in the aforementioned regions. Strategic collaboration for the targeted handling of niche markets is also conceivable.

The Daldrup Group includes the following investments as at 31/12/2019:

Daldrup Bohrtechnik AG, Baar (Switzerland)
As has been the case to date, Daldrup Bohrtechnik AG operates independently within the interesting Swiss market, with some long-term commercial relationships in place. In addition to wells for the exploration and discovery of geothermal energy, special wells, for example, for brine production and depth storage discovery are sought after. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

GERF – Geothermal Energy Realisation and Financing B.V., 's-Gravenzande (Netherlands)
The use of geothermal energy as a resource-conserving energy source is being well received by large greenhouse operators (vegetables, flowers, plants) in the Netherlands. The Dutch Ministry of Economics and the regional provinces are supporting this development through a programme of subsidies for investment in self-sustaining geothermal heating plants. Daldrup has had a presence in the Netherlands since 2011 through its representative office GERF – Geothermal Energy Realisation and Financing B.V.

Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych "DMM" Sp.z o.o., i.L.
Daldrup & Söhne AG's long-term equity investment in the Polish company has been in place since 2012. The company was predominantly active within the framework of exploration projects in the Polish anthracite industry. The company was also used to attract qualified employees, some of whom are now working within Daldrup & Söhne AG.
The specific features of the Polish market in conjunction with the agerelated departure of the former Managing Director as well as the geographical distance from the original business area resulted in the difficult decision being taken to liquidate the company. The intention is to complete the liquidation in the second quarter of 2020.

Daldrup Wassertechnik GmbH, Ascheberg
During the fiscal year, Daldrup & Söhne AG continued to consider outsourcing business activities regarding Water Procurement to Daldrup Wassertechnik GmbH. Plans regarding this are currently on hold. The vast majority of company employees thus largely work for Daldrup & Söhne AG.

D&S Geothermie GmbH, Grünwald
All activities of Daldrup & Söhne AG in the field of power plants (formerly Group division II) were grouped together in D&S Geothermie GmbH up until 31/12/2019. 75.01 % of the capital shares of Geysir Europe GmbH with its subsidiaries were held by D&S Geothermie GmbH at the start of the year. The operational project planning and development company traded under the Exorka brand. The regional geothermal projects in their different development phases and the licences were grouped together in other subsidiaries. In addition, D&S Geothermie GmbH has gradually provided finance to the Geysir Group since 2009, most recently in particular as part of the construction of the power plant in the municipality of Taufkirchen.

In order to retain the freedom to restructure the existing Group division II, a further 22.88 % stake in Geysir Europe GmbH was acquired by D&S Geothermie GmbH in the first half of 2019, namely at the beginning of March 2019. As at 30/06/2019, IKAV Invest S.à r.l. then acquired the first 48.944 % of shares in Geysir Europe GmbH along with shares in Geox GmbH, the operating company of the power plant in Landau.

All remaining shares in Geysir Europe GmbH were sold to IKAV Invest S.à r.l. with effect from 13 January 2020. Since then, D&S Geothermie GmbH has exclusively performed the financing role for the Geysir Europe Group to which it provides subordinated funds.

5. RESEARCH AND DEVELOPMENT

Generally speaking, there are three types of heat extraction from underground in the area of deep geothermal energy:

- Deep geothermal energy probes:
  Closed circuit within a U tube or a coaxial probe with a circulating heat transfer medium (e.g. geothermal energy project for electricity plants for the city of Zurich, Switzerland, in the Triemli District).

- Hydrothermal systems:
  Closed circuit in which thermal water is pumped from production wells and fed back into natural aquifers via re-injection wells.

- Petrothermal systems
  (or EGS = enhanced geothermal systems): Open or closed circuit where hydraulic stimulation measures are used to generate or enhance fissures and gaps in the dry subsoil, through which artificially introduced/injected water is able to flow.

While Daldrup has successfully executed the first two systems and taken the projects into operation on several occasions, there is no petrothermal geothermal energy project in regular operation in Europe. There is still only one EU research project in Alsace and one project in Groß-Schönebeck at the Geo-Forschungszentrum Potsdam.

With its vast experience, the Daldrup Group regards itself as a technological pioneer in deep geothermal energy and is actively involved in research projects.

In its special report submitted in March 2020 in light of the coronavirus pandemic, the Council of Economic Experts noted a fall in global economic development when assessing the macroeconomic development for the year under review. It noted growth in global gross domestic product (GDP) of 2.6 % for 2019 (2018: 3.3 %).

6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

The sluggish economic performance already observed in the euro zone the previous year continued in 2019. The poor performance in terms of investments and industry exports contributed in particular to this. However, unlike private consumer spending, there were positive signs of growth thanks to positive developments on the labour market. In addition, the Governing Council of the ECB noticeably loosened its extremely expansive long-standing monetary policy once again in 2019. According to calculations made by the experts, the GDP growth rate in the euro zone of 1.2 % in 2019 was significantly below the value achieved of 1.9 %.

The experts also stated that the year under review was the end of the long-lasting upturn in the German economy. The experts put the poor economic growth down to transnational weakness in the industry, which was in part justified by a cyclical downturn that was accompanied by a fall in the Company's investments. Overall, the Council of Economic Experts noted a growth rate of 0.6 % for GDP in Germany in 2019 (2018: 1.5 %).

DEMAND FOR GEOTHERMAL ENERGY PROJECTS IS INCREASING ACROSS EUROPE

According to estimates by Daldrup & Söhne AG, the demand for projects using geothermal energy for electricity and heat supply has continued to be active in Central Europe in recent quarters. In addition to a low interest rate, the conditions for financing in some countries, such as Germany, Switzerland, Italy, France, Belgium and the Netherlands, also provide investors with important incentives and a secure framework.

Geothermal power plants provide predictable "green" energy independent of weather and times of day and thus fulfil a stabilising system function. In addition, the high regional electricity need coincides with the regions suitable for deep geothermal systems in the Upper Rhine Valley, the North German Basin and the Bavarian Molasse basin. Geothermal electricity and heat are produced where they are needed and are not dependent on supra-regional power lines or district heating networks. They can, however, have recourse to the existing infrastructure. This system-stabilising role was confirmed by the 2017 EEG amendment and the German Market Incentive Programme extended at the end of 2019. What this means for investors is that planning and legal security are guaranteed for the next few years. The typically long realisation periods involved for geothermal projects mean that properly regulated remuneration nowadays is of vital importance for investors during the operating phase of their investments.

Until the outset of the coronavirus pandemic, this framework and generally positive experiences have also indirectly contributed to a greater willingness of banks to make financing available for projects. However, municipalities and infrastructure investors continue to show decisive interest in heat and power projects which they can also acquire on a turnkey basis from Daldrup & Söhne AG.

Within Germany itself, this currently applies in particular to the region around Munich and throughout the whole of North Germany. Municipalities increasingly rely on climate-friendly, decentralised energy supply based on local resources. In the Netherlands, private sector demand is focused on the construction of local heating networks in the way that they set up greenhouse operators, for example, as a replacement for natural gas as an energy source. The performance limiting factors in the drilling and project business in fiscal year 2019 were, as is customary in the industry, lengthy tendering and approval procedures for drilling projects as well as bottlenecks in the availability of drilling teams and equipment.

In this economic environment, the Daldrup Group generated revenue of EUR 24.8 million in fiscal year 2019 (previous year: EUR 38.9 million) and reported gross revenue of EUR 41.8 million (previous year: EUR 34.9 million).

The following contributions were made by the individual Daldrup Group business units:

• Geothermal Energy:	EUR 7.7 million (31 %)
• Raw Materials & Exploration:	EUR 11.3 million (46 %)
• EDS:	EUR 4.0 million (16 %)
• Water Procurement:	EUR 1.7 million (7 %)

In 2019, revenues of 62 % (previous year: 32 %) were generated in Germany, and 38 % (previous year: 68 %) in the Netherlands, Switzerland and Poland. The order situation was good at the end of the fiscal year in terms of drilling installations for medium-depth and deep geothermal wells. Deep geothermal wells were drilled by Daldrup in Germany and Switzerland, with preparations for drilling in the Netherlands made for fiscal year 2020.

THE CAPACITIES OF DALDRUP & SÖHNE AG ARE UTILISED WELL INTO 2021

For Daldrup, the course of business in the first half-year of 2019 was characterised by existing, large-scale drilling contracts, especially in Germany and Switzerland. The Raw Materials & Exploration, EDS and Water Procurement business units were also working at full order capacity. The demand situation continues to be brisk. Daldrup has also received other major orders. The order backlog for domestic and international orders amounted to EUR 33.0 million at the end of April 2020. The drilling business is thus utilised well into 2021 on a computational basis.

The clients in 2019 consist of German companies, municipalities and municipal companies, as well as companies from Germany, Switzerland and the Netherlands. These also include the order from Stadtwerke München (SWM) for the drilling of six deep wells for the funding of geothermal energy. Furthermore, this also includes the first well for Nagra, the Swiss cooperative for the storage of radioactive waste, with a project volume of up to CHF 50 million over the next four years (Daldrup share: up to CHF 25.8 million), as well initial work for an order from the Netherlands for the construction of a geothermal heating plant including three deep wells.


edding 750
paint marker

B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULTS OF OPERATIONS

The income statement of the Daldrup Group is heavily influenced by project activities fluctuating over the course of time. In the case of some project activities in the medium-term, the sales revenues from completed orders that have been accounted for would only provide an incomplete picture of the overall service provided during the fiscal year. They are therefore supplemented with changes in inventories of orders in progress and services commissioned by the customer, doing so whilst taking into account German accounting principles. In accordance with the principle of prudence, these changes in inventories must be amended by way of deductions from the earned value for calculated risk, profit and sales costs made from the earned value achieved. These income components are not implemented until after completion, approval and final billing of a project. Project and operating costs, however, are recognised immediately they are incurred.

The gross revenue calculated in this way for fiscal year 2019 saw encouraging growth to EUR 41.8 million. (previous year: EUR 34.9 million). It is made up of both increased sales revenues compared to the previous year of EUR 24.8 million (previous year: EUR 38.9 million) as well as increases in inventories of orders in progress of EUR 17.0 million (previous year: reduction in inventories of EUR 4.0 million).

Other operating expenses amount to EUR 9.8 million (previous year: EUR 1.5 million). This primarily involves income from the deconsolidation of the sold Geysir Europe Group of EUR 7.2 million, income from the sale of Geysir Europe GmbH on 30/06/2019, insurance compensation of EUR 0.3 million and currency translation of EUR 0.2 million.

The cost of materials with a traditionally high proportion of services purchased from third-party companies (e.g. borehole measurements, directional drilling services, drilling mud service and bought-in personnel services) fell significantly in the reporting period to EUR 20.8 million (previous year: EUR 29.1 million). The services purchased from third party companies in particular fell significantly to EUR 11.7 million (previous year: EUR 18.5 million). The cost of materials ratio, defined as the material expenses in relation to gross revenue, was once again at a pleasing level of 49.7 % following on from the poor level of 83.5 % in fiscal year 2018 and 50.7 % in 2017. Gross profit increased dramatically to EUR 30.8 million (previous year: EUR 7.3 million).

Personnel expenses grew at a lower rate than gross revenue, but nevertheless increased to a total of EUR 9.2 million (previous year: EUR 8.4 million). This growth resulted primarily from the higher gross revenue figure in the reporting period.

Scheduled depreciation in the amount of EUR 2.9 million (previous year: EUR 3.9 million) fell significantly below the previous year's value due to consolidation and mainly relates to Daldrup & Söhne AG's large drilling rigs and operating and office equipment, as well as pro-rata depreciation in the companies of the deconsolidated Geysir Europe Group. It remains the case within Daldrup & Söhne AG that the deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

Other operating expenses increased significantly to EUR 28.7 million (previous year: EUR 11.6 million), with the operating costs from ongoing drilling only contributing at a lower rate to the increase in gross revenue to a total of EUR 11.0 million. However, this income statement item does – not include expenses attributable to the operational drilling business in conjunction with the sale of the Geysir Europe Group. These are bad debt losses arising from the sale as well as the revaluation of receivables from Geysir Europe Group companies retained by Daldrup & Söhne AG totalling EUR 18.0 million, as well as legal and consultancy costs of EUR 0.5 million. Of these receivables totalling EUR 32.5 million built up predominantly in the construction phase of the Taufkirchen power plant, three receivables with a volume of nearly EUR 11 million were sold initially to the purchaser of the shares. The remaining financial receivables were converted into several subordinate loans to different debtors totalling EUR 20.7 million and revalued in this context. Using the purchase agreement principles and economic performance parameters for both power plants up to and including 2026 as the basis, the sales of receivables and revaluations from today's perspective will result in valuation allowances totalling EUR 18 million on the assumption, among others, that the existing plans for completing the Taufkirchen power plant will be implemented.

The Group EBIT figure, adjusted for the aforementioned expenses totalling EUR 18.5 million (including consultancy costs) in conjunction with the sale of the Geysir Europe Group, amounts to EUR - 1.3 million.

The Group financial result is a falling amount of EUR - 2.3 million (previous year: EUR - 2.1 million) and primarily includes income from existing loans totalling a constant EUR 0.5 million (previous year: EUR 0.6 million) and profit distribution by one of the subsidiaries of EUR 0.3 million (EUR 0.9 million), compared with interest and interest-like expenses such as guarantee commissions of EUR 0.7 million (EUR 0.4 million). Taxes on income amount to EUR 0.05 million.

There is a total consolidated loss of approximately EUR - 12.3 million (previous year: EUR - 18.5 million) and, when adjusted to take into account the aforementioned factors, there is an operating loss of EUR - 2.8 million, which is primarily attributable to the first half of 2019 and, thus, to the period the Geysir Europe Group was fully consolidated.

The Daldrup Group exceeded the forecast target gross revenue figure for fiscal year 2019 of approximately EUR 40 million in the year under review with a total of EUR 41.8 million, an increase of EUR 1.8 million.

With a figure of EUR 10.8 million, the balanced Group EBIT figure forecast in May 2019 prior to the sale of the various Geysir Europe activities was not achieved. The Group EBIT figure includes income from the deconsolidation of EUR 7.2 million, the sale of shares of EUR 0.6 million and other consolidation-related income of EUR 1.2 million and expenses from the sale and/or deconsolidation of the Geysir Europe companies with regard to the revaluation or sale of receivables amounting in total to EUR 18.0 million and consultancy expenses of EUR 0.5 million, and thus including debits on balance of EUR - 9.5 million. The consolidated net loss for the fiscal year of EUR - 12.3 million is also shaped by the aforementioned special factors.

When adjusted to take into account the aforementioned factors, the Group EBIT amounts to EUR - 1.3 million and the consolidated net loss for the fiscal year amounts to EUR - 2.8 million, following scheduled depreciation on the assets of EUR 2.9 million.

THE RESULTS OF OPERATIONS OF THE DALDRUP GROUP ARE DESCRIBED BELOW:

INCOME STATEMENT	2019 EUR k	2018 EUR k
Sales revenue	**24,772**	**38,938**
Increase/decrease in work in progress	17,000	- 4,031
Gross revenue	**41,771**	**34,908**
Other operating income	9,805	1,669
Cost of materials	- 20,777	- 29,135
Personnel expenses	- 9,170	- 8,417
Amortisation of intangible fixed assets and depreciation of property, plant, and equipment	- 2,919	- 3,880
Other operating expenses	- 28,708	- 11,711
Write-downs of long-term financial assets	- 765	0
Result from ordinary activities	**- 12,343**	**- 18,657**
Consolidated loss for the year	**- 12,327**	**- 18,542**
EBITDA	**-7,870**	**- 12,421**
EBIT	**-10,789**	**- 16,300**

2. CAPITAL SITUATION

The total assets of the Daldrup Group as at the balance sheet date 31/12/2019 amount to EUR 46.4 million (previous year: EUR 141.8 million) and are justified in the case of increased Group revenue thanks to the sale of the Geysir Europe assets still fully consolidated in 2018 and the associated liabilities. As part of an initial step taken on 31/12/2019, the consolidated balance sheet is materially characterised in this regard by the implementation of at-equity accounting for Geysir activities on the one hand and the economic conditions of Daldrup & Söhne AG on the other hand.

The tangible fixed assets are subject to scheduled depreciation and amount to EUR 10.2 million (previous year: EUR 112.9 million); this no longer includes in particular any prepayments on the fully consolidated Taufkirchen power plant of around EUR 85.8 million, as well as assets belonging to the Landau power plant. The Group tangible fixed assets now include in particular the inventory of the drilling rigs, vehicle fleet and necessary operating and office equipment of Daldrup & Söhne AG.

The Daldrup Group's financial assets amount to EUR 12.2 million and are made up predominantly from loans by D&S Geothermie GmbH to various Geysir Europe companies totalling EUR 11.6 million, as well as other loans to customers totalling approximately EUR 0.6 million.

At EUR 4.3 million (previous year: EUR 3.0 million), the value of raw materials, consumables and supplies in current assets increased significantly. As was the case previously, the inventories correspond to the necessary inventory level for the operational drilling rigs.

Work in progress, measured in accordance with business prudence, represents a value of EUR 41.9 million (previous year: EUR 25.4 million) on the balance sheet date, resulting primarily from a major contract that was completed on schedule, which was accounted for at an amount of EUR 39.0 million (previous year: EUR 18.5 million) as at 31/12/2019. Payments received totalling EUR 41.4 million (previous year: EUR 21.1 million) were deducted from the work in progress. Payments received include advance payments totalling EUR 2.9 million; payments on account for services already provided within the framework of contractual arrangements with Daldrup & Söhne AG’s customers came to a total of EUR 38.3 million.
The trade receivables as at the balance sheet date totalled EUR 2.4 million (previous year: EUR 4.3 million). The receivables from the, on the whole, solvent client base are intact.

Following the sale, the remaining receivables from the Geysir Europe Group companies were converted into the balance sheet item “Other assets”, which explains primarily why this item increased to EUR 13.9 million (previous year: EUR 10.5 million).

Liquid funds (cash in hand/bank) increased compared to the previous year's reporting date and amount to EUR 2.7 million (previous year: EUR 2.4 million).

On the liabilities side of the balance sheet, the Daldrup Group's equity fell to a total of EUR 23.3 million as at 31/12/2019 (previous year EUR 54.8 million). The decrease relates to consideration of the consolidated loss as well as shares of other external shareholders in Group equity to be posted at an earlier date owing to the sale of Geysir activities totalling EUR 19.2 million. As a consequence of this, the Group equity ratio as at the reporting date improved to a more comfortable figure of 50.2 % (previous year: 38.7 %). By way of comparison here, the German Savings Bank Association (Deutsche Sparkassen- und Giroverband) forecast an equity ratio for medium-sized enterprises with more than 50 employees of 38.8 % as at 31/12/2019.

Other provisions also fell significantly to EUR 1.9 million (previous year: EUR 5.0 million). The various details can be found in the statement of provisions contained in the Notes.

High interest-bearing liabilities were significantly reduced; Loan drawdowns from core banks still amounted to EUR 8.7 million (previous year: EUR 11.0 million). The fall can be attributed to scheduled loan repayments to banks of EUR 0.3 million and reduced current account drawdowns by Daldrup & Söhne AG, as well as to the removal of bank liabilities for, Geox GmbH, Landau, the company with responsibility for operating the power plant and that has now been deconsolidated.

Trade payables amounted to EUR 6.9 million (previous year: EUR 9.6 million), therefore representing a significant fall despite a significant increase in gross revenue.

The other liabilities, largely interest-bearing in nature, and declining by more than EUR 48.1 million in reaching a figure of just EUR 5.6 million (previous year: EUR 53.7 million), which were used to a large extent to finance the Taufkirchen power plant, are of particular note here and represent a major relief for the Group too. This item also includes VAT liabilities arising from customer orders settled at the end of fiscal year 2019 and owed to Daldrup & Söhne AG's foreign corporations, as well as the refinancing of the loan to the Geysir Europe Group.

2. NET ASSETS

OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP

ASSETS	31/12/2019 EUR k	31/12/2018 EUR k
A. Fixed Assets		
I. Intangible assets	0	2,768
II. Property, plant and equipment	10,185	112,893
III. Financial assets	12,221	991
B. Current Assets		
I. Inventories	4,753	7,383
II. Receivables and other assets	16,349	14,935
III. Liquid funds	2,699	2,426
C. Prepaid Expenses	33	68
D. Deferred Tax Assets	153	300
Total assets	**46,393**	**141,765**

LIABILITIES	31/12/2019 EUR k	31/12/2018 EUR k
A. Equity		
I. Subscribed capital	5,985	5,985
II. Capital reserves and retained earnings	36,615	36,891
III. Equity difference from currency translation	-1,026	- 1,248
IV. Consolidated net retained profits/Consolidated net retained loss	-18,272	- 6,049
V. Minority interests	20	19,208
B. Difference arising from capital consolidation	0	1,724
C. Special items for grants and allowances	0	121
D. Provisions	1,892	4,971
E. Liabilities		
I. Liabilities to banks	8,748	10,993
II. Advance payments received on orders	0	955
III. Trade payables	6,854	9,585
IV. Liabilities to associated companies	0	0
V. Other liabilities	5,574	53,743
F. Deferred Income	3	3
G. Deferred Tax Liabilities	0	4,883
Total assets	**46,393**	**141,765**

3. FINANCIAL POSITION

THE FOLLOWING ABBREVIATED CASH FLOW STATEMENT SHOWS THE FINANCIAL POSITION OF THE DALDRUP GROUP:

CASH FLOW STATEMENT	2019 EUR k	2018 EUR k
Consolidated annual result	- 12,327	-18,542
Depreciation and amortisation and write-downs	3,684	3,880
Other changes in cash from operating activities (balance)	12,702	49,090
Cash flow from ongoing operating activities	4,059	34,428
Cash inflows and outflows from investing activities	-479	- 31,114
Cash inflows and outflows from investing activities	- 3,117	8,194
Change in cash and cash equivalents		**11,508**
Change in cash and cash equivalents due to effects of exchange rates and the consolidated entities	- 193	- 2,102
Cash and cash equivalents 01/01/2019	18	- 9,388
Cash and cash equivalents 31/12/2019	**288**	**18**

The Daldrup Group is financed via the parent company, Daldrup & Söhne AG, which controls all financing activities within the Group.

Extensive, preparatory work for a large-scale project in the "Deep Geothermal Energy" business area of Daldrup & Söhne AG also required high monetary advance payments in fiscal year 2019. Operating equipment, project financing lines and drawdowns at German banks and insurance companies totalling EUR 19.1 million were available as at the balance sheet date to finance this operating resources requirement, to cushion liquidity peaks and guarantee positions. The financial solvency of the Daldrup Group was assured at all times in the course of fiscal year 2019.

Daldrup has focused on the drilling business in the aforementioned versions and business areas and will work through the orders acquired in these business areas in 2018 and 2019 on schedule during the course of 2020. The order backlog extends well into the 2020 fiscal year and is well diversified. If these orders are processed according to plan, the Company expects to generate regular consolidated revenues as well as liquidity inflows from the deep geothermal segment and the general drilling business that can be easily planned. On this basis, the solvency of the Daldrup Group is guaranteed beyond fiscal year 2019.

The solvency of the Group was guaranteed at all times despite the high losses that did not weigh on liquidity in fiscal year 2019. This is also reflected in the rolling liquidity controlling.

There are also challenging plans in place for fiscal year 2020, which have yet to be put at risk as a result of the COVID-19 pandemic. Thanks to the sale of the Geysir Europe Group, significant liquidity issues will be eliminated for the first time in 2020, particularly with regard to the completion and operation of the sold power plant in Taufkirchen. The impairment of the subordinate loans to the Geysir Europe Group companies is constantly being evaluated in the event of any changes to the facts in question, whereby there is an additional non-liquidity-impacting risk of impairment depending on any strategic changes that may be taken by the investor. The ambitious plans for fiscal year 2020 and subsequent years, particularly in the areas of project control and cost management, must be fulfilled in order to improve the situation of Daldrup & Söhne AG in a sustainable manner. Initial partial steps to achieve this have already been implemented. Furthermore, suitable measures must be taken to eliminate the lack of specialist staff.

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The German economy grew by approximately 0.6 % in 2019. In terms of gross revenue, the Daldrup Group performed slightly ahead of expectations in this market environment, accompanied by stable political framework conditions for geothermal energy. The fact all of the Group's business units are well utilised, albeit in particular with two of the three large drilling rigs in operation, has helped to shift Daldrup & Söhne AG and its operationally active subsidiaries back into a financially satisfactory position overall, following on from a tough fiscal year 2018 in terms of its operations.

Although the original target of a balanced Group EBIT figure was not achieved owing to special factors arising from the gradual sale of Geysir Europe activities and the failure to generate electricity in the Taufkirchen power plant, the Group's operational and financial room for manoeuvre was nevertheless increased, particularly in the second half of the year. The lack of specialist staff also had a limiting effect on growth in 2019.

In summary, it can be stated that the operational business development and consolidated earnings have been positively affected in the fiscal year by the regulatory environment and overall economic development within the target markets of Germany, Switzerland and the Benelux countries.

So far, Daldrup & Söhne AG's drilling and project business has hardly been directly affected by the COVID-19 pandemic. The large-scale Luttelgeest drilling project in the Netherlands was started and is currently being worked on to schedule, and the second well for Nagra in Switzerland is also currently being sunk on schedule too. It has not resulted in orders being cancelled to date. This may well also be linked to the fact that the Daldrup Group's service portfolio also addresses future subjects like water and raw materials alongside the energy segment.

Our supplier and service chain is also working on schedule to date. The company management nevertheless examines and continuously and carefully reviews the business and liquidity situation of the Group in line with its plans in order to recognise potential risks at an early stage and limit any harmful effects altogether.

Furthermore, the Company has taken appropriate measures from the company management's perspective with its own COVID-19 Protocol, so as to provide the best possible protection for its employees, service providers and customers, despite the uncertainties in place, and limit the effects on the operational drilling activity altogether.

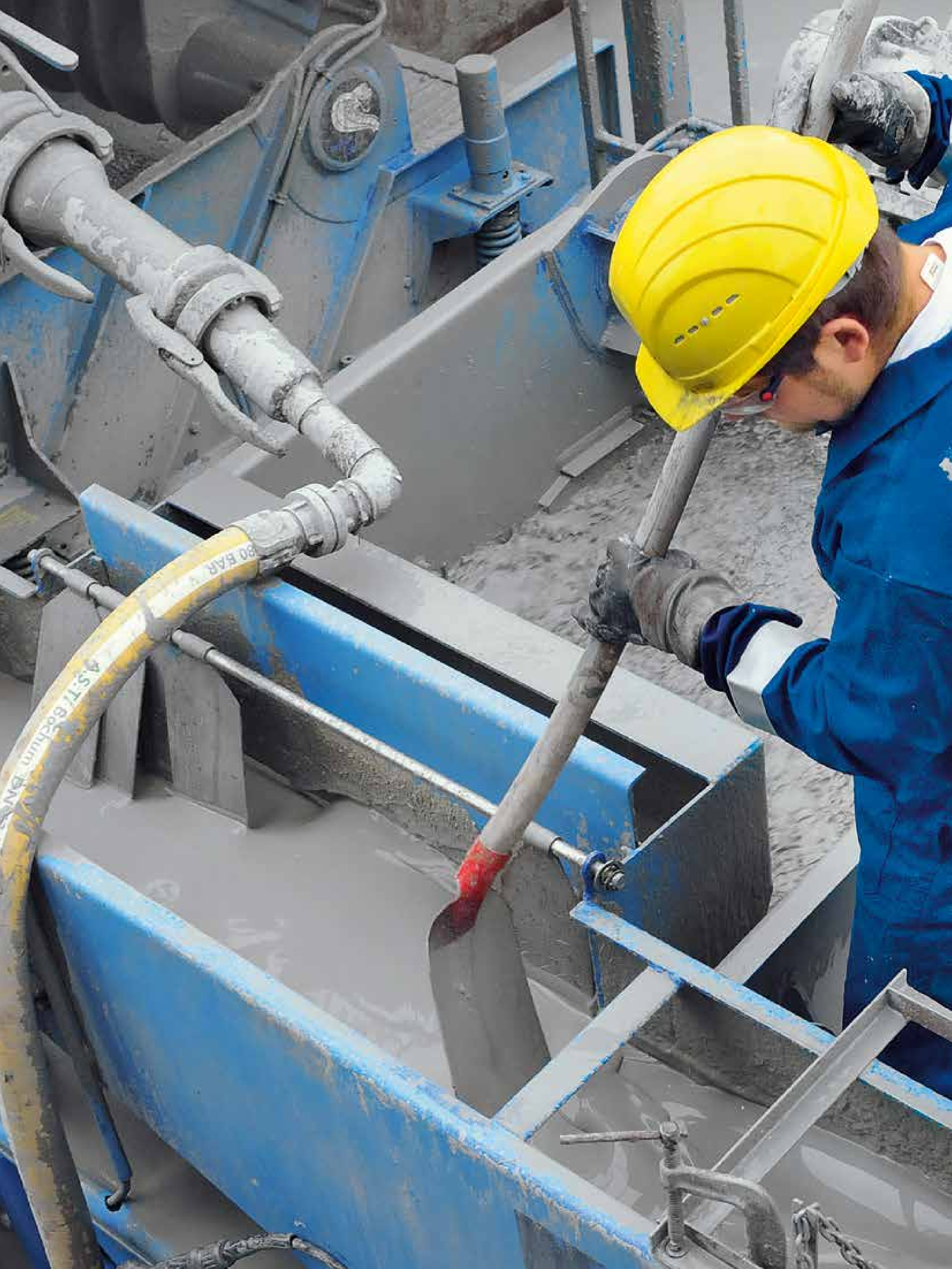
The current low oil price is also resulting in slightly more favourable purchasing and rental conditions for equipment as well as purchase prices for consumables, thus providing opportunities to make the necessary improvements to the staffing situation in the drilling teams, albeit only to a limited extent.

C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG and its operating subsidiaries have undertaken to maintain high standards of health, safety and environmental protection. Daldrup & Söhne AG attaches the utmost importance to its employees complying with industry standards, the respectively applicable national laws and relevant regulations regarding health, safety and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG and audited by external parties ensures that these standards are implemented effectively.

The basics of daily activities are stipulated by the safety and health protection document in accordance with the relevant legal provisions and directives of the European Union as well as the internal guidelines of Daldrup & Söhne AG for employee management and employee development, for addiction prevention and for maintenance and servicing.

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success and customer satisfaction. The standard SCC certification is therefore as much a matter of course as the performance and regular revision of quality management in accordance with DIN ISO 9001.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D. RISK AND OPPORTUNITIES REPORT

The deliberate and controlled management of opportunities and risks is a key element of corporate management within Daldrup & Söhne AG. Furthermore, increasing complexity and volatility in a globalised world means that the opportunities and risk system needs to be regularly validated and adapted to changes in the underlying conditions. The risk system, the risk environment and potential threats to the Daldrup Group are described below:

1. STRATEGIC RISKS

Wildly fluctuating and more volatile markets, price-related risks depending on the financial performance of the oil and gas industry, the increasing lack of suitably qualified specialist staff and the renewed potential health risk arising from possible pandemics arising for the first time in decades all mean an overall increase in the risks to the business model of the Daldrup Group. Integration, ongoing optimisation and ongoing planning for factors that may cause bottlenecks have in the meantime become an integral part of day-to-day business.

Equity investments and joint ventures may, as a result of misdirected investments and misjudgement of opportunities and risks, have a very negative, integration-related impact on the net assets, financial position and results of operations of Daldrup & Söhne AG. Careful and detailed audits in advance of such commitments are designed to minimise these commercial risks. These risks were able to be significantly reduced overall during the year under review thanks to the sale of the Geysir Europe Group.

The Company's Management Board and local management are working on the completion of the drilling contracts and transferred projects, doing so in part with the support of experienced geothermal consultants and suppliers.

2. BUSINESS RISKS

The occurrence of operational risks sometimes leads to significant delays in processing orders and, in individual cases, has the potential to result in an abrupt end to the order in question. The risks that occur will then also lead directly to a significant change in payment flows and financial performance parameters. There are essentially five threat or risk areas that may be associated with deep boreholes of the reporting company and the Group's project business:

SUBSOIL RISK

The subsoil risk, i.e. the risk of known and unforeseeable effects and difficulties originating from the subsoil (all underground, geological risks), is in (legal) building practice regulated in the contracts between the parties. This is generally within the sphere of responsibility of the client. Daldrup & Söhne AG as the contractor in drilling contracts bears the risk for technical drilling operations. In the deep drilling carried out by Daldrup, this risk can generally be absorbed by project-related insurance. Within the scope of the self-monitoring by trained/certified staff, the use of modern drilling technology and in close cooperation with the relevant authorities and third-party supervisors, the Daldrup Group generally also makes active provision for risks. For openly discernible risks Daldrup fulfils its duties to examine, notify and perform due diligence. Additional security is achieved by sub-contracting complex planning and engineering services to correspondingly insured service providers.

ORDINARY OPERATING RISKS

The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption can be insured within the framework of careful consideration of cost-benefit analyses. The Group is covered for personal injury, material and environmental damage through the business and product liability insurance taken out with a reputable insurance company. A separate machine insurance policy (including lost in hole) provides first-loss protection against potential damage to the deep drilling equipment and to all peripheral machinery and appliances. The risk of business interruption due to damage can be insured normally. Blowout risks are, in principle, to be assigned to the subsoil risk, but can also be covered, in individual cases, via increased cover as part of business liability insurance. The best insurance against blowout is to use modern and functional blowout preventers, which Daldrup regularly uses.

In the view of the Management Board, and based on annual strategic discussions with our industrial insurance partner, no special risk areas exist beyond the scope of normal business liability risks. Using a rigorous and certified quality and safety concept to avoid risk and damage is accorded high importance in the operational business of the Daldrup Group. The existing insurance policies and their cover are reviewed during the course of annual strategic discussions and adjusted where necessary.

RISK OF UNSUCCESSFUL EXPLORATION ASSOCIATED WITH A DRILLING PROJECT

Special policies from insurance consortia now cover the risk of a deep borehole being unsuccessful as part of the ART concept. The parameters for successful exploration here are defined unambiguously with the quantity of fill, the temperature and the lowering of the static water level. In assessing the insurance risk, the insurability and the level of premiums for a project, the experience and references of the drilling company commissioned and the likelihood of a strike as confirmed by external reports all play a critical role. Geothermal projects planned, drilled and implemented by the Daldrup Group have regularly been and remain at the present time commercially insurable. Although the ART concept is unable to eliminate time delays in the event of unsuccessful exploration and their financial impact for the Daldrup Group, it nevertheless ensures a reduction in the exploration risk for our customers and improved ability to execute deep geothermal energy projects and, in doing so, provides key support in acquiring customers in the niche market. Whether corresponding insurance cover has been chosen is at the discretion of the project sponsor in each case.

PROCUREMENT RISKS

Up to this point in time, the procurement of equipment technology, raw materials, consumables and supplies, which fluctuates depending on the extent of the drilling commissioned, and the extensive procurement at times of external services have not had a negative impact on the Daldrup Group's performance process. Despite the current level of consolidation observed in the oil and gas segment, there are sufficient contractor and supplier structures with satisfactory purchasing conditions and qualities in all business units, which are subject to regular monitoring by the quality management system. The risk-based approach to supplier management aims to keep procurement risks low and/or stabilise these risks at the lowest possible level through the diversification of business partners and sounding out of new suppliers and service providers. However, some parts of the service chain are dependent on suppliers.

PERMIT RISKS

Every extraction plant and well for the exploration and extraction of natural resources, whether for geothermal energy, water extraction or raw materials exploration, is subject to comprehensive preliminary approval procedures carried out by the competent supervisory authorities. The granting of approvals for the various types of extraction wells and plants, e.g. for the construction and/or operation of a power plant, is subject to the Federal Mining Act (BBergG), the Excavation Act, the provisions of the Federal Water Act (WHG), as well as regional water laws and construction planning and building regulations. The resulting requirements imposed on the Daldrup Group are increasing and must therefore be regularly updated and agreed on by the regional councils, federal state authorities for geology and mining and the water supply agencies. Corresponding approval procedures may prove to be more expensive and lengthy than assumed and may significantly delay projects in the worst case scenario. With decades of work undertaken in these known segments in dealing with the approval procedures and the authorities, the Daldrup Group is well-versed in the requirements specifications for the approval documents. Continuous dialogue with the different authorities across the entire project phase and close, solutions-oriented coordination help us to achieve a quick and acceptable consensus and avoid lengthy delays.

3. GENERAL ECONOMIC RISKS

COMPETITIVE RISKS

New, lucrative and growing markets are likely to attract additional market players, currently including those from the oil and gas industry. The efforts of companies in related sectors to enter the geothermal energy market are distinctly visible in spite of high barriers to market entry. Daldrup & Söhne AG's numerous reference sites, the fact that it has been well known for a number of years and its market position give Daldrup & Söhne AG an important competitive advantage.

Additional risks exist in terms of a decline in demand as a result of changes in the market or tendering which have been lost, as well as the fact that changes in the law can result in project delays for our clients as well as project postponements.

PERSONNEL RISKS

The Daldrup Group employs key personnel across all business divisions (e.g. project managers, engineers and experienced drill operators), whose long-standing contacts and specialist knowledge are important for the success of the Company. The loss of key employees – e.g. due to being enticed away, illness or accident – might create a gap, at least temporarily. The predominant dearth of professionals with the skills to operate our wide range of drilling equipment has continued to become more dire and cannot be overcome through internal training and qualification programmes. As a result, strategic investments, acquisitions and, where necessary, joint ventures are carefully pursued and their opportunities examined.

Additional areas of activity in the technical and commercial domains are being created; information and communication channels as well as organisational and personnel resources must be permanently adapted to these requirements as a result.

ECONOMIC RISKS/USE OF FINANCIAL INSTRUMENTS

Foreign currency risks are avoided as far as possible by using the EURO as the basis for contract and price negotiations. Currency/exchange rate hedging instruments as well as forward exchange contracts with term option and currency swaps are used for planned orders and procurements in foreign currencies. These are micro hedges. The Daldrup Group only conducts these derivative transactions if there is an underlying transaction to be hedged, and does so exclusively with banks that have a very good credit rating. The effectiveness of the hedging relationships is ensured by using identical parameters (critical terms) for the underlying transaction and the hedge. The hedging relationships are depicted as financial valuation units in the financial statements. Despite the use of such financial instruments, negative effects cannot be completely avoided, including in conjunction with project postponements. Speculative interest rate, currency and/or commodity transactions were not concluded during the fiscal year and are not planned analogous to the risk management system. As of the balance sheet date, derivative financial instruments were held in Swiss francs to hedge exchange rate risks from the drilling business.

If required, the Group avails itself of the practice, customary in international business, of using guarantees and letters of credit to hedge credit rating, payment and delivery risks. The client base is required to provide guarantees wherever possible in order to limit any damage due to default of payment. The Daldrup Group counters payment risks in the area of supplier risks in particular by agreeing individual supplier payments. In terms of suppliers, a non-delivery can result in project delays and increased costs. Daldrup counters this risk with a generally broad selection of possible alternative suppliers and monitoring the critical components within the production process, such as by means of quality assurance measures and checking the production process.

As part of the sale of the Geysir Group, significant parts of the long-term loans granted via D&S Geothermie GmbH will remain as subordinate loans. The risk here is that these loans will not be repaid in full, and any necessary impairment in future could then have a negative impact on the business results of the Daldrup Group.

Similar to the sovereign debt or financial crisis in the years 2007 to 2009, the recurring discussion on the creditworthiness of some euro zone countries and the impact of the COVID-19 pandemic could lead to extremely limited financial readiness of banks and overall complicate the implementation of numerous geothermal drilling projects, since these then increasingly compete with higher-yielding investment forms. This could also give rise to impediments to growth for the geothermal energy market, even if only on a temporary basis.

A comprehensive agreement was concluded with Daldrup & Söhne AG's long-term banks and guarantors for the very first time in May 2020 regarding the hedging of bilaterally granted working
The agreement includes a flexibility clause regarding potential project financing lines that can be hedged by way of individual project-related securities – including outside of the agreement. The working capital lending commitments issued by all financial backers were able to be increased from the most recent figure of EUR 14.5 million to a total of EUR 21.5 million in conjunction with the agreement. Back in May 2020, there was also project funding totalling EUR 2.0 million.

4. TECHNOLOGICAL RISKS

The drilling technology used is state of the art and is not subject to rapid technological change, meaning therefore that there is no specific risk potential. Networked technologies still play a subordinate role in the operational drilling business.

The IT systems are generally an external weak point. For this reason there are safeguards against unauthorised access and data is regularly backed up. We are supervised by external specialists with regard to technical updates and the expected development of the internal IT systems.

5. LEGAL RISKS

Legal disputes can arise due to the performance process and within the framework of warranties as well as within the framework of generally existing contracts. Different expectations or interpretations of project contracts may result in legal disputes. These disputes can also be settled without legal advice. However, for certain issues, legal disputes cannot be avoided in order to protect the legitimate interests of the Daldrup Group. Regardless of the nature of any settlement of legal disputes, external specialist lawyers are entrusted with the task of representing the interests of the Daldrup Group. In active processes there is a risk that claims brought before the court will not be enforceable and value adjustments would thus be required.

The contract management is organised in such a way that there is a balanced distribution of opportunities and risks for Daldrup & Söhne AG as a result of integrating legal, technical and commercial activities. The current order book is subject to these aspects of contract management.

The future capacities of the Daldrup Group are assessed and published using the order pipeline figure. When assessing this figure, it is important to take into account the fact that it is not, by definition, based on concluded contracts, but rather on carefully thought-out albeit ultimately subjective probabilities of occurrence with regard to the potential for an order to be placed. These probabilities of occurrence may fluctuate depending on how current discussions pan out.

Civic initiatives and requests as well as opponents to technology can influence policies significantly. This can be disadvantageous during the licensing procedure and can result in having to approach the courts, which will clearly delay drilling contracts and entire projects.

The Company has taken out D&O insurance for the Management Board, the Supervisory Board and the Managing Directors of legally independent subsidiaries and adjusted the sum insured in fiscal year 2019 in line with the approach taken by many companies in order to be able to take recourse if necessary in the event of violations of German stock exchange regulations or other violations.

6. REGULATORY AND POLITICAL RISKS

The companies of the Daldrup Group are exposed to political and regulatory changes in many countries and markets. The trend towards the active promotion of renewable energies that began in the year 2000 is subject to country-specific fluctuations and changes determined by the legislation of the respective government. Economic risks and new political power structures can also influence priorities.

The uncertainty and complexities inherent in the legal provisions for the promotion of geothermal drilling projects and geothermal power plants and heating plants, as well as changes or significant curtailments to subsidies for generating electricity and supplying heat from geothermal energy can have a negative bearing on the profitability of geothermal projects and delay or freeze investments or make them obsolete.

Moreover the actionism and citizens' initiatives against geothermal projects can delay or endanger project development and approval procedures and deter investors.

Close communication with political decision-makers and active measures such as participation in public hearings, the public presentation of projects and discussions with the media to broaden awareness of the advantages of geothermal energy are preventative instruments designed to avoid risks. Diversification of regional sales markets serves to mitigate potential negative effects. The Daldrup Group operates regularly in Germany as well as the Netherlands, Belgium and Switzerland, and Italy in future too, all with very different subsidy regimes. In the Netherlands, geothermal as a thermal energy is already in a position to compete with conventional energy sources without the need for subsidies.

From 2021, the feed-in regulations are expected to change for geothermal electricity generated in Germany (EEG 2017) and the industry-wide learning curve will be compensate for this. However, there is always the threat of disadvantages to the Company due to legal changes. These changes may also result in shifts in demand for geothermal wells in other countries too.

7. RISKS IN CONJUNCTION WITH THE COVID-19 PANDEMIC

Globally speaking, companies and populations are directly and indirectly affected by the COVID-19 pandemic by way of significant restrictions to their finances and working lives. The expected broad fall in economic performance in all economies can be attributed to the somewhat draconian measures to contain the COVID-19 pandemic and the uncertainty it causes, the lack of demand, a fall in production in certain areas of industry, the shutdown of service companies and a broad level of investment restraint. Until a vaccine for immunisation or prevention purposes or medication to treat the virus becomes available, it is possible that these radical isolation and quarantine measures will be maintained and there will be a sustained detrimental impact on demand and willingness to invest.

As a result of the COVID-19 pandemic, the Daldrup Group considers there to be the following primary risks with regard to the continuation of long-term drilling contracts in the areas of "Procurement Risks" and "Staffing", as discussed in the Risks and Opportunities Report and assesses them as follows – based on the latest knowledge as at the end of May 2020:

PROCUREMENT RISKS

Daldrup & Söhne AG considers the availability of products and services for drilling projects to be secure with some reservations. To date, suppliers have been handling the orders in a reliable manner. In addition, the Company is able to revert to alternative suppliers for virtually all components and services and is predominantly focused geographically on the DACH region and Benelux countries, meaning therefore that even logistical risks appear to be controllable. Daldrup & Söhne AG does not consider the handling of the current order backlog to be at risk with the existing products and components. The low oil price also provides some room for manoeuvre for the Company with regard to its suppliers and service providers to exploit counter-cyclical opportunities in procurement. The customer base is broadly diversified; it ranges from private individuals in the fields of well construction and shallow geothermal energy to companies involved in environmental and exploration wells, right through to municipalities and financial investors involved in deep geothermal energy projects.

PERSONNEL RISKS

Back in March, Daldrup & Söhne AG provided its employees with recommendations on how to act and deal with COVID-19 in their everyday duties at work. In addition to protecting all employees, the Management Board is also focused on protecting business operations as much as possible and fulfilling customer orders.

The Management Board holds regular meetings regarding the situation on the construction sites, in Sales and in Administration and evaluates the protective measures enacted and the changing conditions in order to be able to respond quickly and flexibly. The aim is to protect and safeguard the health of employees and customers in order to secure the Company's competitiveness.

Given the sustained strong order book and development and long-term transparency provided by being listed on the stock exchange as well as the established market position as a reliable partner in Central Europe, Daldrup & Söhne AG believes new opportunities will arise on the market.

FORECASTING RISKS

Although the Daldrup Group has coped well with the COVID-19 shutdown so far, any forecast for fiscal year 2020 is associated with huge uncertainty as a result of this exceptional situation combined with the difficulty regarding data full of uncertainty. The extent of the forecasting risk correlates to the ongoing progress of the COVID-19 pandemic in the markets of relevance to Daldrup and beyond, as well as the measures taken to combat the pandemic. The resulting potential for orders to be postponed will also typically lead to a shift in payment flows and financial performance parameters.

FINANCING RISKS

As the risk exposure increases, there is also an increased risk that individual or indeed a majority of our long-term financial backers are no longer able to supply the existing levels of working capital loans and project funding or bank guarantees that have in some cases become essential in the project-related business. The failure to grant lines of credit may make it difficult to complete entire projects or put them at risk in their entirety. Daldrup & Söhne AG is countering this risk by making a timely approach to potential lenders, establishing comprehensive and satisfactory information in a timely manner in advance of any lending decisions to be made and concluding the aforementioned lending agreements with regarding to the hedging of granted lines of credit.

Furthermore, we believe the COVID-19 lending programmes issued by the Kreditanstalt für Wiederaufbau and other regional promotional banks will offer suitable opportunities for Daldrup & Söhne AG to absorb any COVID-19-related funding shortages, subject to a positive lending decision by the committees responsible for making such decisions, taking into account the bank-specific lending guidelines. To date, we have not applied for nor made use of any of the aforementioned lending programmes or subsidies provided by the German federal states.

8. OPPORTUNITIES REPORT

Geothermal energy is increasingly gaining in importance in Germany and throughout the world as a component of renewable energies. Its advantage lies in its base load capacity and decentralised energy production in the region where it is consumed.

As for Germany subsidies are being awarded not only for generating electricity but also for heating and cooling superstructures, whether as new construction projects or as part of energy-efficient building renovation. During the last few years in Germany, the regulatory framework to promote the use of heat from renewable energy sources has continued to be extended and improved. A central target of the German government is to achieve an almost climate-neutral building stock by 2050. In addition, many cities have now launched their own climate initiatives and are defining the politically required efforts. The importance of geothermal heat for local and district heating networks is growing in the geologically favourable areas in South and North Germany. The withdrawal from coal power will make it necessary to have spare capacities for district heating, which can be partially covered by geothermal energy.

With the amended EEG, which came into force on 1 January 2017, framework conditions for investors in geothermal energy projects have stabilised and there is further planning and legal security for clients and operating companies. As a specialised drilling service provider along the value chain of turnkey geothermal heating and power plants, the Daldrup Group stands to profit from these developments. With over 35 successful deep geothermal wells, the company is one of the most experienced players in the Central European market. The structures of a medium-sized company and well-trained employees also mean we can extend a high degree of flexibility and problem-solving expertise to customers and to the respective deep geological formations. Despite the aforementioned risks that are becoming greater in some areas, Daldrup is anticipating continued correspondingly favourable conditions, an increasing demand for geothermal heating and power plants and drilling services.

9. OVERALL STATEMENT ON THE RISK AND OPPORTUNITY SITUATION

The company management is geared towards organisational and, above all, financial stability when there is an intentional risk strategy with an eye for business opportunities, rapid access and willingness to adjust planning. At present there are no risks to the continued existence of the Company. The commercial opportunities available far outweigh the potential risks.


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E. FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

The Daldrup Group is focused on the drilling business and drilling services for geothermal heating and power plant projects. Investments in heating plants or power plans are only desired in the form of minority shareholdings insofar as they correspond to the medium-sized orientation and size of the Daldrup Group. Daldrup will therefore play an active role in particular in the fields of shallow, medium-depth and deep geothermal energy, in the Water Technology segment and in its provision of services for former mining operations and raw material and deposit exploration. The Company will continue with its regional focus on the DACH region and the Benelux countries. The objective is to extend its national and European market position as a complete supplier of geothermal energy projects in the medium-sized enterprise category as planned.

This development requires continuation of the realignment of the Group's internal structures, which commenced back in 2019, as well as the control and monitoring mechanisms. The Group's organisational structure, order controlling, management, risk recognition and reporting tools and the principles of the business model are to be gradually updated in a cautious manner taking into account the requirements of the business model in order to reliably lead the Group into the future. The necessary personnel and organisational adjustments relate to the area of finance and controlling as well as the organisation of the ongoing drilling operations.

Despite the difficulty in definitively assessing the impact of the COVID-19 pandemic, the Group is expecting there to be strong demand for drilling contracts in the coming months as well. According to experts, interest rates in the euro zone may remain at their current low levels for months and years. Given this environment, continued high interest on the part of financial investors in geothermal power and heating plant projects is likely to continue in particular.

2. FUTURE ECONOMIC ENVIRONMENT

Given the significant financial impact of the coronavirus pandemic, the Council of Economic Experts published a special report on the macroeconomic situation at the end of March 2020 in order to assess macroeconomic development. The spread of the novel coronavirus poses huge challenges globally that have not been seen before. Economic experts believe that the COVID-19 pandemic will have a severe impact on the global economy. There is enormous uncertainty over future development as a result of this exceptional situation and difficulty regarding data. At the same time, the pandemic will also have a significant impact on economic development, not least by virtue of the measures related to public health taken. The experts believe this is a complex financial shock that will have an impact over various channels. As a result, there will be both a supply side as well as a demand side impact on the economy. The spread of coronavirus put a stop to the economic recovery in Germany that had begun. The German economy will shrink significantly in 2020. This also includes a recession in Germany in the first half of 2020.

Given the exceptional situation and difficulty regarding data, the Council of Economic Experts believes the forecast is associated with a great deal of uncertainty. In terms of how great the fall in GDP will be, this will depend on the ongoing progress of the coronavirus pandemic in Germany and the world and the measures taken to combat the pandemic.

Public promotional institutions and monetary and fiscal policy are responding to the latest developments with a variety of lending programmes, subsidies and support measures. However, the Council of Economic Experts believes any short-term stimulation of economic activity with the aid of economic rescue packages, such as those deployed during the financial crisis, are hardly possible as they are in conflict with measures taken to contain the pandemic. As a result, most support measures aim to bridge the economic collapse in the best possible way in order to facilitate a quick economic recovery once the various measures have been lifted. To date, Daldrup & Söhne AG has not applied for nor made use of any of the aforementioned lending programmes or subsidies.

However, the success of any economic support measures depends primarily on the duration of the restrictions in place. Any such upturn will require social and economic life to return to some normality. If it is possible to contain the further spread of coronavirus in a sustainable manner, then a quick return to economic growth is expected.

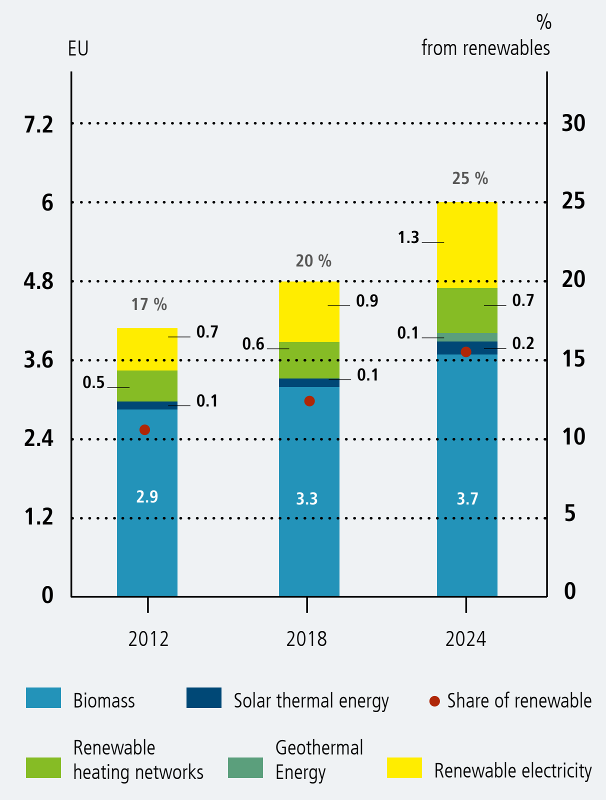
According to calculations by the Kiel Institute for the World Economy (IfW) published on 30 April 2020, gross domestic product (GDP) in Germany fell significantly by 2.4 % in the first quarter of 2020 compared to the previous quarter. In the euro zone, economic performance fell by a total of 3.8 %, which represents the strongest decline on record for the euro zone. The IfW is also expecting GDP to be even lower in the second quarter. Experts believe the economic crisis may have bottomed out in April, but an increase in economic performance will only happen slowly and there will be no talk of normality for a long time.

In its report on the development of renewable energy sources published in 2019, the IEA (International Energy Agency) is working on the assumption that heat generation from renewable energy sources will increase by one-fifth between 2019 and 2024. China, the European Union, India and the United States are responsible for two-thirds of global growth in the consumption of renewable heating during the forecasting period. However, the experts believe the share of renewable energy sources out of the total global energy consumption will only grow slowly from its current figure of 10 % to 12 % in 2024. Overall, the heating potential of renewable energy sources remains untapped, and the use of such energy is not in line with global climate targets, meaning therefore that greater efforts and stronger political support are required to increase the use of renewable energy sources for heat generation and improve energy efficiency both in buildings as well as in industry.

Although the direct geothermal energy share of the total global renewable heat consumption remains limited, the IEA expects it to increase by more than 40 % (+ 0.3 EJ) during the forecasting period, with China, the United States and the European Union combined responsible for more than 80 % of this additional consumption.

In summary, the IEA notes in its report that political awareness and support for the introduction of renewable energy sources in the heating and cooling sector remains limited, despite its large share of the final energy consumption (50 %) and global carbon dioxide emissions (40 %). Only a very small number of national heating policies have been implemented to date. However, at a sub-national level, increasing number of cities and local authorities made use of their regulatory and purchasing powers to promote the use of renewable energy sources by way of municipal contracts and strategies for buildings and the management of municipal sub-networks. Given the local nature of the heating sector, the IEA believes sub-national governments have a key role to play in expanding the use of renewable energy sources for heating.

FORECAST RENEWABLE HEAT CONSUMPTION BY TECHNOLOGY IN THE EU IN EJ, 2012-2024



1 EJ = 1 trillion joules or 1 exajoule, which equate to around 278 billion kilowatt hours = 278 TWh, 1 watt second = 1 joule

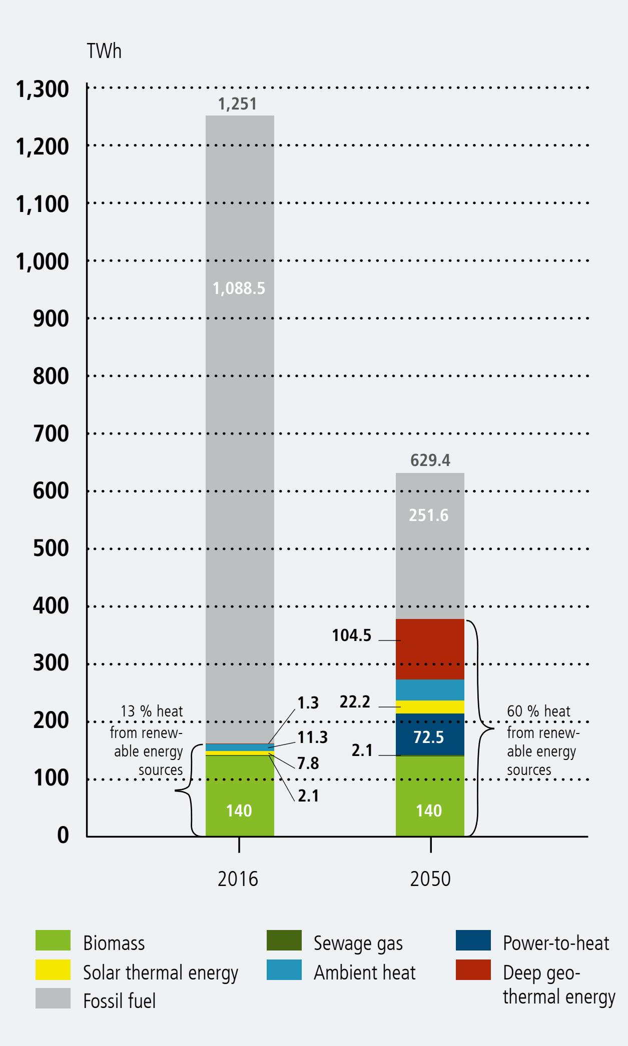
Source: International Energy Agency (IEA), Renewables 2019 Market Analysis and Forecast from 2019 to 2024, October 2019

In its position paper entitled "60 % Renewable Heat" ("60 % erneuerbare Wärme") published in 2018, the Leibniz Institute for Applied Geophysics modelled a long-term scenario for geothermal energy in Germany. Although each project is planned on an individual basis with regard to the use of geothermal energy and the differences in thermal output may differ greatly by region, the Institute believes there is the potential for annual increases in drilling activity for geothermal projects over the next 30 years. Around 104.5 TWh of heat generated from deep underground per year would then be generated in 2050, ready to be used for heating, hot water or as process heating. According to data from the German Environment Agency, geothermal resources readily available in Germany are 2.5 times higher.

The development of heat consumption must be considered in this analysis. The Leibniz Institute assumes that an annual amount of 2 % can be saved. This requires the existing building stock to be renovated, and the energy-related optimisation of industrial processes needs to be driven forward faster. An annual saving of 2 % would result in the heating demand figure being reduced by almost half by 2050.

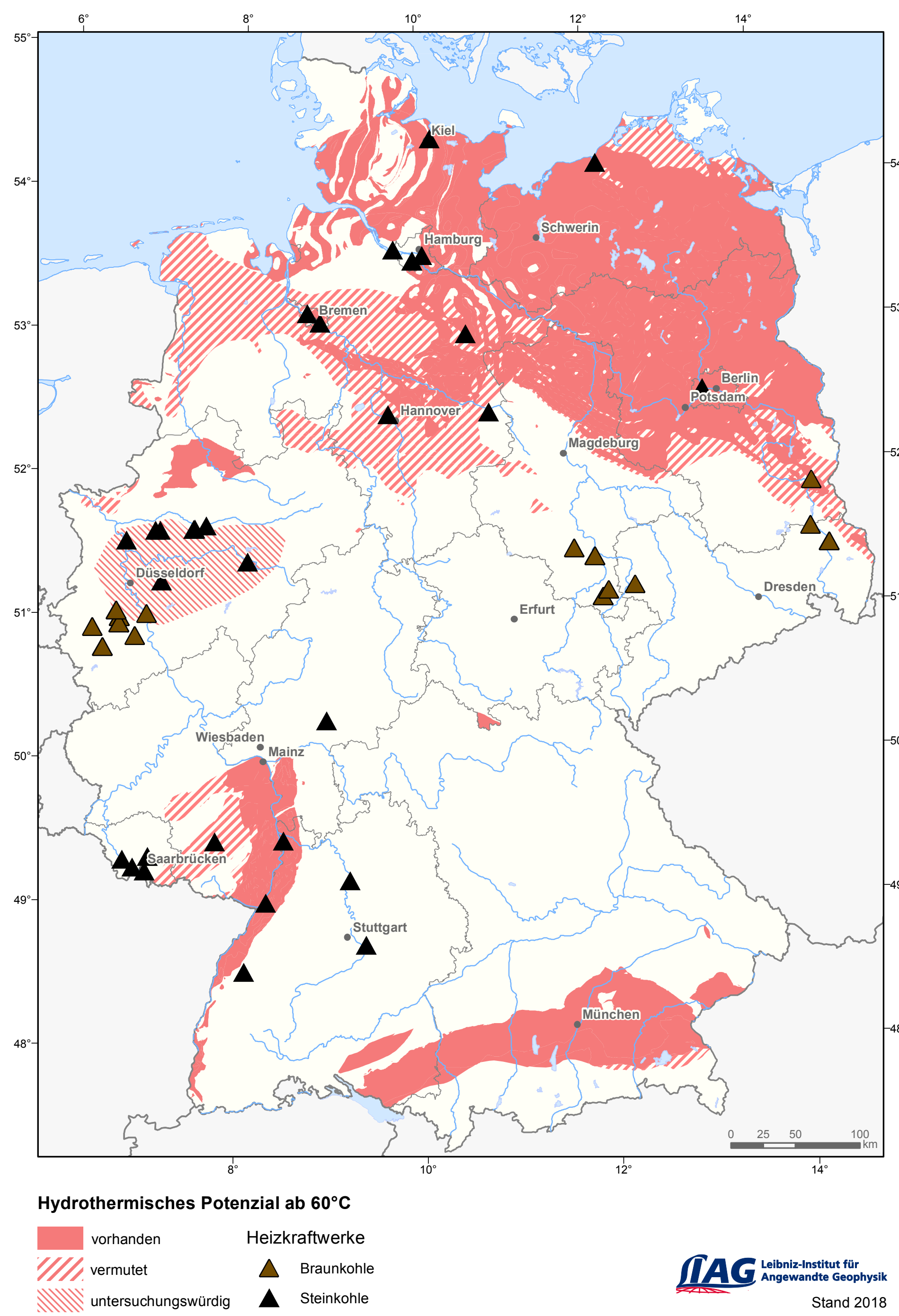
The graph regarding the potential development of the heating mix in Germany up until 2050 indicates the outcome of the "60 % Renewable Heat" scenario as a change in the heating mix in Germany up until 2050. According to this, the German climate protection targets set for 2050 with an increase in the share of renewable energy sources in the heating sector from the current figure of 14.5 % to 60 % are achievable if suitable changes to fiscal, tax and funding policy are implemented quickly. This would also require deep geothermal energy to be preferentially fed into both existing as well as new district heating networks in future, and industrial plants would need to use deep geothermal energy more intensively than process heating. As a result, the Leibniz Institute believes geothermal energy could cover around 17 % of the heating demand figure in Germany by 2050.

POTENTIAL DEVELOPMENT OF THE HEATING MIX IN GERMANY UP UNTIL 2050



Source: Leibniz Institute for Applied Geophysics, The Role of Geothermal Energy in the Heating Transition (Die Rolle der Geothermie bei der Wärmewende), p. 11, April 2018

The demand for heat generated using non-fossil fuels will most likely continue in the short-term in Germany as a result of the Act to Reduce and End Coal-Fired Power Generation ("Gesetz zur Reduzierung und zur Beendigung der Kohleverstromung") passed by the German cabinet at the end of January 2020. What this specifically means is that the share of coal-fired power generated from anthracite and lignite-fired power plants will each be reduced by around 11 GW to approximately 15 GW by 2022, from 22.8 GW and 18.1 GW respectively at the end of 2019. By 2030, this figure is to be reduced further, to an output of about 8 GW for anthracite-fired power stations and 9 GW for lignite-fired power stations. By 2038 at the latest, the use of coal-fired power stations is to be completely ended. Significant thermal output will also be removed from the network thanks to the planned decommissioning of coal kilns.



Source: German Geothermal Association (Bundesverband Geothermie e.V.), Press release on the withdrawal from coal: Geothermal energy as a replacement for fossil fuel, 24 January 2020

According to the German Geothermal Association (Bundesverband Geothermie e.V.), geothermal energy is able to take up a significant share of the supply of heat. It is indeed the case that, in addition to the geographical congruence depicted on the map of Germany, the use of geothermal energy is CO_2-neutral, renewable and kind to the landscape. By 2050, the aim is to increase the share of renewable energy sources in the gross final energy consumption figure by 60 %. This also includes a reduction in greenhouse gases by at least 80 % to 95 %. The Association believes geothermal energy can make a decisive contribution to achieving these targets.

The importance attached to geothermal energy as an alternative source of heat and power production is also continuing to increase outside of Germany. In the context of an energy transition policy, energy generation with lowest possible CO_2 emission as well as to reduce dependency on primary fossil-fuel energy sources such as crude oil or gas. According to the German Geothermal Energy Association, geothermal energy has been used on an extensive basis for some time in some regions of Germany as well as in European countries such as the Netherlands, Sweden and France. In Germany in particular, however, further expansion in the use of geothermal energy is indicated in order to use the CO_2-free, renewable source of geothermal energy for the heating transition, according to the association.

The association is calling for a significant reduction in the electricity price for heat pumps and geothermal deep pumps (so-called own power supply) in order to promote the switch to renewable heat energy. At present, heat pump electricity for the use of near-surface geothermal energy is subject to burdens of up to 70 % taxes and levies, whereas fossil fuels such as natural gas and oil are bear only 25 %. Real competition on the heating market would require an honest CO_2 price that reflects external costs in prices and does not artificially subsidise gas or oil heating systems.

Geothermal energy remains an important source for the success of the energy transition, as it is decentralised and does not require any expansion of the grid, is an inexhaustible and free resource, has an unrestricted ability to supply base load (i.e., regardless of time of the day, seasons and weather conditions), makes a major contribution to environmental and climate protection and provides an outstanding CO_2 footprint. The cost reduction potential in project development and technology can be developed by numerous pending projects and accompanying research, with the result that the costs of geothermal electricity and heat generation will approach a financially attractive level in the next few years. As a result, geothermal energy is an important system service and in the foreseeable future will be operated economically without subsidies.

Geothermal energy has long been a reliable form of energy supply in Germany. The technology can be controlled and planned. Through the high levels of skill and expertise within the Daldrup Group, it has demonstrated in many projects that it can and will meet the high safety requirements demanded by the public and the licensing authorities.

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

Daldrup & Söhne AG's drilling and project business has been well utilised and has had a strong order book in all four business units for a number of years. However, the drilling business on its merits faces uncertainties along with the risks outlined. Despite careful planning and coordination with the project partners and authorities, delays in approval and tender procedures, changing legal requirements, changes in special infrastructure conditions that tend to apply in most cases and conditions for project financing as well as unknown geology-related factors can never be ruled out. This is because the development of geothermal energy is a relatively new discipline. Furthermore, each project needs to be planned on an individual basis as the geological conditions underground can differ greatly. Due to the aforementioned unknowns, effects on the results of operations and financial position of Daldrup & Söhne AG and the Group cannot be ruled out and will continue to have an impact on the course of business of Daldrup & Söhne AG in the future.

However, thanks to the sale of the Geysir Europe GmbH and the geothermal power plants, Daldrup & Söhne AG has significantly reduced its risk exposure and obligations arising from interest-bearing liabilities and trade payables to the power plant companies. There will be no significant cash outflows in future to the Taufkirchen power plant project that has been sold. As a result, the Management Board of Daldrup & Söhne AG believe the Company is on the right path to adjusting the risk positions and business activity in line with the structures of a medium-sized company. This process is due to be completed by the end of 2020.

At the end of April 2020, the Management Board assessed the economic development for 2020 as satisfactory overall based on the economic environment and the macroeconomic impact of the COVID-19 pandemic.

So far, Daldrup & Söhne AG's drilling and project business has hardly been directly affected by the COVID-19 pandemic. The large-scale Luttelgeest drilling project in the Netherlands was started and is currently being worked on to schedule, and the second well for Nagra in Switzerland is also currently being sunk on schedule too. It has not resulted in orders being cancelled to date. This may well also be linked to the fact that the Daldrup Group's service portfolio also addresses future subjects like water and raw materials alongside the energy segment.

Our supplier and service chain is also working on schedule to date. The company management nevertheless examines and continuously and carefully reviews the business and liquidity situation of the Group in line with its plans in order to recognise potential risks at an early stage and limit any harmful effects.

Furthermore, the Company has taken appropriate measures from the company management's perspective with its own COVID-19 Protocol, so as to provide the best possible protection for its employees, service providers and customers, despite the uncertainties in place, and limit the effects on the operational drilling activity altogether.

The current low oil price is also resulting in slightly more favourable purchasing and rental conditions for equipment as well as purchase prices for consumables, thus providing opportunities to make the necessary improvements to the staffing situation in the drilling teams, albeit only to a limited extent.

All business units are thus utilised well into 2021. As at the end of April 2020, the Daldrup & Söhne AG order backlog for geothermal projects in Germany and other European countries remains at a high level of EUR 33.0 million. The prospect of potential order backlogs totalling some EUR 114.6 million resulting from the project pipeline in the coming months also increases the Management Board's confidence level. High demand continues in the deep geothermal energy business unit. Drilling activities for Nagra, National Cooperative for the Disposal of Radioactive Waste in Switzerland, are ongoing. In the Netherlands, the Company is responsible for constructing three geothermal wells for greenhouse operators in Luttelgeest and building the associated heating plant. As a result, two of the three large drilling rigs are in operation in 2020. The current high level of demand for deep wells is hereby documented. The third rig will be put in for routine maintenance after being in operation for almost two years. This will happen after the drilling contract for Stadtwerke München has been completed in full and to the utmost satisfaction of our customer.

Taking into account the aforementioned points and the well utilised drilling capacities and satisfactory order situation currently totalling EUR 33.0 million, which include a range of orders stretching far into 2021 on a computational basis, as well as the existing order pipeline of EUR 114.6 million, the Management Board of Daldrup & Söhne AG expects to achieve gross revenue of some EUR 40 million with a positive operational EBIT margin of between 2 % and 4 % for fiscal year 2020.

F. DISCLOSURES RELATING TO TREASURY SHARES PURSUANT TO SECTION 160 (1) NO. 2 AKTG

Disclosures relating to treasury shares pursuant to section 160 (1) no. 2 (AktG) and section 289 (2) sentence 2 HGB are listed in the appendix.

G. MANAGMENT BOARD´S CONCLUDING STATEMENT ON THE DEPENDENT COMPANY REPORT

In conclusion, we state that Daldrup & Söhne Aktiengesellschaft, based on the circumstances known to us at the point in time at which legal transactions were carried out or actions taken or omitted, received reasonable consideration for every legal transaction and was not disadvantaged by actions being taken or omitted.

Oberhaching, 28 May 2020

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Board member)

Bernd Daldrup
(Board member)

Peter Maasewerd
(Board member)

Stephan Temming
(Board member)

CONSOLIDATED FINANCIAL STATEMENTS for Fiscal Year 2019

INDEPENDENT AUDITOR´S REPORT

GROUP INCOME STATEMENT

FOR FISCAL YEAR 1 JANUARY TO 31 DECEMBER 2019

	01/01/2019 - 31/12/2019 EUR	01/01/2018 - 31/12/2018 EUR
1. Sales revenues	**24,771,844.26**	**38,938,384.94**
2. Increase/decrease in work in progress	16,999,621.39	- 4,030,880.17
3. Other operating income – of which from currency translation: EUR 439,081.98 (previous year: EUR 53,414.43)	9,804,527.39	1,520,797.35
4. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	9,072,245.59	10,583,651.43
b) Cost of purchased services	11,704,875.62	18,550,932.21
	20,777,121.21	**29,134,583.64**
5. Personnel expenses		
a) Wages and salaries	7,731,326.80	7,090,002.87
b) Social security, post-employment and other employee benefit costs – including retirement benefit: EUR 10,917.51 (previous year: EUR 61,958.82)	1,438,600.55	1,327,335.98
	9,169,927.35	**8,417,338.85**
6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	2,919,115.03	3,879,696.04
7. Other operating expenses – of which from currency conversion: EUR 128,880.65 (previous year: EUR 0.00)	28,707,609.26	11,563,082.29
8. Income from other securities and long-term loans	285,872.98	27,673.76
9. Other interest and similar income	182,319.29	318,064.77
10. Expenses from long-term investments in associates	0	0
11. Write-downs of long-term financial assets	764,597.87	0
12. Interest and similar expenses	2,048,544.74	2,436,038.58
13. Taxes on income – of which from deferred taxes: earnings, EUR 18,649.55 (previous year: earnings, EUR 80,687.27)	- 42,816.72	151,800.26
14. Earnings after taxes	- 12,299,913.43	- 18,808,499.01
15. Other taxes (expenses; previous year: earnings)	26,696.00	266,121.72
16. Consolidated net loss/net income for the year annual net income	**- 12,326,609.43**	**- 18,542,377.29**
17. Minority interests	**103,317.08**	1,387 ,050.80
18. Consolidated loss carried forward/retained profits carried forward	**- 6,048,913.53**	11,106,412.96
19. Consolidated balance sheet loss	**- 18,272,205.88**	**- 6,048,913.53**


HAKA GERODUR

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS	31/12/2019 EUR	31/12/2018 EUR
A. Fixed Assets		
I. Intangible assets		
Purchased concessions, industrial rights and similar rights and assets and licences for such rights and assets	**20.00**	**2,768,196.67**
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third-party land	127,469.95	4,284,715.94
2. Technical equipment and machinery	7,704,687.36	20,171,594.01
3. Other equipment, operating and office equipment	2,353,259.47	2,565,469.69
4. Prepayments and assets under construction	0	85,871,497.09
	10,185,416.78	**112,893,276.73**
III. Financial assets		
1. Shares in affiliated companies	0	10,000.00
2. Shares in associated companies	1.00	0
3. Loans to other long-term investees and investors	11,600,000.00	0
4. Long-term securities	0	181.00
5. Other loans	621,094.04	981,095.04
	12,221,095.04	**991,276.04**
	22,406,531.82	**116,652,749.44**
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	4,284,873.73	3,026,522.60
2. Work in progress	41,873,605.35	25,443,983.96
3. Advance payments received on orders	- 41,405,792.63	- 21,087,691.79
	4,752,686.45	**7,382,814.77**
II. Receivables and other assets		
1. Trade receivables	2,444,155.67	4,338,044.69
2. Receivables owed by affiliated companies	-	1,619.51
3. Other assets – of which due after more than one year: EUR 3,976,424.00 (previous year: EUR 803,453.36)	13,904,625.59	10,595,264.73
	16,348,781.26	**14,934,928.93**
III. Cash on hand and credit balances at banks	2,699,185.24	2,425,596.22
	23,800,652.95	**24,743,339.92**
C. Prepaid Expenses	**32,867.53**	**68,483.11**
D. Deferred Tax Assets	**152,916.88**	**300,369.33**
Balance Sheet Total	**46,392,969.18**	**141,764,941.80**

LIABILITIES	31/12/2019 EUR	31/12/2018 EUR
A. Equity		
I. Subscribed capital	5,989,500.00	5,989,500.00
Treasury shares	- 4,012.00	- 4,017.00
	5,985,488.00	**5,985,483.00**
II. Capital reserves	36,355,875.01	36,355,875.01
III. Retained earnings		
1. Legal reserve	25,000.00	25,000.00
2. Other revenue reserves	234,028.10	510,036.31
IV. Currency translation adjustments	- 1,025,616.27	- 1,248,059.21
V. Consolidated balance sheet loss	- 18,272,205.88	- 6,048,913.53
VI. Minority interests	19,934.79	19,207,504.21
	23,322,503.75	**54,786,925.79**
B. Differential amount from capital consolidation	**0**	**1,723,846.46**
C. Special items for grants and allowances	**0**	**121,000.00**
D. Provisions		
1. Provisions for pensions	0	0
2. Tax provisions	829.19	121,598.11
3. Other provisions	1,891,281.06	4,849,384.68
	1,892,110.25	**4,970,982.79**
E. Liabilities		
1. Liabilities to credit institutions – of which due within one year: EUR 8,541,358.43 (previous year: EUR 9,823,843.79) – of which due after more than one year: EUR 206,387.66 (previous year: EUR 0.00)	8,747,825.17	10,993,023.79
2. Advance payments received on orders – of which due within one year: EUR 0.00 (previous year: EUR 954,000.00)	0	954,900.00
3. Trade payables – of which due within one year: EUR 6,853,508.08 (previous year: EUR 9,585,393.51)	6,853,508.08	9,585,393.51
4. Other liabilities – of which due within one year: EUR 2,395,695.36 (previous year: EUR 8,899,917.27) – of which due after more than one year: EUR 3,178,101.95 (previous year: EUR 44,842,874.13) – of which from taxes: EUR 1,214,000.00 (previous year: EUR 910,656.79) – of which from social security: EUR 83,368.49 (previous year: EUR 70,517.47)	5,573,797.31	53,742,791.40
	21,175,130.56	**75,276,108.70**
F. Deferred Income	**3,224.62**	**3,093.58**
G. Deferred Tax Liabilities	**0**	**4,882,984.48**
Balance Sheet Total	**46,392,969.18**	**141,764,941.80**

CONSOLIDATED EQUITY STATEMENT

GROUP EQUITY STATEMENT FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

	PARENT COMPANY							
	(Amended) Subscribed capital			Reserves				
	Subscribed capital	Treasury shares	Total	Capital reserves	Retained earnings			Total
in EUR				Capital reserves	Legal reserve	Other revenue reserves	Total	
As at 01/01/2018	5,445,000	- 4,017	5,440,983	30,502,500	25,000	264,014	289,014	30,791,514
Consolidated loss for the year	0	0	0	0	0	0	0	0
Capital increase	544,500	0	544,500	5,853,375	0	0	0	5,853,375
Changes to the consolidation group	0	0	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	246,022	246,022	246,022
As at 31/12/2018	**5,989,500**	**- 4,017**	**5,985,483**	**36,355,875**	**25,000**	**510,036**	**535,036**	**36,890,911**
As at 01/01/2019	5,989,500	- 4,017	5,985,483	36,355,875	25,000	510,036	535,036	36,890,911
Consolidated loss for the year	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Changes to the consolidation group	0	0	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	- 276,003	- 276,003	- 276,003
As at 31/12/2019	**5,989,500**	**- 4,017**	**5,985,483**	**36,355,875**	**25,000**	**234,033**	**259,033**	**36,614,908**

PARENT COMPANY			NON-CONTROLLING SHARES			
Equity difference from currency translation	Consolidated balance sheet profit/loss	Total	Non-controlling share prior to equity difference from currency translation	Equity difference from currency translation attributable to non-controlling shares	Total	Group equity
- 1,174,898	11,106,413	46,164,012	169,295	- 228,602	- 59,307	46,104,705
0	-17,155,326	- 17,155,326	- 1,387,051	0	- 1,387,051	- 18,542,377
0	0	6,397,875	0	0	0	6,397,875
0	0	0	20,584,188	0	20,584,188	20,584,188
73,162	0	- 73,162	0	69,674	69,674	- 3,488
0	0	246,022	0	0	0	246,022
- 1,248,059	**- 6,048,914**	**35,579,421**	**19,366,432**	**- 158,928**	**19,207,504**	**54,786,925**
- 1,248,059	- 6,048,914	35,579,421	19,366,432	- 158,928	19,207,504	54,786,925
0	- 12,223,292	- 12,223,292	- 103,317	0	- 103,317	- 12,326,609
0	0	0	0	0	0	0
0	0	0	- 20,021,768	0	- 20,021,768	- 20,021,768
222,442	0	222,442	0	158,928	158,928	381,370
0	0	0	- 280,886	0	- 280,886	- 280,886
0	0	- 276,003	1,059,473	0	1,059,473	783,470
- 1,025,617	**- 18,272,206**	**23,302,568**	**19,935**	**0**	**19,935**	**23,322,503**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE FISCAL YEAR 2019

	01/01-31/12/2019 EUR	01/01-31/12/2018 EUR
1. Cash flow resulting from ongoing business activity		
Result for the period including third-party shares	- 12,326,609.43	- 18,542,377.29
Scheduled depreciation of fixed assets	3,683,712.90	3,879,696.04
Increase/reduction in provisions	- 197,095.62	- 1,320,796.74
Other non-cash expenses and income	- 20,141,309.79	0.00
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	- 2,918,506.43	20,161,454.99
Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	34,452,266.05	28,189,776.45
Profit/loss from disposal of fixed assets	- 14,799.69	51,000.00
Interest expenses	2,048,544.74	2,436,038.58
Interest income	- 182,319.29	- 318,064.77
Other investment income	- 285,872.98	- 27,673.76
Income tax expense/income	- 42,816.72	151,800.26
Income tax refunds/payments	- 16,133.19	- 232,487.53
Cash flow resulting from ongoing business activity	**4,059,060.55**	**34,428,366.23**
2. Cash flow from investment activities		
Inflows from disposals of intangible assets and property, plant and equipment	52,084.19	289,070.02
Outflows for investments into intangible and tangible fixed assets	- 999,364.32	- 11,146,092.48
Proceeds from disposal of financial assets	0.00	168,916.00
Outflows for investments into financial assets	0.00	- 10,000.00
Inflows from disposals from the consolidation group	0.00	0.00
Disbursements for additions to the consolidation group	0.00	- 20,761,821.28
Interest received	182,319.29	318,064.77
Dividends received	285,872.98	27,673.76
Cash flow from investment activities	**- 479,087.86**	**- 31,114,189.21**
3. Cash flow from financing activities		
Proceeds from capital contributions from shareholders of the parent company	0.00	6,397,875.01
Inflows from the issuance of bonds and raising of (financial) loans	3,288,939.27	4,913,930.77
Outflows from the repayments of bonds and (financial) loans	- 4,076,082.01	- 682,000.00
Interest paid	- 2,048,544.74	- 2,436,038.58
Dividends paid to minority shareholders	- 280,885.50	0.00
Cash flow from financing activities	**- 3,116,572.98**	**8,193,767.20**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents with a cash effect (Sub-totals 1 - 3)	463,399.71	11,507,944.22
Changes in cash and cash equivalents due to effects of consolidated entities	- 193,244.80	- 2,102,397.86
Cash and cash equivalents at the start of the period	17,723.51	- 9,387,822.85
Cash and cash equivalents at the end of the period	**287,878.42**	**17,723.51**
5. Composition of cash and cash equivalents		
Cash in hand and credit balances at banks	2,699,185.24	2,425,596.22
Liabilities to banks (current account liabilities)	- 2,411,306.82	- 2,407,872.71
Cash and cash equivalents at the end of the period	**287,878.42**	**17,723.51**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2019

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Group parent company, Daldrup & Söhne AG, based in Grünwald, is a provider of drilling and environmental services.

Daldrup & Söhne AG is entered in the commercial register of Munich District Court under HRB 187005. It is a company which was set up in Germany as a public limited company and with its registered office in 82041 Oberhaching, Bajuwarenring 17a.

Insofar as options for information contained in the consolidated balance sheet, in the consolidated income statement, or in the notes to the consolidated financial statements may be exercised, comment was made in the balance sheet or the income statement. Presentation of the analysis of consolidated fixed assets is provided on page 23 to the notes to the consolidated financial statements.

The Company is required, pursuant to Section 290 (1) HGB, to prepare consolidated financial statements and a Group management report.

The consolidated financial statements are prepared on the basis of the accounting standards of the German Commercial Code and the German Stock Corporation Act.

COMPARABILITY WITH THE PREVIOUS YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

Geysir Europe GmbH, Grünwald, and its subsidiaries have been classified as associated companies since 1 July 2019. These companies were included as subsidiaries in the previous year's consolidated financial statements as part of the full consolidation in the consolidated financial statements. Transitional consolidation using the equity method was therefore completed as at 1 July 2019. The consolidated financial statements of Daldrup & Söhne Aktiengesellschaft as at 31 December 2019 can only be compared with the previous year's consolidated financial statements to a limited extent as a result of this change to the consolidation group. In order to enable a comparison to be made, the key items in the consolidated balance sheet and consolidated income statement as at 31 December 2019 are shown below in the same way as they would have been reflected if Geysir Europe GmbH, Grünwald, and its subsidiaries had continued to be included in the consolidated financial statements as part of the full consolidation:

ASSETS	31/12/2019 EUR	31/12/2018 EUR
A. Fixed assets		
I. Intangible assets	2,677,201.77	2,768,196.67
II. Property, plant and equipment	111,452,886.52	112,893,276.73
III. Financial assets	631,276.04	991,276.04
B. Current assets		
I. Inventories	4,777,126.93	7,382,814.77
II. Receivables and other assets	15,416,200.47	14,934,928.93
III. Cash on hand and credit balances at banks	2,999,317.48	2,425,596.22
C. Deferred Income	52,783.24	68,483.11
D. Deferred Tax Assets	152,916.88	300,369.33
	138,159,709.33	**141,764,941.80**

LIABILITIES	31/12/2019 EUR	31/12/2018 EUR
A. Equity	45,425,413.88	54,786,925.79
B Special item with equity portion	89,000.00	121,000.00
C Differential amount from capital consolidation	1,723,846.46	1,723,846.46
D. Provisions	2,751,761.50	4,970,982.79
E. Liabilities	83,364,178.29	75,276,108.70
F. Deferred Income	3,224.62	3,093.58
G. Deferred Tax Liabilities	4,802,284.58	4,882,984.48
	138,159,709.33	**141,764,941.80**

	31/12/2019 EUR	31/12/2018 EUR
1. Sales revenues	25,974,136.28	38,938,384.94
2. Increase/decrease in work in progress	16,989,548.27	- 4,030,880.17
3. Other operating income	3,844,588.15	1,668,690.54
4. Cost of materials	- 23,376,945.97	- 29,134,583.64
5. Personnel expenses	- 9,476,825.22	-8,417,338.85
6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	- 4,489,168.60	- 3,879,696.04
7. Other operating expenses	- 16,466,047.74	- 11,710,975.48
8. Income from securities and long-term loans	285,872.98	27,673.76
9. Other interest and similar income	190,041.73	318,064.77
10. Interest and similar expense	- 3,322,530.76	- 2,436,038.58
11. Result from ordinary activities	- 9,847,330.88	- 18,656,698.75
12. Taxes on income and revenue	82,662.91	-151,800.26
13. Other taxes	-28,661.86	266,121.72
14. Consolidated net loss for the fiscal year	- 9,793,329.83	- 18,542,377.29
15. Minority interests	1,829,603.42	1,387,050.80
16. Consolidated loss carried forward	- 6,048,913.53	11,106,412.96
17. Consolidated balance sheet loss	- 14,012,639.94	- 6,048,913.53

The disposals of fixed assets arising from this situation are shown separately in the schedule of assets.

CONSOLIDATION METHODS

Not only the parent company, but all domestic and foreign subsidiaries under the legal control of Daldrup & Söhne AG are included in the consolidated financial statements.

The annual financial statements of subsidiary companies are prepared on the same balance sheet date as the annual financial statements of the parent company, using standard accounting policies.

The effects of intercompany transactions are eliminated. Receivables and payables between the companies included are consolidated.

The negative goodwill from capital consolidation stems from earnings retained at subsidiaries following the acquisition of investments, but prior to the reporting date of the first-time consolidation. It has therefore been recognised directly in equity without affecting net income.

The accounting of the shares in those companies on which the Group has no dominant but a significant influence, is carried out using the equity method. Initially, these associated companies are recognised at cost.

The Group's share of the profits and losses of these companies is recognised in the income statement from the moment of their acquisition. The cumulative changes are offset against the investment value.

Accounting is carried out in accordance with a standard policy for the Group, in order to ensure that there is uniform accounting amongst all included companies and associated companies.

CONSOLIDATED ENTITIES

IN ADDITION TO THE PARENT COMPANY, 3 DOMESTIC AND 3 FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct share of capital	Indirect share of capital
Subsidiaries:		
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
Daldrup Wassertechnik GmbH, Ascheberg	100.00	
Przedsiebiorstwo Projektow Gorniczych i Wiercen Geologicznych “DMM“ Sp. z o.o., i.L.	50.44	
GERF B.V., 's Gravenzande/Netherlands		100.00
Associated companies:		
Geysir Europe GmbH, Grünwald		48.99

The subsidiaries are included as part of the full consolidation. The associated companies are included at equity.

The following changes were made to the consolidation group in fiscal year 2019:

Geysir Europe GmbH, Grünwald, acquired the remaining 10 % of the shares in geox GmbH, Ascheberg, from EnergieSüdwest AG, Landau, with substantive effect from 15/01/2019 (Doc. No. 598/2018). The Company thus holds a 100 % interest in geox GmbH.

D&S Geothermie GmbH, Grünwald, acquired 22.88 % shares in Geysir Europe GmbH, Grünwald on 2 April 2019 (Doc. No. 232/2019). The Company therefore owned 97.89 % of Geysir Europe GmbH. The increase in the long-term equity investment was treated as a capital procedure.

As reflected in the balance sheet on 30 June 2019, 49.9 % of shares in geox GmbH and 48.9 % of shares in Geysir Europe GmbH were sold by D&S Geothermie GmbH, Grünwald, to IKAV Invest S.á r.l., Luxembourg, for a total of EUR 1,600k (Doc. No. 1402/2019). The Company therefore owns 48.99 % of shares in Geysir Europe GmbH, Grünwald, as at the balance sheet date.

As a result of these transactions, Geysir Europe GmbH, Grünwald, and its subsidiaries have been classified as associated companies since 1 July 2019. These companies were included as subsidiaries in the previous year's consolidated financial statements as part of the full consolidation in the consolidated financial statements. Transitional consolidation using the equity method was therefore completed as at 1 July 2019.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign subsidiaries are translated at the mid-spot exchange rates on the balance sheet date and income statement items at the average exchange rates for the year. The parts of equity to be included in the capital consolidation as well as the retained profits and accumulated losses brought forward are translated at historical exchange rates. Any differences in the balance sheet to which this gives rise are recognised directly in equity as "foreign currency translation adjustments".

FOREIGN CURRENCY CONVERSION	Exchange rate EUR 1 =	Annual average exchange rate as at 31/12/2019	Closing rate as at 31/12/2019
Swiss francs	CHF	1.1124	1.0854
Polish Zloty	PLN	4.2976	4.2568

ASSOCIATED COMPANIES

Since 1 July 2019, Geysir Europe GmbH, Grünwald, and its subsidiaries have been included in the consolidated financial statements using the equity method. This inclusion is on the basis of the provisional consolidated financial statements of Geysir Europe GmbH, Grünwald. The consolidated financial statements of Geysir Europe GmbH were prepared according to the provisions of the HGB and primarily contain the same accounting policies as those applied for Daldrup & Söhne Aktiengesellschaft. No goodwill arose from the transitional consolidation from full consolidation to consolidation using the equity method as at 1 July 2019. Income of EUR 7,214k arose from the transitional consolidation.

The equity value was posted for the first time as at 1 July 2019 with a pro memoria value of EUR 1. The negative equity value as at 31 December 2019 amounted to EUR - 4,879k. The equity value as at 31 December 2019 was not updated with effect on income in this regard.

The difference between the book value and pro-rata equity as at 31 December 2019 amounted to EUR 5,702k.

THE SHORT FORM CONSOLIDATED FINANCIAL STATEMENTS OF GEYSIR EUROPE GMBH ARE PRESENTED AS FOLLOWS:

ASSETS	31/12/2019 EUR	31/12/2018 EUR
A. Fixed assets		
I. Intangible assets	7,579,171.96	7,996,765.68
II. Property, plant and equipment	101,267,469.74	101,363,677.56
III. Financial assets	10,182.00	10,182.00
B. Current assets		
I. Inventories	24,440.48	24,440.48
II. Receivables and other assets	3,043,843.21	4,263,470.79
III. Cash on hand and credit balances at banks	300,132.24	243,703.95
C. Deferred Income	**19,915.71**	**7,735.68**
	112,245,155.34	**113,909,976.14**

LIABILITIES	31/12/2019 EUR	31/12/2018 EUR
A. Equity	11,638,870.34	19,715,136.98
B Special item with equity portion	89,000.00	121,000.00
C Differential amount from capital consolidation	1,723,846.46	1,723,846.46
D. Provisions	859,651.25	2,798,690.53
E. Liabilities	93,131,502.71	84,668,317.69
F. Deferred Tax Liabilities	**4,802,284.58**	**4,882,984.48**
	112,245,155.34	**113,909,976.14**

	31/12/2019 EUR	31/12/2018 EUR
1. Sales revenues	2,941,584.33	2,696,850.52
2. Increase/decrease in work in progress	- 10,073.12	541,672.94
3. Other operating income	1,558,776.19	1,283,673.81
4. Cost of materials	- 3,553,068.14	- 2,594,077.37
5. Personnel expenses	-659,689.68	-938,035.18
6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	- 1,871,436.87	- 1,901,776.79
7. Other operating expenses	- 3,731,782.95	- 2,416,144.99
8. Income from securities and long-term loans	0.00	28,366.86
9. Other interest and similar income	7,978.18	0.00
10. Interest and similar expense	- 2,594,992.83	- 2,491,374.16
11. Result from ordinary activities	**- 7,912,704.89**	**- 5,790,844.36**
12. Taxes on income and revenue	84,481.95	83,544.75
13. Other taxes	- 3,854.91	- 4,054.85
14. Consolidated net loss for the fiscal year	**- 7,832,077.85**	**- 5,711,354.46**
15. Minority interests	201,545.53	162,915.73
16. Consolidated loss carried forward	- 2,330,286.73	3,218,152.48
17. Consolidated balance sheet loss	- 9,960,819.05	- 2,330,286.25

ACCOUNTING POLICIES

ASSETS
Acquired intangible fixed assets and fixed assets have been recognised at cost and, if liable to depreciation/amortisation, have been reduced by scheduled depreciation/amortisation.

Depreciation was calculated linearly according to the expected useful life. Low-value assets between EUR 250.00 and EUR 1,000.00 were entered in a collective item and amortised linearly over a period of 5 years. Assets under EUR 150.00 were recorded directly as expenses.

Shares in associated companies were valued using the equity method.

Securities classified as fixed assets have been accounted for at their nominal value.

Extraordinary depreciation of assets of the fixed assets was made where a permanent impairment exists.

Raw materials, consumables and supplies have been recognised at cost. If the daily values were lower on the balance sheet date, these values have been recognised.

Drilling contract services in progress were measured by means of reverse costing from the order value, taking into account the degree of completion on the balance sheet date and a flat-rate deduction of 12.5 % for the share of profit not yet implemented and non-capitalisable costs.

Receivables and other assets have been recognised at their nominal value.

In the case of receivables, individual risks have been taken into account by means of adequately measured specific valuation allowances and the general credit risk of the parent company by means of appropriate flat-rate deductions of 1%.

Cash in hand and credit balances at banks have been recognised at their nominal value. Balances in foreign currency are translated at the mean spot exchange rate on the balance sheet date.

Prepaid expenses and accrued income include expenses before the balance sheet date which will only become expenses in the following year.

Deferred tax assets and liabilities are, in principle, measured using the tax rates valid as at the balance sheet date. Future tax rate changes are taken into account if, within the scope of a legislative procedure, substantial prerequisites for its future applicability have been met on the balance sheet date. In this case, a flat rate of 30.0 %, which includes the standard corporation tax rate of 15.0 %, the solidarity surcharge of 5.5 % and an average trade tax rate of 14.2 %, is used.

LIABILITIES
Subscribed capital has been recognised at par value.

The calculated par value of acquired treasury shares has been deducted from subscribed capital on the face of the balance sheet.

Other provisions have been recognised for any other uncertain liabilities at the settlement amount dictated by prudent business judgement. All identifiable risks have been taken into account here. If the liabilities were due after more than one year, maturity-matched discounting was carried out using the interest rates published by the Deutsche Bundesbank.

Liabilities have been recognised at their settlement amount.

Deferred income and accrued expenses included inflows before the balance sheet date which will only become income in the following year.

CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT DISCLOSURES

I. BALANCE SHEET

FIXED ASSETS

The consolidated statement of changes in fixed assets as at 31/12/2019 is set out on page 23 of the Notes.

The list of direct and indirect shareholdings of all long-term equity investments can be found on page 25.

CURRENT ASSETS

INVENTORIES

Payments received are openly deducted from inventories.

RECEIVABLES

The remaining term of receivables is less than one year.

OTHER ASSETS

OTHER ASSETS AS AT 31/12/2019 IN EUR K				
Description	Total amount	due within **one year**	due after **more than one year**	Total amount in previous year
1. Loan receivables from related companies	7,286	7,286	0	5,708
2. Loan receivables from associated companies	3,976	0	3,976	0
3. Purchase price claim from company share purchases	1,600	1,600	0	0
4. Repayment claims from advance payments already made	0	0	0	1,643
5. VAT receivables	353	353	0	364
6. Insurance compensation	0	0	0	950
7. Claims from reinsurance cover	0	0	0	288
8. Heat deliveries still to be invoiced	0	0	0	960
9. Other	689	689	0	682
Total of other assets	**13,904**	**9,928**	**3,976**	**10,595**

5. includes input tax receivables in the amount of EUR 143k which will be incurred only in 2020.

OTHER ASSETS

OTHER ASSETS AS AT 31/12/2019 IN EUR K				
Description	Total amount	due within **one year**	due after **more than one year**	Total amount in previous year
1. Loans receivable	5,708	5,708	0	8,614
2. Receivables from associated companies	0	0	0	670
3. Repayment claims from advance payments already made	1,643	1,643	0	1,644
4. Insurance compensation	950	950	0	1,119
5. Claims from reinsurance cover	288	288	0	807
6. VAT receivables	364	364	0	441
7. Claims against suppliers	0	0	0	419
8. Heat deliveries still to be invoiced	960	960	0	0
9. Other	682	682	0	662
Total of other assets	**10,595**	**10,595**	**0**	**14,376**

DEFERRED TAX ASSETS

The deferred taxes were calculated using a tax rate of 30.0 %. The deferred taxes were calculated based on a corporation tax rate of 15.0 %. A solidarity surcharge of 5.5 % on any corporation tax as well as an average trade tax rate of 14.2 % were also used as the basis for this calculation. Deferred taxes result primarily from differences between the commercial and tax-based valuations of other provisions.

EQUITY

Changes in equity are presented in the statement of changes in equity, which forms part of the consolidated financial statements.

SHARE CAPITAL

The share capital amounts to EUR 5,989.5k (31/12/2018: EUR 5,989.5k); it is split into 5,989,500 (31/12/2018: 5,989,500) no-par-value bearer shares (ordinary shares). Authorised capital as at 31/12/2019 amounts to EUR 2,994.75k (31/12/2018: EUR 2,994.75k).

Treasury shares: The subsidiary Daldrup Bohrtechnik AG, Baar, holds 4,012 shares in Daldrup & Söhne AG, which corresponds to EUR 4,012 of the share capital or 0.1 % of the share capital.

CAPITAL RESERVES

The capital reserve remains in the amount as the previous year, totalling EUR 36,356k (31/12/2018: EUR 36,356k).

LEGAL RESERVE

The legal reserve pursuant to Section 150 AktG amounts to EUR 25k, unchanged compared to the previous year.

OTHER REVENUE RESERVES

Other revenue reserves amount to EUR 234k (31/12/2018: EUR 510k).

CONSOLIDATED NET RETAINED PROFITS

Consolidated net retained profits developed as follows:

• Consolidated balance sheet loss carried forward 01/01/2019	EUR 6,049k
• Consolidated net loss for the fiscal year	EUR 12,327k
• Loss attributable to minority shareholders	EUR 103k
• Consolidated balance sheet loss 31/12/2019	EUR 18,272k

For the past fiscal year, the Management Board proposes to carry forward the net loss for the year in the amount of EUR 16,884k to the next accounting period.

It is, in principle, not the consolidated net retained profits, but the net retained profits from the individual financial statement of the parent company that are available for distribution purposes. The balance sheet loss as at 31/12/2019 amounts to EUR 17,897k.

The total amount pursuant to Section 268 (8) HGB (the payout block) is EUR 153k. This amount is due to the capitalisation of deferred tax receivables.

TAX PROVISIONS

Tax provisions amount to EUR 1k (previous year: EUR 122k).

OTHER PROVISIONS

STATEMENT OF PROVISIONS AS AT 31/12/2019 IN EUR K					
Description	01/01/2019	Utilisation	Closing	Transfer	31/12/2019
Personnel provisions	1,130	943	29	1,148	1,306
Global provision for warranties	124	0	10	1	115
Other provisions	3,595	792	2,790	457	470
Total other provisions	**4,849**	**1,735**	**2,829**	**1,606**	**1,891**

The global provision for guarantees was based on 0.5 % of the average revenue of the last five years. This took into account a different weighting of the individual years as well as discounting.

LIABILITIES

STATEMENT OF LIABILITIES AS AT 31/12/2019 IN EURK					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount previous year
1. Liabilities to banks	8,748	8,542	206	0	10,993
2. Advance payments received on orders	0	0	0	0	955
3. Trade payables	6,854	6,854	0	0	9,585
4. Liabilities to related companies	1,910	324	1,057	529	0
5. Liabilities to minority shareholders	0	0	0	0	13,112
6. Other liabilities to pension funds	0	0	0	0	9,371
7. Other liabilities to investment companies	0	0	0	0	24,574
8. Tax liabilities	1,214	1,214	0	0	911
9. Other liabilities from company share purchases	1,545	159	616	770	3,666
10. Other miscellaneous liabilities	904	904	0	0	2,109
Total Liabilities	**21,175**	**17,997**	**1,879**	**1,299**	**75,276**

There are **liabilities to banks** totalling EUR 8,450k from the use of operating loans. The line of credit from a guaranteeing bank amounting to EUR 2,500k is partly collateralised within the framework of the pledging of a bank balance of EUR 250k. All other working capital and guarantee lines of credit and loan drawdown agreements amounting to EUR 15,505k were not collateralised as at 31/12/2019 and/or supplied in return for a negative and equal treatment declaration.

There are also **liabilities to banks** totalling EUR 298k from the financing of tangible fixed assets.

Liabilities to related companies relate to the granting of a loan by GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, amounting to EUR 1,850k.

The **other liabilities** comprise liabilities from wages and salaries (EUR 480k), liabilities from social security (EUR 84k) and other liabilities (EUR 340k).

II. INCOME STATEMENT

The total cost method was chosen for the income statement.

The **sales revenues** of the Group can be broken down as follows:

TURNOVER SPREAD BY AREA OF ACTIVITY IN EUR K **Business unit**	**2019**	**Share in %**	**2018**	**Share in %**
Geothermal Energy	7,730	31 %	31,619	81 %
Raw Materials/Exploration	11,315	46 %	4,800	12 %
Water Procurement	1,742	7 %	1,108	3%
EDS	3,984	16 %	1,411	4%
Total	**24,771**	**100 %**	**38,938**	**100 %**

TURNOVER SPREAD BY MARKET GEO-GRAPHY IN EUR K **Business unit**	**2019**	**Share in %**	**2018**	**Share in %**
Domestic	15,384	32 %	12,295	32 %
Foreign	9,387	68 %	26,643	68 %
Total	**24,771**	**100 %**	**38,938**	**100 %**

Due to the long-term project agreements, the sales revenue only present an incomplete picture of the performance during the fiscal year. Therefore, the gross revenue is additionally stated as EUR 25,851k (corresponding to 61.89 %) at home (previous year: EUR 27,351k/78.35 %) and EUR 15,920k (38.11 %) abroad (previous year: EUR 7,557k/21.65 %).

OTHER OPERATING INCOME IS BROKEN DOWN AS FOLLOWS:	2019	2018
Income from the transitional consolidation of the Geysir Group	EUR 7,214k	EUR 0k
Income from the sale of shares in the Geysir Group	EUR 573k	EUR 0k
Income from the reversal of liabilities to subsidiaries	EUR 1,224k	EUR 0k
Insurance compensation	EUR 251k	EUR 0k
Income from exchange rate differences	EUR 192k	EUR 0k
Income from the release of provisions (off-period)	EUR 53k	EUR 824k
Derecognition of old liabilities	EUR 0k	EUR 279k
Miscellaneous income	EUR 297k	EUR 418k
Total	**EUR 9,804k**	**EUR 1,521k**

Income from the sale of shares in Geysir Europe GmbH and from the transitional consolidation represent extraordinary income. They amount to EUR 7,787k in total.

OTHER OPERATING EXPENSES ARE BROKEN DOWN AS FOLLOWS:	2019	2018
Specific bad debt allowances and bad debt losses	EUR 17,600k	EUR 654k
Residue and waste disposal	EUR 1,689k	EUR 1,574k
Rent for mobile assets	EUR 1,177k	EUR 1,060k
Legal and consultancy costs	EUR 1,168k	EUR 1,022k
Repairs and maintenance	EUR 936k	EUR 910k
Advertising, travel, accommodation of staff	EUR 790k	EUR 902k
Premises	EUR 579k	EUR 658k
Vehicle expenses	EUR 571k	EUR 578k
Construction site costs	EUR 536k	EUR 643k
Insurance policies and premiums	EUR 493k	EUR 506k
Expenses related to exchange rate differences	EUR 376k	EUR 0k
Licence fees	EUR 350k	EUR 350k
Workshop costs	EUR 146k	EUR 126k
Loan commission	EUR 0k	EUR 600k
Compensation payments for Managing Directors	EUR 0k	EUR 99k
Guarantee commissions	EUR 0k	EUR 93k
Other	EUR 2,296k	EUR 1,788k
Total	**EUR 28,708k**	**EUR 11,563k**

During the course of the fiscal year, extraordinary expenses amounting to EUR 17,922k arose from write-downs of loans reported under "Other Assets" amounting to EUR 17,157k (reported under "Other operating expenses") as well as from write-downs of long-term financial assets totalling EUR 765k.

III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 222k. The liabilities amount to EUR 146k for terms of up to one year and EUR 75k for terms of one to five years. Moreover there are obligations stemming from a licensing agreement amounting to EUR 4,350k, of which EUR 350k are due within one year, EUR 1,400k within one and five years and EUR 2,600k within more than five years.

The total amount of other group financial obligations thus amounts to EUR 5,408k, of which:

- due within one year: EUR 496k
- due between one and five years: EUR 1,478k
- due within more than five years: EUR 2,600k

TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

In the fiscal year 2016 Daldrup & Söhne AG sold a patent relating to production tubing for use in a borehole heat exchanger for the recovery of geothermal energy and method of installation of such a production tubing for EUR 5,400k (net) and has since been leasing it back for an annual licensing fee of EUR 350k. The patent has a term until January 2034. The advantage of the transaction is to strengthen the profitability of the Company.

CONTINGENT LIABILITIES

The claim of Daldrup & Söhne AG against a related party arising from the sale of a drilling rig totalling EUR 3,000k was financed and settled during fiscal year 2018. As part of this financing, Daldrup & Söhne AG has provided a bank with a directly enforceable maximum guarantee to secure the credit claim to the value of the loan. The guaranteed loan was repaid as agreed and has an outstanding balance of EUR 910k as at 31/12/2019. The loan continues to be repaid on schedule. The overall probability of drawing down the guarantee is therefore classified as low.

HEDGING OF FOREIGN CURRENCY RISKS/VALUATION UNITS

8 valuation units were formed with the following details:

Underlying transaction/hedging instrument	Risk/type of valuation unit	Amount collected	Amount of hedged risk	Hedging time frame
Payment inflows from drilling contracts in third countries/forward exchange contract with an option period	Currency risk/ micro hedge	CHF 8,200k	CHF 8,200k	03/01/2020 (earliest start date) 30/09/2020 (latest end date)

The reciprocal payment flows in accordance with the above table between the underlying transaction and the hedge are expected to cancel each other out in full during the hedging time frame as significant items of the same amount and same currency and term are hedged by way of forward exchange contracts. The reciprocal changes in value/payment flows between the underlying transaction and the hedge cancelled each other out in full up until the balance sheet date. The critical terms match method is used to measure the effectiveness of the hedging relationship.

In accordance with the Risk Policy, any foreign currency risks that occur, which are of key importance to the financial performance of the reporting company, must be hedged by way of suitable forward exchange contracts in a timely manner in advance of the contract being completed, albeit no later than immediately after they occur, doing so in the same currency and term, and covering at least 90 % of the foreign currency risk.

With regard to the period after the balance sheet date until the latest end date of the hedging period on 30/09/2020, there were still forward exchange contracts with an option period making up a total volume of CHF 8,200k, which will cover the expected order volume as at the balance sheet date based on current perspectives. The reporting company was advised and accompanied, both in advance of and during the conclusion of forward exchange contracts with an option period, by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, whilst taking into account the statutory provisions in place.

AUDITOR'S TOTAL FEE

The fee for financial statement audit services charged by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, for fiscal year 2019 is EUR 53k. This is attributable to audits of the financial statements.

PROPOSAL FOR THE APPROPRIATION OF NET PROFIT

The Management Board proposes carrying forward the consolidated balance sheet loss to the next accounting period.

REPORT ON POST-BALANCE SHEET DATE EVENTS

The following events took place after the balance sheet date, 31/12/2019, which were of major importance for Daldrup & Söhne AG.

In accordance with the notarised company share purchase and transfer agreement (Doc. No. D102/2020 dated 13/01/2020), the subsidiary D&S Geothermie GmbH, Grünwald, sold its remaining 1,027,820 company shares (48.944 %) in Geysir Europe GmbH, Grünwald, and loans to IKAV Invest S.à r.l., Luxembourg, for a total of EUR 1,500k.

On 30 January 2020, the World Health Organization (WHO) declared a Public Health Emergency of International Concern due to the outbreak of coronavirus. The WHO has classified the spread of coronavirus as a pandemic since 11 March 2020. The continued spread of coronavirus and the consequences on the business development of Daldrup & Söhne AG are constantly being monitored. Coronavirus is currently posing a threat to the business practices of many companies. Major declines are also feared in the sectors of relevance to Daldrup as well. Huge uncertainty among consumers and companies is leading to a fall in consumer demand and investment activity. A global recession can no longer be ruled out. In addition, turbulence in the oil market is generating further uncertainty and instability. Major uncertainty is also noticeable on stock and bond markets. Coronavirus may cause not only a global recession, but also a debt crisis too. A material negative impact on the company's net assets, financial position and results of operations cannot be ruled out either. However, these potential financial effects cannot be quantified at the present time.

No other events of major importance occurred took place after the balance sheet date.

OTHER MANDATORY DISCLOSURES

NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

During the past fiscal year, the following persons were members of the **Management Board**:

Name	Function, occupation
Josef Daldrup (until 19 May 2020)	CEO (responsible for the Strategy, Key Accounts, Communication, HR and Legal Affairs divisions, and deputising as the person responsible for the Finance, Controlling, Investor Relations and Company Development business units up to and including 20/08/2019)
Dipl.-Ing. Bernd Daldrup (with effect from 20 May 2020)	Member of the Management Board (responsible for the Deep Geothermal Energy, Logistics/Product Management and Purchasing business units with effect from 20 May 2020)
Dipl.-Geologe Peter Maasewerd	Member of the Management Board (Raw Materials & Exploration, Water Procurement, EDS and Near-Surface & Medium-Depth Geothermal Energy business units and the IT and Contract & Claims Management divisions)
Andreas Tönies	Member of the Management Board (responsible for the Strategy, Key Accounts, Communication, HR and Legal Affairs divisions with effect from 20 May 2020)
Dipl.-Kfm. Stephan Temming (with effect from 21/08/2019)	Member of the Management Board (responsible for the Finance, Controlling, Investor Relations and Company Development business units)

The following were members of the **Supervisory Board**:

Name, function	Administrative, Management or Supervisory Board appointments or partner positions
Wolfgang Clement, German Federal Minister (ret.) D. Chairman of the Supervisory Board:	Member of the Supervisory Boards of the following companies: • Member of the Supervisory Board for Exaring AG, Munich • Member of the Supervisory Board for Media Broadcast GmbH, Cologne
Dipl.-Ing. Wolfgang Quecke Member of the Supervisory Board	Member and/or Managing Director of the following companies: • Managing Director of terra-concept GmbH, Marl
Joachim Rumstadt (until 31/12/2019) Member of the Supervisory Board	Member and/or Managing Director of the following companies: • Chairman of the Management Board, STEAG GmbH, Essen • Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen • Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken • Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey • Member of the Advisory Board of Wessling Holding GmbH & Co. KG Altenberge • Chairman of the Supervisory Board of Rheinkalk GmbH, Wülfrath


Daldrup
& Söhne AG

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The total remuneration paid to the Management Board for its work in fiscal year 2019 amounted to EUR 894k.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2019 amounted to EUR 80k.

There is a clearing account with the Chairman of the Management Board, Josef Daldrup, which shows a receivable of EUR 93k as at 31/12/2019. Interest on the clearing account is charged at 6 % annually.

AVERAGE NUMBER OF STAFF EMPLOYED DURING THE CURRENT YEAR

The following groups of workers were employed on average in the company during the fiscal year:

GROUPS OF STAFF	2019	2018
Labourer	125	122
Salaried employees	22	33
Part-time employees	2	2
Total	**149**	**157**

Grünwald, 28 May 2020

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Board member)

Bernd Daldrup
(Board member)

Peter Maasewerd
(Board member)

Stephan Temming
(Board member)

Appendix 1 to the Notes

GROUP STATEMENT OF ASSETS

GROUP FIXED ASSETS REPORT FOR FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

	ACQUISITION COSTS					
	As at 01/01/2019 EUR	Currency translation EUR	Additions EUR	Outgoings EUR	Outgoings Geysir EUR	As at 31/12/2019 EUR
I. Intangible assets						
Fee-based concessions, commercial property rights and similar rights, assets and values, as well as licenses for such rights and assets	9,297,066.56	0.00	17,745.43	0.00	9,235,703.69	79,108.30
	9,297,066.56	**0.00**	**17,745.43**	**0.00**	**9,235,703.69**	**79,108.30**
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third-party land	5,492,045.88	- 1,084.24	0.00	0.00	5,282,797.93	208,163.71
2. Technical equipment and machinery	40,276,666.64	0.00	328,445.54	13,270.50	13,015,204.37	27,576,637.31
3. Other equipment, operating and office equipment	14,623,951.07	0.00	653,173.35	103,176.53	1,650,856.69	13,523,091.20
4. Prepayments and assets under construction	92,766,470.52	0.00	0.00	0.00	92,766,470.52	0.00
	153,159,134.11	**- 1,084.24**	**981,618.89**	**116,447.03**	**112,715,329.51**	**41,307,892.22**
III. Financial assets						
1. Shares in affiliated companies	1,372,492.04	0.00	0.00	0.00	1,372,492.04	0.00
2. Shares in associated companies	0.00	0.00	1.00	0.00	0.00	1.00
3. Loans to associated companies	0.00	0.00	12,004,597.87	0.00	0.00	12,004,597.87
4. Long-term securities	95,054.80	0.00	0.00	0.00	95,054.80	0.00
5. Other loans	983,927.90	0.00	0.00	0.00	2,833.86	981,094.04
	2,451,474.74	**0.00**	**12,004,598.87**	**0.00**	**1,470,380.70**	**12,985,692.91**
	164,907,675.41	**- 1,084.24**	**13,003,963.19**	**116,447.03**	**123,421,413.90**	**54,372,693.43**

DEPRECIATION AND AMORTISATION					BOOK VALUES	
As at 01/01/2019 EUR	Additions EUR	Outgoings EUR	Outgoings Geysir EUR	As at 31/12/2019 EUR	As at 31/12/2019 EUR	As at 31/12/2018 EUR
6,528,869.89	57,513.22	0.00	6,507,294.81	79,088.30	20.00	2,768,196.67
6,528,869.89	**57,513.22**	**0.00**	**6,507,294.81**	**79,088.30**	**20.00**	**2,768,196.67**
1,207,329.94	52,654.15	0.00	1,179,290.33	80,693.76	127,469.95	4,284,715.94
20,105,072.63	2,209,950.23	0.00	2,443,072.91	19,871,949.95	7,704,687.36	20,171,594.01
12,058,481.38	598,997.43	79,162.53	1,408,484.55	11,169,831.73	2,353,259.47	2,565,469.69
6,894,973.43	0.00	0.00	6,894,973.43	0.00	0.00	85,871,497.09
40,265,857.38	**2,861,601.81**	**79,162.53**	**11,925,821.22**	**31,122,475.44**	**10,185,416.78**	**112,893,276.73**
1,362,492.04	0.00	0.00	1,362,492.04	0.00	0.00	10,000.00
0.00	0.00	0.00	0.00	0.00	1.00	0.00
0.00	404,597.87	0.00	0.00	404,597.87	11,600,000.00	0.00
94,873.80	0.00	0.00	94,873.80	0.00	0.00	181.00
2,832.86	360,000.00	0.00	2,832.86	360,000.00	621,094.04	981,095.04
1,460,198.70	**764,597.87**	**0.00**	**1,457,365.84**	**764,597.87**	**12,221,095.04**	**991,276.04**
48,254,925.97	**3,683,712.90**	**79,162.53**	**19,890,481.87**	**31,966,161.61**	**22,406,531.82**	**116,652,749.44**

Appendix 2 to the notes

SHAREHOLDINGS

LIST OF SHAREHOLDINGS PURSUANT TO SECTION 285 (11) HGB FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct share of capital	Indirect share of capital	Equity	Result	Currency	Year	Exchange rate 31/12/2019 1 EUR =
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00		1,120,146.98	-38,014.86	CHF	2019	1.0854 CHF
D&S Geothermie GmbH, Grünwald	100.00		- 1,433,547.60	4,717,245.57	EUR	2019	
Daldrup Wassertechnik GmbH, Ascheberg	100.00		66,331.98	4,535.17	EUR	2019	
Przedsiebiorstwo Projektow Gorniczych i Geologicznych "DMM" Sp. z o.o., i.L.	50.44		40,223.54	397,790.52	PLN	2019	4.2568 PLN
GERF B.V.,'s-Gravenzande/Netherlands		100.00	- 2,112,956.00	- 1,463,787.00	EUR	2019	
Geysir Europe GmbH (associated company)		48.99	4,232,906.18	- 3,812,007.29	EUR	2019	


MARTIN-DECKER CO
INDICATOR
FOR EIGHT
LINES USE
REVERSE SIDE
OF KILOGRAMS
WEIGHT ON BIT
THOUSAND KILOGRAMS
SIX LINES

INDEPENDENT AUDITOR´S REPORT

FAO Daldrup & Söhne AG, Grünwald:

AUDIT OPINIONS

We have audited the consolidated financial statements prepared by Daldrup & Söhne Aktiengesellschaft, Grünwald, and its (Group) subsidiaries, comprising the consolidated financial statements as at 31 December 2019, the consolidated income statement, Group equity statement and consolidated cash flow statement for the fiscal year from 1 January 2019 to 31 December 2019, including the accounting policies and valuation methods. We have also audited the Group management report prepared by Daldrup & Söhne Aktiengesellschaft, Grünwald, for the fiscal year from 1 January 2019 to 31 December 2019.

In our opinion, based on the knowledge gained during the audit,
- the attached consolidated financial statements comply in all material respects with German legal requirements and give a true and fair view of the Group's net assets and financial position as at 31 December 2019 as well as its results of operations for the fiscal year from 1 January 2019 to 31 December 2019 in accordance with German principles of proper accounting, and
- the attached Group management report provides a suitable view of the Group’s position as a whole. The Group management report is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit of the consolidated financial statements has not led to any reservations.

BASIS FOR OUR AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW).

Our responsibility in accordance with these regulations and principles is further outlined in the section entitled ”Responsibility of the auditor for auditing the consolidated financial statements and Group management report” in our auditor’s report. We are independent of the Group companies in compliance with German commercial and labour laws and have performed all of our other professional duties under German law in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

OTHER DISCLOSURES

The legal representatives are responsible for all other disclosures. Other disclosures include the other parts of the Annual Report, with the exception of the audited consolidated financial statements and Group management report as well as our auditor’s report, expected to be provided to us after the date this auditor's report is issued.

These other disclosures are beyond the scope of our audit opinion on the consolidated financial statements and the Group management report. As such, we are not providing an audit opinion or any other form of audit conclusions related thereto.
In conjunction with our audit of the consolidated financial statements, we are responsible for reading other disclosures – as soon as they are made available – and determining whether these other disclosures
- substantially deviate from the consolidated financial statements, the Group management report or our knowledge gained during the audit or
- in any other way appear to have been presented with significant inaccuracies.

If, upon reading the other parts of the Annual Report, with the exception of the audited consolidated financial statements and Group management report as well as our auditor’s report, we come to the conclusion that they contain information with significant inaccuracies, we undertake to inform the individuals who are responsible for oversight about such an issue.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements, which comply with German commercial law in all material respects, and ensuring that the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations in accordance with German principles of proper accounting. These legal representatives are also responsible for the internal controls they deem necessary in accordance with German principles of proper accounting to enable the preparation of consolidated financial statements that are free from material misstatement – whether intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for determining the Group's ability to continue as a going concern. They are also responsible for disclosing matters related to its business activities as a going concern provided these are relevant. In addition, they are responsible for balancing the activities of a going concern based on accounting principles, insofar as this does not conflict with actual or legal circumstances.

The legal representatives are also responsible for preparing the Group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for enabling precautions and measures (systems) they deem necessary to prepare the Group management report in accordance with applicable German legal regulations and the ability to provide sufficient, suitable proof of the statements made in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for preparing the consolidated financial statements and the Group management report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement – whether intentional or unintentional – and whether the Group management report as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements and the findings of our audit, complies with German legal regulations and accurately reflects the opportunities and risks of future growth, and to express an opinion that includes our audit opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected for them to individually or collectively influence the business decisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit, we exercise due diligence and maintain a critical view. In addition

- we identify and assess the risk of material misstatements – whether intentional or unintentional – in the consolidated financial statements and the Group management report, plan and perform auditing activities in response to these risks and obtain evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of material misstatements not being detected is higher for violations than for inaccuracies, as violations may include fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the overriding of internal control.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the Group management report to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the efficacy of these systems.
- we assess the appropriateness of the accounting policies used by the Management Board and the reasonableness of the estimates made by the Management Board and related disclosures.
- we draw conclusions on the appropriateness of, the accounting principle applied by the Management Board for the continuationof the company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the consolidated financial statements and on the Group management report based on the information contained therein, or, if such information is inappropriate, to modify our respective opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue as a going concern.
- we express an opinion on the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and on whether the consolidated financial statements present the underlying transactions and events in such a way that the they provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.
- we obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.
- we assess whether the Group management report is consistent with the consolidated financial statements, whether it conforms to applicable laws and the picture it presents of the Group as a whole.
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the Group management report. On the basis of sufficient, suitable audit evidence, we verify in particular the material assumptions underlying the forward-looking statements made by the Management Board and assess proper inferences made based on the assumptions from these forward-looking statements. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit with the individuals who are responsible for oversight.

Düsseldorf, 28 May 2020

Warth & Klein Grant Thornton AG
Auditors

Carsten Carstens	Nicolai Ptack
Auditor	Auditor

FISCAL CALENDAR for Daldrup & Söhne AG

31 May 2020:	Consolidated Annual Report as at 31/12/2019
27 August 2020:	Annual General Meeting
30 September 2020:	Consolidated Interim Report as at 30/06/2020
16-18 November 2020:	Equity Forum, Frankfurt

INVESTOR RELATIONS Contact

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Design and setting
DESIGNRAUSCH Kommunikationsdesign, Herten | Susanne Frisch-Hirse
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A BRIEF OVERVIEW OF DALDRUP

	31/12/2019	31/12/2018
Sales	EUR 24.77 million	EUR 38.94 million
Gross revenue	EUR 41.77 million	EUR 34.91 million
EBITDA	EUR - 7.87 million	EUR - 12.42 million
EBIT	EUR - 10.79 million	EUR - 16.30 million
Group annual net income	EUR - 12.33 million	EUR - 18.54 million
Equity ratio	50.27 %	38.60 %
Total assets	EUR 46.39 million	EUR 141.76 million