# CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS 2019

2019

Daldrup & Söhne AG

Bohrtechnik

## SHAREHOLDER STRUCTURE AS AT 30/06/2019

| | | |
|---|---|---|
| Number of Shares: | 5,989,500 | 100.00 % |
| Daldrup Family: | 3,526,887 | 58.88 % |
| Free Float: | 2,462,613 | 41.12 % |

**DALDRUP FAMILY: 58.88 %**

**FREE FLOAT: 41.12 %**

2019



## CONDENSED INTERIM GROUP MANAGEMENT REPORT
for the first half of the fiscal year
from 1 January to 30 June 2019



## CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS
for the first half of the fiscal year
from 1 January to 30 June 2019

# FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,
dear Ladies and Gentlemen,

In the first half of 2019, Daldrup & Söhne AG undertook the initial and significant steps for realignment and for purposes of increasing operational earning capacity.

The drilling services business for Daldrup & Söhne AG is stable, at EUR 18.5 million, gross revenue was on a par with the previous year. The parent company was able to significantly improve its results following extremely weak results for the 2018 fiscal year. EBIT realised by Daldrup & Söhne AG as at 30 June 2019 amounted to around EUR 0.4 million and is thus in line with the forecast. Earnings after taxes were some EUR 0.5 million. Special circumstances prevailing at some drilling sites and non-recurring effects that had an impact on the annual result for 2018, no longer apply.

The Landau power plant operated in line with expectations during the first half of 2019. Nevertheless, challenges remain ahead for us with a view to the Geysir Group: In the coming months, necessary restructuring, the sale of shares in the Taufkirchen power plant companies and simplifications in organisational and corporate structures will continue to represent enormous challenges. It is the case that the Geysir Group must achieve budgeted cash flows in the long term in order to significantly reduce large-scale outflow of free funds from the AG to the Geysir Group.

The conclusion of an agreement with investor IKAV on the purchase and assignment of 49 % of the shares in Geysir Europe GmbH, and 1 % of the shares in Geox GmbH, represents an initial major step in this direction. First of all, this sale reduced risks. Second, we have started to reduce current high debt levels related to the Taufkirchen power plant.

Additional negotiations are currently underway on the basis of the notarised purchase offer to sell significant shares in the Taufkirchen project company, i.e. the Taufkirchen power plant. In addition, it is planned that targeted funds will be used to complete and commission the power plant in the 2020 financial year.

In light of the changes described for the Geysir Group, the 2019 financial year and probably parts of the 2020 financial year will be transition years for the Group as well.

The Geysir Group reported an EBIT loss of some EUR 1.2 million for the first half of the year. The remaining Group companies generated an EBIT loss of around EUR 0.15 million. Netted against the result of the AG, an EBIT loss of around EUR 1 million was thus realised at the Group level.

The Management Board continues to work on updates to the business model and work process. In addition, the Group's organisational structure, order controlling, management, risk recognition and reporting tools and the principles of the business model are to be updated in order to reliably lead the Group into the future. The first steps have already been implemented. In addition, operational and financial risks are to be reduced and adapted to reflect the medium-sized focus of the Daldrup & Söhne Group.

The Management Board is convinced that this strategic realignment, strengthening of corporate structures and procedural changes will enable the Daldrup Group to be profitably restructured.

The generally positive business environment, the discussion of $CO_2$ issues and the overall positive outlook for the geothermal energy and drinking water production business segments are all providing support to the Company. The high demand for drilling services from our four business segments continues unabated. Private investors as well as municipal companies remain interested and willing to invest in geothermal power and heating plants. In addition, there are only a few companies in Central Europe that can successfully plan and execute these types of projects with sufficient expertise and experience. Daldrup & Söhne AG is one of them. We will exploit this position to increase our operating profitability.

The order books of Daldrup & Söhne AG are full: As at the end of August 2019, orders on hand totalled some EUR 43 million. Our order pipeline – defined as contract potential beyond the order backlog, assessed with probabilities of occurrence and currently under negotiation – outlines a satisfactory demand for our products and services with a value of around EUR 89 million.

The political environment for geothermal energy in the electricity and heating sectors is stable. In this respect, our business model makes us very independent of the current fears of the slump in economic momentum feared by many. In our opinion, the climate package adopted by the governing coalition at the end of September goes is a step in the right direction. Finally, the heating transition is also being tackled and a price is being placed on $CO_2$ emissions. In light of its drilling services, Daldrup & Söhne AG is well-positioned not only in the expansion of decentralised heating supply from geothermal energy and water production. We have recently realised very good reference projects with the Munich and Schwerin municipal utilities or Dutch greenhouse operators.

For the 2019 and 2020 financial years, we expect satisfactory operating results at the AG level. Despite the economic downturn, the strong order situation and current capacity utilisation of teams and drilling equipment indicate that Daldrup & Söhne AG will be able to present a significantly better result than in the previous year.

Although setbacks in the restructuring of the Group cannot be ruled out, the Management Board expects the Group to generate total revenues of around EUR 40 million and a balanced EBIT result; for the AG, taking into account the settlement of a major order, we plan total revenues of at least EUR 39 million and an operating EBIT margin of 2 % to 5 %.

As things currently stand, we expect results for 2020 that are comparable at a minimum. It continues to assume that municipalities, companies and investors will be willing to invest in our products and services.

Esteemed shareholders, customers and business partners, to you we thank for your confidence and support and look forward to further cooperation. We would like to thank our employees in particular at this point, especially for their high level of commitment over the past nine months.

Yours sincerely.

Grünwald, 28 September 2019

The Management Board

Josef Daldrup
(CEO)

Peter Maasewerd
(Board member)

Andreas Tönies
(Board member)

Stephan Temming
(Board member)

## DALDRUP & SÖHNE AG SHARES

During the first half of 2019, shares in Daldrup initially continued the downward trend from the previous year. Shares started the stock market year 2018 with a price of EUR 8.65. After moving sideways to a price level of around EUR 7.00, the share price had risen to EUR 9.46 by mid-April. This likewise represents the highest share price thus far during the report period. By the end of June, the share price had fallen to EUR 3.95, the lowest price during the reporting period. The share price thus dropped by around 54 % overall between January and June. The decline in the share price continued until the beginning of August where it reached EUR 2.65. The share then recovered to a price level of around EUR 4.00 by mid-September 2019.

The DAX index rose by 17.4 % during the reporting period. The Scale30 selection index, of which Daldrup & Söhne AG is a member, had only gained 12.5 % by the end of June. The Scale All Share Index, which sums up the companies listed in the Deutsche Börse AG Scale Segment, rose by 5.8 %.

Sales of Daldrup shares on XETRA, tradegate and the regional stock exchanges increased significantly during the report period year-on-year, averaging some 10,250 shares per day during the reporting period (H1 2018: around 5,900). The share of sales in XETRA trading amounted to 63.0 % (previous year: 60.7 %).

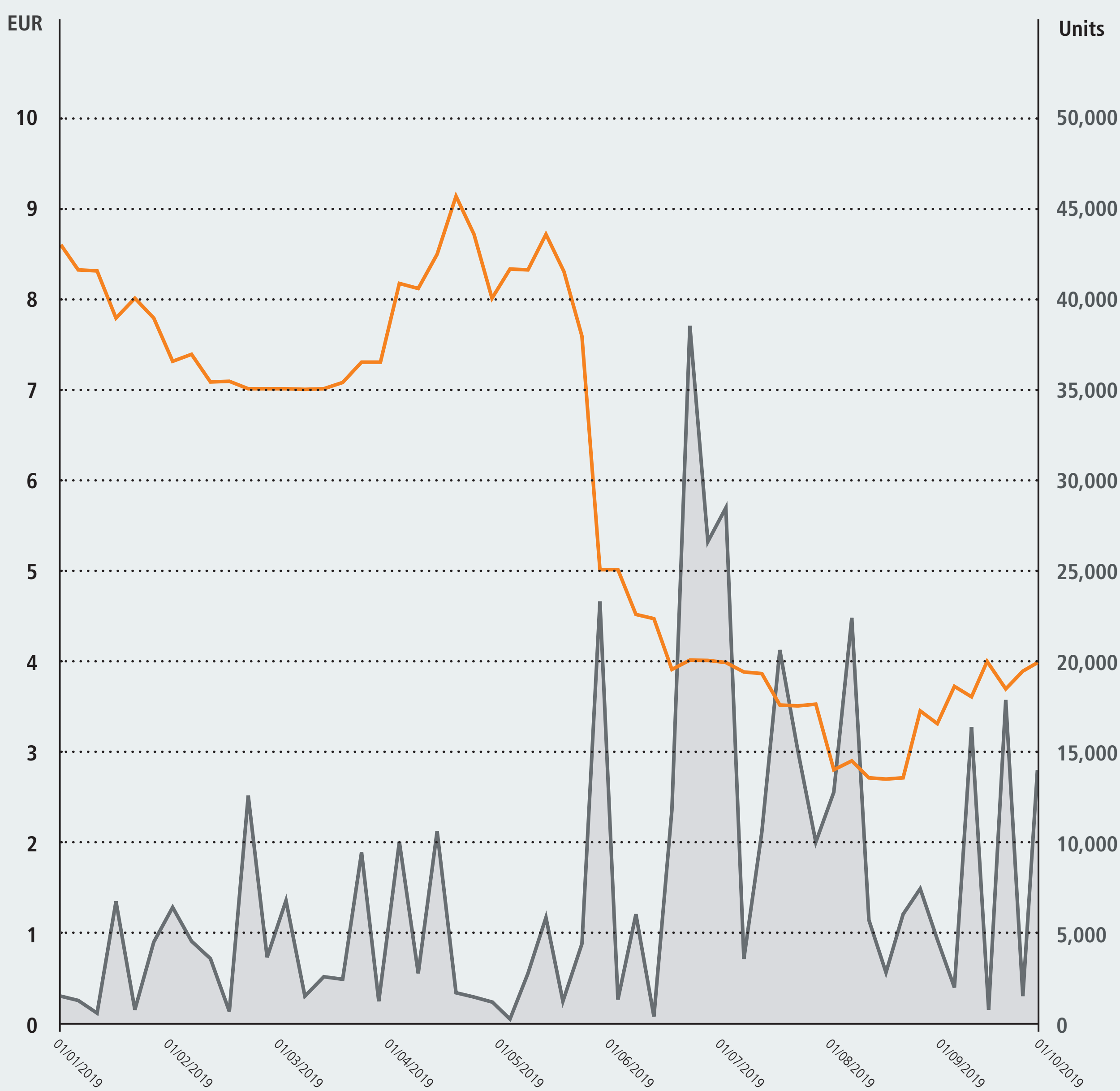
At the Annual General Meeting on 22 August 2019, the shareholders voted by a large majority on the agenda items to be agreed. 73.25 % (previous year: 73.0 %) of the registered capital of Daldrup & Söhne AG was present.

Daldrup & Söhne AG Share did not undertake any capital measures during the first half of the year. At EUR 5,989,500, share capital remains unchanged as is the case for the number of shares, 5,989,500. The resolution of the Annual General Meeting on 29 August 2018 particularly included the authorisation to purchase or use treasury shares, the creation of new authorised capital in the amount of EUR 2,994,750.00 and the authorisation to issue convertible bonds/bonds with warrants attached until 28 August 2023 or profit participation rights/participating bonds with a total nominal value of up to EUR 50,000,000.00 with a maximum term of 15 years.

The shareholder structure remained unchanged during the report period, the free float is 41.1 % and the Daldrup Family continues to hold 58.9 % of all shares.

In the first half of 2019, the Management Board spoke to various investors and interested parties, explaining the Company's position, the new strategic alignment and the Daldrup Group's business model and the investment case. Research regarding Daldrup & Söhne AG was provided by investment houses Pareto Securities und SMC-Research.

**DIAGRAMME DALDRUP & SÖHNE AG** – value development of Daldrup & Söhne AG shares and benchmark indices 2019




Daldrup & Söhne AG share price

Unit sales of all German regional stock exchanges and trading platforms

# CONDENSED INTERIM GROUP MANAGEMENT REPORT

FOR THE FIRST HALF OF THE FISCAL YEAR
FROM 1 JANUARY TO 30 JUNE 2019

## A. THE DALDRUP GROUP

### 1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

Daldrup & Söhne AG is one of the leading providers of drilling and environmental services in Germany and Central Europe. The Company's activities are organised into the business units of Geothermics, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS).

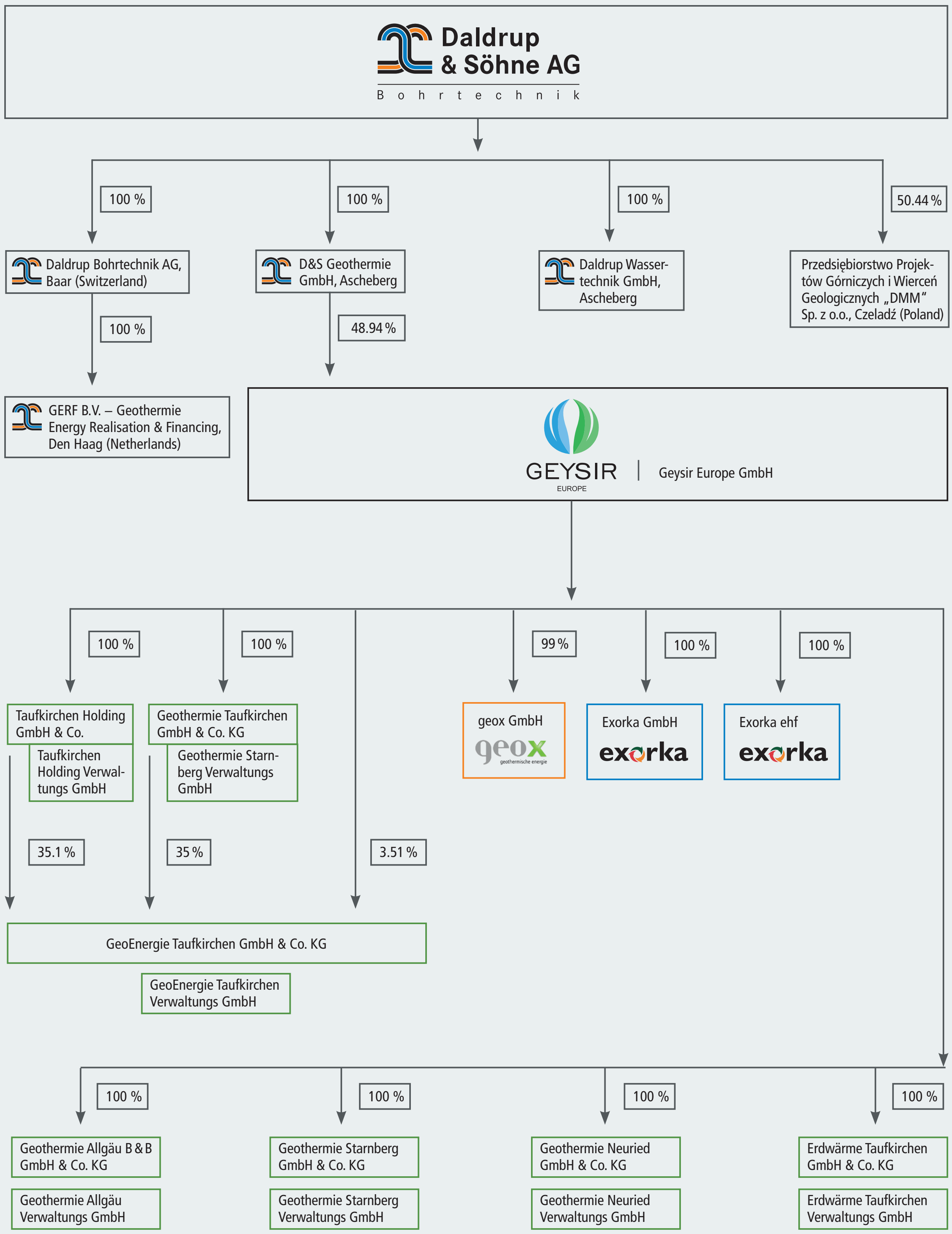
In addition, Daldrup & Söhne AG is represented at all stages of the value chain for geothermal projects via its 48.9 % stake in Geysir Europe GmbH, Grünwald and its subsidiaries. The Geysir subgroup holds permits for the exploration of geothermal energy in a particular area (claims), develops the claims through to drill readiness, plans and constructs power plants and heating plants and takes care of energy contracting and power plant operations.

**VALUE CHAIN OF A DEEP GEOTHERMAL ENERGY PROJECT**

| Feasibility Study / Claim Acquisition / Claim Property | Seismic Profiling / Claim Development | 1. Drilling and Hydraulic Test | 2. Drilling and Circulation Test | Construction of Thermal Water Circuit | Construction of Power Plant + District Heating Supply | Energy Contracting for Electricity/Heat |
|---|---|---|---|---|---|---|
| GEYSIR EUROPE | exorka | Daldrup & Söhne AG Bohrtechnik | Daldrup & Söhne AG Bohrtechnik | Daldrup & Söhne AG Bohrtechnik | exorka | Daldrup & Söhne AG Bohrtechnik |

Daldrup Group's range of services enables it to offer turnkey geothermal energy power plant projects "from a single source" throughout continental Europe.

## GROUP STRUCTURE AS AT 30/06/2019



## 2. MARKET, COMPETITION AND CUSTOMER RELATIONSHIPS

**BUSINESS ACTIVITIES**

All services of the Daldrup Group are provided by two Group divisions. Group division I comprises the activities of Daldrup & Söhne AG with its direct equity investments, focused on the drilling business. Further information is available on pages 20 to 22 of the 2018 Annual Report.

Group division II bundles the activities of Geysir Europe GmbH and its subsidiaries. Group division II primarily includes the claims, the development company and/or the general contractor Exorka GmbH for purposes of developing new products through to market launch. Division II also includes the interests in the power plants in Landau and Taufkirchen. The Geysir-Europe Group forms a subgroup within the Daldrup Group.

**EMPLOYEES**

In the first half of 2019 the Daldrup Group employed 149 employees (30/06/2018: 154). In addition to this, other companies made up to around 35 further employees available to Daldrup & Söhne AG on a flexible basis.

The market position of Daldrup & Söhne AG is solid across all business areas. Daldrup & Söhne AG continues to operate in an environment that is attractive and appealing on the whole. The business model resonates positively in light of future issues concerning energy, environment, climate and drinking water quality. Accordingly, the competitive situation facing Daldrup & Söhne AG continues to be high. It is countering this challenge based on its many years of know-how and high standards in the planning and implementation of orders and projects commissioned by our customers. High technical, financial and increasingly official administrative market entry barriers as well as the limited availability of qualified drilling capacities of companies with sufficient experience with geothermal drilling and the limited number of drilling rights in Germany support the strong position enjoyed by Daldrup & Söhne AG.

Some relationships with our customers in the corporate and municipal segments have been in place for decades. Over the course of past 12 months, business relationships were also established with new, interesting customers from the segments referred to above and with other investors interested in geothermal projects. Business with private and commercial customers remained stable. The Group now has numerous reference sites, particularly in Germany, Switzerland, Austria, Benelux and Poland, with drilling depths of up to 6,000 metres.

At present, the Company has a healthy order book in all business units, which computes to high capacity utilisation well into the 2020 fiscal year.

Further information is presented in the 2018 Annual Report on pages 24 to 29.

## 3. STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

The purpose of Daldrup & Söhne AG remains 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 & Söhne AG wants to grow sustainably and intends to expand its leading market position in Germany and Europe as an experienced drilling technology specialist. In addition, the company intends in future to be involved in economically feasible locally-driven geothermal power plant projects in the medium-sized enterprise range to generate constant revenue from supplying the grid and the sale of heat and electricity through feed-in tariffs and/or direct marketing premiums of the German Renewable Energy Act (EEG).

For the further development of the Group, it is of particular importance that the strategy process initiated be driven forward more consistently in terms of sales, project organisation and finance. This is intended to sustainably improve the earnings and liquidity situation of the Group and ensure the corresponding economic stability.

In order to master the challenges of the future, the Daldrup Group – whether in sales, administration or production – will reposition itself in order to be sustainably successful in all areas of the company and group. For this reason, further organisational changes will also be necessary in future in order to align the Group towards its future goals. Both internal processes and the management and monitoring of drilling projects as well as investments and future projects will be in focus looking ahead.

## 4. EQUITY INVESTMENTS AND STRATEGIC PARTNERSHIPS

Equity investments and strategic partnerships forged by Daldrup & Söhne AG actively and directly support the achievement of the Group's objective of expanding its market position as a drilling technology specialist through to investments in geothermal projects. In this respect, Daldrup & Söhne AG can benefit from the forecast growth in the market/sector.

Further information on the chapters Strategy, Objectives and Corporate Management as well as Equity Investments and Strategic Partnerships can be found in the 2018 Annual Report on pages 30 and 31.

## 5. RESEARCH AND DEVELOPMENT

The Daldrup Group continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermal energy of Enhanced Geothermal Systems in future.

## 6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

The German economy is on the threshold of recession. This slowdown, which had already started in 2018, has so for been a trend toward normalisation of the previous boom phase, according to the IfW in its economic forecast presented in mid-September. Currently, average capacity utilisation of businesses is likely to be close to their long-term average. Political uncertainty caused by trade disputes and the Brexit crisis were particularly detrimental to Germany's economic outlook. Investments and exports in particular faced pressure. In addition, economic experts point to cyclical factors related to the long economic expansion phase. While the industrial sector has already crossed the recession threshold, the downturn has not yet fully hit consumer-related service providers, and the construction industry continues to run at high speed. For 2019, the IfW anticipates GDP growth of 0.4 % (previous year: 1.5 %).

According to the IfW, the economy in the euro zone will receive stimulation in particular in the form of anticipated further easing of monetary policy, but political uncertainty resulting from the trade conflicts and populist governments will dampen the outlook. The industrial sector in particular is experiencing a downturn. According to the Kiel economic experts, GDP in the euro zone is expected to grow by 1.2 % in the current year (previous year: 1.9 %).

**Demand for geothermal energy projects is increasing across Europe**

The demand for projects using geothermal energy for electricity and heat supply has continued to be active in Central Europe in the last quarters. In addition to a low interest rate, the conditions for financing in some countries 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 can be produced where they are needed and are not dependent on supra-regional power lines or district heating networks. This system-stabilising role was confirmed by the 2017 EEG amendment.

**The capacities of Daldrup & Söhne AG are utilised well into 2020**

For Daldrup & Söhne AG, 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 43 million at the end of September. The drilling business is thus utilised well into 2020 on a computational basis.

The clients consist of German companies and municipalities as well as companies and public-sector enterprises from Switzerland, Poland and the Benelux countries. These also include the order from Stadtwerke München (SWM) for the drilling of three doublets (six deep wells) for the funding of geothermal energy with a double-digit million figure. This also includes drilling for Nagra, the Swiss cooperative for the storage of radioactive waste, with a possible project volume of up to CHF 50 million over the next four years (depending, among other things, on the results of the geological drill core investigations), as well as an order from the Netherlands for the construction of a geothermal heating plant including a doublet.

# B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

## 1. RESULTS OF OPERATIONS

**THE FOLLOWING IS AN OVERVIEW OF THE RESULTS OF OPERATIONS OF THE DALDRUP GROUP AS AT 30 JUNE 2019:**

| INCOME STATEMENT | 30/06/2019 EUR k | 30/06/2018 EUR k |
|---|---|---|
| Sales | 9,708 | 17,107 |
| Gross revenue | 21,997 | 22,008 |
| Other operating income and tax refunds | 432 | 1,022 |
| Cost of materials | 11,157 | 10,927 |
| Personnel expenses | 4,581 | 4,365 |
| Amortisation of intangible fixed assets and depreciation of property, plant, and equipment | 1,763 | 1,942 |
| Other operating expenses | 5,884 | 4,540 |
| **EBITDA** | **786** | **3,131** |
| **EBIT** | **- 977** | **1,189** |
| **EBT** | **- 2,150** | **149** |

In the first six months of the 2019 financial year, the Daldrup Group achieved gross revenue exactly at the previous year's level of EUR 22.0 million. Gross revenue included inventory increases of EUR 12.3 million (previous year: EUR 4.9 million). From today's perspective, these mainly resulted from the drilling contract for Stadtwerke München, which will continue until April 2020, and the contract from Swiss client Nagra, which was started in April 2019.

Other operating income fell significantly to EUR 0.4 million (previous year: EUR 1.0 million). This was due to a significant decline in income from the reversal of provisions.

The cost of materials amounted to EUR 11.2 million as at 30 June 2019 (previous year: EUR 10.9 million), representing a slight increase year-on-year. The cost of materials ratio was 50.7 % compared with 49.7 % in the same period of the previous year. The increase reflects the increased share of orders not yet invoiced in total gross revenue of EUR 22.0 million.

Personnel expenses increased to some EUR 4.6 million (previous year: EUR 4.4 million). This increased the personnel cost ratio to 20.8 % from 19.8 %. Scheduled depreciation decreased slightly to EUR 1.8 million (previous year: EUR 1.9 million). Other operating expenses increased significantly to EUR 5.9 million (previous year: EUR 4.5 million). This increase is mainly attributable to higher costs for the removal of overburden (EUR 570k), costs for rental equipment (EUR 260k) and legal & consulting fees (EUR 30k) compared with the same period of the previous year.

The Daldrup Group's half-year results for 2019 before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 0.8 million (previous year: EUR 3.1 million). In the Group, Daldrup generated an operating result (EBIT) of EUR - 1.0 million (previous year: EUR + 1.2 million).

The consolidated half-year loss (EAT) amounted to EUR 2.1 million as at 30 June 2019 (previous year: EUR + 0.1 million).

## 2. CAPITAL SITUATION

As at 30 June 2019, there were no material changes compared with the balance sheet date of 31 December 2018. Intangible assets remained almost unchanged at EUR 2.7 million. Fixed assets decreased to EUR 111.9 million (previous year: EUR 112.9 million) following scheduled depreciation of some EUR 1.1 million.

The Taufkirchen power plant comprises a significant component of the balance sheet position Prepayments and assets under construction amounting to EUR 85.9 million (previous year: EUR 85.9 million).

At some EUR 1.0 million, financial assets remained unchanged compared to the previous year. Raw materials, consumables and supplies increased slightly at the Group level to some EUR 3.2 million (previous year: EUR 3.0 million).

The largest change compared with the 31 December 2018 balance sheet date related to the item Work in progress in the amount of EUR 37.7 million (previous year: EUR 25.4 million) which comprises work performed by Daldrup & Söhne AG as at the balance sheet date related to customer orders for which a final invoice had not yet been issued. This item includes in particular the work for the customers Stadtwerke München and Nagra with work values of around EUR 29.2 million and EUR 3.0 million, respectively. Work in progress was offset by advance payments received of EUR 33.6 million (previous year: EUR 21.1 million) were thus deducted from the unfinished orders on the face of the balance sheet. Trade receivables declined slightly and totalled EUR 4.1 million (previous year: EUR 4.3 million).

Cash on hand totalled some EUR 1.1 million (previous year: EUR 2.4 million). In light of the trends described above, total assets of the Daldrup Group declined slightly to EUR 137.3 million (previous year: EUR 141.8 million).

Group equity totalled EUR 52.0 million subject to the inclusion of the shares of other shareholders (previous year: EUR 54.8 million) or a comfortable 37.9 % (previous year: 38.6 %) of total assets. In light of the acquisition of the shares in Geysir Europe GmbH, other revenue reserves increased to EUR 17.8 million (previous year: EUR 0.5 million). At the same time, the shares of other shareholders declined to EUR 1.8 million (previous year: EUR 19.2 million). Provisions increased to some EUR 5.6 million (previous year: EUR 5.0 million). This increase comprises, inter alia, a provision for outstanding invoices for Daldrup & Söhne AG vendors as of the balance sheet date totalling some EUR 1.6 million. Liabilities to banks were reduced to EUR 9.1 million (previous year: EUR 11.0 million) compared to 31 December 2018.

During the first half of 2019, scheduled redemption payments totalled EUR 1.4 million. At EUR 1.1 million (previous year: EUR 1.0 million), payments received on account of orders remained nearly constant. Trade payables fell sharply to EUR 8.1 million as at 30 June 2019 compared to EUR 9.6 million at the end of 2018. Other liabilities totalled EUR 54.6 million (previous year: EUR 53.7 million).

## 3. FINANCIAL POSITION

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

| CASH FLOW STATEMENT | 01/01/2019 - 30/06/2019 EUR k | 01/01/2018 - 30/06/2018 EUR k |
|---|---:|---:|
| Net result for the period | - 2,126 | 107 |
| Depreciation and amortisation | 1,763 | 1,942 |
| Other changes in cash from operating activities (balance) | 3,379 | 33,867 |
| Cash flow from ongoing operating activities | 3,016 | 35,916 |
| Cash flow from investment activities | - 1,737 | - 61,046 |
| Cash flow from financing activities | - 4,354 | 2,553 |
| Change in liquid funds | - 3,075 | - 22,577 |
| | | |
| Changes in cash and cash equivalents due to effects of consolidated entities | 551 | 22,571 |
| Liquid funds 1 Jan. | 18 | 1,464 |
| **Liquid funds 30 June** | **- 2,505** | **1,458** |

## 4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The positive capacity utilization of all business units of Daldrup & Söhne AG, the discussions held with customers that indicate continued high demand for geothermal drillings, and the drillings carried out in the reporting period put the Company in a much more satisfactory economic position overall.

In addition, the power plant in Landau produced electricity during the first half the 2019 financial year at satisfactory levels in accordance with plans. As previously disclosed, the wholly-owned subsidiary of Daldrup & Söhne AG, D&S Geothermie GmbH, sold some 48 % of the shares in Geysir Europe GmbH, Grünwald. The investments in the Taufkirchen power plant held by the subsidiaries of Geysir Europe GmbH were not affected by this transaction. Discussions with investors in this regard, the outcome of which will also influence the valuation of the assets of Daldrup & Söhne AG, have not yet been concluded.

According to experts, interest rates in the euro zone may remain at their current low, sometimes negative, levels for months and years. Given this environment, continued high interest on the part of financial investors in geothermal power plant projects is likely to continue.

Currently, the Daldrup & Söhne AG order backlog for geothermal projects in Germany and other European countries remains at a high level of EUR 43 million (EUR 63 million). The prospect of potential order backlogs totalling some EUR 89 million resulting from the project pipeline in the coming years also increases the Management Board's confidence level. By the end of 2019, the three large drilling rigs will be operating in parallel.

In summary, it can be stated that the business development and the earnings of Daldrup & Söhne AG have been positively affected by the regulatory environment and overall economic development within the target markets of Germany, Austria, Switzerland and the Benelux countries. The Management Board assesses the economic development as satisfactory based on the economic environment.

## C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to comply with the highest standards of health, safety and environmental protection.

The greatest importance is attached to the fact that all employees and companies that undertake activities on behalf of Daldrup & Söhne AG are familiar with and adhere to the standards, laws and regulations of safety, health protection and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG ensures that these standards are implemented effectively. Dedicated non-financial performance indicators are presented in the 2018 annual financial statements in the Annual Report on page 40.

## 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. Increasing complexity and volatility in a globalised world means that the opportunities and risk system needs to be regularly 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

Rapid corporate growth carries risks on account of new personnel, adjustments to organisational structures and a change in the risk environment. Integration and optimisation processes are a part of day-to-day business. A continuing fall in crude oil prices has resulted in a greater supply in the deep well sector and increased pressure on competitors.

Equity investments and joint ventures may, as a result of misdirected investments and misjudgement of opportunities and risks, have a very negative 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 the risks. Operating geothermal power plants is subject to regulatory and legal requirements. These may change even after the respective approvals have been granted or may lead to the shutdown of the respective power plant if the respective requirements are not met. In addition, longer phases of technical issues may result in lengthier downtime. This could result in reduced capacity utilisation and lower sales and earnings contributions from heat and electricity sales to the Group.

The Company's Management Board and local management are working on the disposition of the shares and the completion of the Taufkirchen power plant with the support of experienced geothermal consultants. The possibility cannot be ruled out that the outcome of the discussions with investors, which have not yet been concluded, could have a negative impact on the value of individual assets within the Daldrup & Söhne AG. The financial requirements for the completion and commissioning of the Taufkirchen power plant could also increase significantly, partly due to a change in the assessment of technical necessities. Furthermore, the full commissioning may continue to be delayed due to technical problems, resulting among other things in possible penalties being incurred. Should project delays continue to occur, impairments in performance of individual plants or errors in current planning become apparent, this may result in lower than planned sales revenue from the sale of electricity.

## 2. BUSINESS RISKS

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:

### A. 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 subcontracting complex planning and engineering services to correspondingly insured service providers.

### B. ORDINARY OPERATING RISKS

The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption can be insured. The Group is covered for personal injury, material and environmental damage via the business risk and product liability insurance offered by an 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.

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 and functional insurance concepts cover the main risks.

**C. 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 commercially insurable. The ART concept reduces the exploration risk for our customers and makes it easier for Daldrup & Söhne AG to grow in the niche. Whether corresponding insurance cover has been chosen is ultimately at the discretion of the project sponsor in each case.

**D. PROCUREMENT RISKS**

Up to this point in time, the procurement of equipment technology, raw materials, consumables and supplies, and the procurement of external services have not had a negative impact on the Daldrup Group's performance process. There are different contractor and supplier emphases in all business units given the favourable purchasing conditions and qualities, which are subject to regular monitoring by the quality management system. Under the risk-based approach to supplier management, procurement risks are being kept low through the diversification of business partners and spreading of groups of suppliers and contractors. Daldrup has identified and implemented new challenges into its systems through the further expansion of the vertical and horizontal value chain. Some parts of the service chain are dependent on suppliers.

**E. 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 in their respective international variants. The resulting requirements imposed on the Daldrup Group are regularly updated (see section C above) and coordinated with the local authorities. The respective national approval procedures can be costly and lengthy and can result in considerable project delays. With decades of experience in dealing with 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 consensus and avoid lengthy delays.

## 3. GENERAL ECONOMIC RISKS

**COMPETITIVE RISKS**

New, lucrative and growing markets are attracting additional market players. The efforts of companies in related sectors to enter the geothermal energy market are distinctly visible due to the high barriers to market entry. The 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 it 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 leave a gap, at least temporarily. The traditional 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. Strategic investments and acquisitions are therefore being closely monitored.

In addition, the growth of Daldrup & Söhne AG and its responsibility as a Group parent company require a foresighted organisation. 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.

**FINANCIAL RISKS**

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 such as forward exchange contracts and currency option contracts are used for planned underlying transactions. The Daldrup Group enters into these derivative transactions only with banks that have a very good credit rating. Despite the use of such financial instruments, negative effects cannot be completely avoided. Speculative interest rate, currency and/or commodity transactions were not concluded and are not planned. 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 clients are required to provide guarantees wherever possible in order to limit any damage due to default of payment. In terms of supplier risk, a non-delivery can result in project delays and increased costs. Daldrup & Söhne AG 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.

Two subsidiaries of the Geysir subgroup have contractually agreed to adhere to the usual financial ratios and ratios in the course of a project or acquisition financing. Due to the delayed commissioning of the Taufkirchen power plant as of the balance sheet date, these were not met on the whole. The subsidiary has made provision for the theoretical possibility of early termination of this loan agreement by the lender in the form that a private investor will provide any necessary funds to repay the aforementioned loans in accordance with existing agreements. Accordingly, the Management Board of Daldrup & Söhne AG has no reservations regarding the continued existence of the subsidiaries.

Similar to the sovereign debt or financial crisis in the years 2007 to 2009, general scepticism about providing financing, e.g. due to a burgeoning discussion about the creditworthiness of some euro zone countries could lead to limited financial readiness of credit institutions and overall complicate, or completely prevent, the realisation of numerous geothermal drilling projects, since these then increasingly compete with higher-yielding investment forms. This could give rise to impediments to growth for the geothermal market.

The above-mentioned risks could also lead to a limited willingness of banks to provide financing and, as a result, complicate the financing of Daldrup & Söhne AG's business operations and the realisation of drilling projects.

## 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. The Kalina power plant technology, which was used in particular in the geothermal power plant in Husavik, Iceland, was developed specifically for the low-temperature range. The small number of Kalina power plants in operation and the limited experience in day-to-day operation may hamper or delay the sales process and willingness to provide financing.

The IT systems are generally an external weak point. For this reason there are safeguards against unauthorised access and data is regularly backed up.

## 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.

It is particularly the case with the project business that a number of different issues are contentious. Disputes can be settled for the most part without legal advice. However, for certain issues, legal disputes cannot be avoided. External specialist lawyers are regularly 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.

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 measures.

The Company has taken out D&O insurance for the Management Board and the Supervisory Board and adjusted the sum insured in the 2018 fiscal year 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 stock exchange regulations or other violations. From 2021, the feed-in regulations are expected to change for geothermal electricity (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.

## 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 in Germany as well as the Netherlands, Belgium and Switzerland, 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.

## 7. 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. As early as 2020, 14 % of end energy consumption for heating and cooling is expected to come from renewable energies. In addition, many cities have now launched their own climate initiatives and are defining the politically required efforts.

With the amended EEG, which came into force on 1 January 2017, framework conditions for investors in geothermal projects have stabilised and there is further planning and legal security for clients and operating companies.

As a specialised provider along the value chain of turnkey geothermal heating and power plants, the Daldrup Group stands to profit from these developments. Further opportunities are opening up as a drilling services provider for geothermal wells and as a developer, operator and owner of geothermal power plants. With over 50 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, many of which have been employed for years, also mean we can extend a high degree of flexibility and problem-solving expertise to customers and to the respective deep geological formations. The Daldrup & Söhne AG is anticipating continued correspondingly favourable conditions, an increasing demand for geothermal heating and power plants and drilling services.

## 8. OVERALL ASSERTION 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. Financing for investments still required in the power plant sector is secured by the involvement of an investor. The commercial opportunities available far outweigh the potential risks.

# E. FORECAST REPORT

## 1. FUTURE CORPORATE STRATEGY

In future, the Daldrup Group will concentrate on the drilling business and participation in power plant projects. In this context, Daldrup & Söhne AG will continue to operate the drilling business to the extent described above, i.e. in particular in the fields of shallow and deep geothermal energy, up to and including the construction of turnkey projects and in the water technology segment, as well as providing services for former mining operations. The Group is expanding its national and European market position as a complete supplier of geothermal power plant projects in the medium-sized enterprise category as planned. Division II (Power Plants and Power Plant Holdings) will in future focus on partnership models that correspond to the medium-sized orientation and size of the Daldrup Group.

This development requires the consistent realignment of the Group's internal structures as well as the control and monitoring mechanisms. The Management Board are also working to update the work process.

The Group's organisational structure, order controlling, management, risk recognition and reporting tools and the principles of the business model are being changed in order to be able to lead the Group reliably into the future. The necessary personnel and organisational adjustments also affect the areas of finance and controlling, where plans call for additional hiring during this financial year.

In addition, operational and financial risks are to be reduced and adapted to reflect the medium-sized focus of the Daldrup & Söhne Group.

The Landau geothermal power plant produced electricity in line with management expectations during the first half of 2019. The power plant generated EBIT of around EUR 0.15 million as of 30 June 2019. Due to maintenance work, the Management Board assumes that this result can be maintained for the year as a whole at the least. As already reported on 19 July 2019, the wholly-owned subsidiary of Daldrup & Söhne AG, D&S Geothermie GmbH, sold some 49 % of the shares in Geysir Europe GmbH, Grünwald. The investments in the Taufkirchen power plant held by the subsidiaries of Geysir Europe GmbH were not affected by this transaction. The discussions with investors concerning the sale of significant shares in the Taufkirchen power plant, the outcome of which will also influence the valuation of the assets of Daldrup & Söhne AG, have not yet been concluded. In addition, plans call for using funds in a targeted manner to complete and commission the power plant in the 2020 financial year. These changes in the Geysir Group will turn the 2019 financial year and probably parts of the 2020 financial year into transition years for the Group as well.

## 2. FUTURE ECONOMIC ENVIRONMENT

The IfW assumes weak economic development in its economic forecast for Germany published in mid-September 2019. For the third quarter, GDP contracted by 0.3 %, after registering - 0.1 % in the second quarter. Experts expect the economy to pick up again from the middle of next year. For 2020, the IfW expects GDP growth of 1.0 % and 1.4 % for 2021.

Economic researchers also expect moderate GDP growth for the euro zone of 1.2 % in 2020 and 1.5 % in 2021.

The IfW continues to see risks for global economic development primarily in the numerous geopolitical tensions, and increasing isolationist and protectionist trends by individual countries and economic areas. This includes a possible escalation of latent international trade conflicts. Continuing uncertainty about Brexit from the European Union is also likely to leave its mark on the economy.

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 ass 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 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, with the result that the costs of geothermal electricity and heat generation will approach a competitive 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. According to the Federal Association of Geothermal Energy in Germany there are (as at September 2019) 47 geothermal heat and heating power plants in operation with an installed heat output of 336.5 MW and an installed electrical capacity of around 37 MW. Another three projects are under construction and 35 in the planning stage (incl. research projects).

Further information on the market environment and forecasts are presented in the 2018 Annual Report, on pages 49 to 51.

## 3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

Daldrup & Söhne AG's drilling and project business is regularly subject to unknown factors. Despite careful planning and coordination with the project partners, 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. 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 a regular impact on the course of business of Daldrup & Söhne AG in the future.

The order book of Daldrup & Söhne AG has been satisfactory in the current financial year (2019). All business units are well utilized. High demand continues in the deep geothermal energy business unit. Furthermore, Daldrup has also received interesting, medium-volume orders from new customers in recent months. Daldrup & Söhne AG is expected to be working for customer Stadtwerke München until the beginning of the second quarter of 2020 based on current information. Drilling activities began on the order placed by Nagra, National Cooperative for the Disposal of Radioactive Waste in Switzerland during the second quarter of the 2019 financial year. The first partial order is expected to be completed and invoiced before the end of 2019. The start of drilling activities for another major order is currently shaping up to commence in the last quarter of the 2019 financial year, so that three larger drilling rigs will be in parallel operation by the end of the financial year.

The changes in the Geysir Group will turn the 2019 financial year and parts of the 2020 financial year into transition years for the Group.

Taking the points discussed above into account and with fully utilized drilling capacity along with full order books currently totalling some EUR 43 million that stretch far into 2020, the Management Board of Daldrup & Söhne AG expects to achieve gross revenue for the 2019 financial year of some EUR 40 million as well as a positive EBIT margin.

Grünwald, 28 September 2019

Daldrup & Söhne AG

The Management Board

Josef Daldrup
(CEO)

Peter Maasewerd
(Board member)

Andreas Tönies
(Board member)

Stephan Temming
(Board member)

# CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS
FOR THE FIRST HALF OF THE FISCAL YEAR
FROM 1 JANUARY TO 30 JUNE 2019

## CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019

| ASSETS | 30/06/2019 EUR | 30/06/2018 EUR |
|---|---|---|
| **A.** Fixed Assets | | |
| I. Intangible assets | | |
| Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | **2,728,457.53** | **2,768,196.67** |
| | | |
| II. Property, plant and equipment | | |
| 1. Land, land rights and buildings including buildings on third-party land | 4,233,404.61 | 4,284,715.94 |
| 2. Technical equipment and machinery | 19,065,441.10 | 20,171,594.01 |
| 3. Other equipment, operating and office equipment | 2,624,514.33 | 2,565,469.69 |
| 4. Prepayments and assets under construction | 85,930,527.11 | 85,871,497.09 |
| | **111,853,887.15** | **112,893,276.73** |
| III. Financial assets | | |
| 1. Shares in associates | 10,000.00 | 10,000.00 |
| 2. Long-term securities | 181.00 | 181.00 |
| 3. Other loans | 981,095.04 | 981,095.04 |
| | **991,276.04** | **991,276.04** |
| | **115,573,620.72** | **116,652,749.44** |
| **B.** Current Assets | | |
| I. Inventories | | |
| 1. Raw materials, consumables and supplies | 3,217,865.84 | 3,026,522.60 |
| 2. Work in progress | 37,707,401.35 | 25,443,983.96 |
| 3. Payments received on account of orders | - 33,591,188.54 | - 21,087,691.79 |
| 4. Prepayments on orders | 306,520.24 | - |
| | **7,640,598.89** | **7,382,814.77** |
| II. Receivables and other assets | | |
| 1. Trade receivables | 4,060,163.23 | 4,338,044.69 |
| 2. Receivables from associated companies | 1,652.17 | 1,619.51 |
| 3. Other assets – of which due after more than one year: EUR 0.00 (previous year: EUR 803,453.36) | 8,508,090.83 | 10,595,264.73 |
| | **12,569,906.23** | **14,934,928.93** |
| III. Cash on hand and credit balances at banks | 1,095,134.14 | 2,425,596.22 |
| | **21,305,639.26** | **24,743,339.92** |
| | | |
| **C.** Prepaid Expenses | **68,412.13** | **68,483.11** |
| | | |
| **D.** Deferred Tax Assets | **347,734.45** | **300,369.33** |
| | | |
| | **137,295,406.56** | **141,764,941.80** |

| LIABILITIES | 30/06/2019 EUR | 30/06/2018 EUR |
|---|---|---|
| **A.** Equity | | |
| I. Subscribed capital | 5,989,500.00 | 5,989,500.00 |
| Treasury shares | - 4,017.00 | - 4,017.00 |
| | **5,985,483.00** | **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 | 17,839,728.94 | 510,036.31 |
| IV. Currency conversion adjustments | - 1,752,217.04 | - 1,248,059.21 |
| V. Net retained profits | - 8,173,184.80 | - 6,048,913.53 |
| | **44,295,202.11** | **29,593,938.58** |
| VI. Minority interests | **1,765,759.20** | **19,207,504.21** |
| | **52,046,444.31** | **54,786,925.79** |
| **B.** Special item with equity portion | | |
| 1. Special item with equity portion | 121,000.00 | 121,000.00 |
| | **121,000.00** | **121,000.00** |
| **C.** Differential amount from capital consolidation | | |
| 1. The difference resulting from the capital consolidation | 1,723,846.46 | 1,723,846.46 |
| | **1,723,846.46** | **1,723,846.46** |
| **D.** Provisions | | |
| 1. Provisions for pensions | - | - |
| 2. Tax provisions | 45,875.10 | 121,598.11 |
| 3. Other provisions | 5,578,426.17 | 4,849,384.68 |
| | **5,624,301.27** | **4,970,982.79** |
| **E.** Liabilities | | |
| 1. Liabilities to banks<br>– of which due within one year: EUR 8,265,936.46 (previous year: EUR 9,823,843.79)<br>– of which due after more than one year: EUR 876,869.99 (previous year: EUR 1,169,180.00) | 9,142,806.45 | 10,993,023.79 |
| 2. Advance payments received on orders<br>– of which due within one year: EUR 1,061,000.00 (previous year: EUR 954,900.00) | 1,061,000.00 | 954,900.00 |
| 3. Trade payables<br>– of which due within one year: EUR 8,098,753.49 (previous year: EUR 9,585,393.51) | 8,098,753.49 | 9,585,393.51 |
| 4. Other liabilities<br>– of which due within one year: EUR 23,149,701.90 (previous year: EUR 8,899,917.27)<br>– of which due after more than one year: EUR 31,438,299.73 (previous year: EUR 44,842,874.13)<br>– of which from taxes: EUR 295,391.86 (previous year: EUR 910,656.79)<br>– of which from social security: EUR 102,909.08 (previous year: EUR 70,517.47) | 54,588,001.63 | 53,742,791.40 |
| | **72,890,561.57** | **75,276,108.70** |
| **F.** Deferred Income | **6,268.47** | **3,093.58** |
| **G.** Deferred Tax Liabilities | **4,882,984.48** | **4,882,984.48** |
| | **137,295,406.56** | **141,764,941.80** |

## CONSOLIDATED INCOME STATEMENT

### CONSOLIDATED INCOME STATEMENT FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2019

| | 01/01/2019 - 30/06/2019 EUR | 01/01/2018 - 30/06/2018 EUR | 01/01/2018 - 31/12/2018 EUR |
|---|---|---|---|
| 1. Sales | 9,708,317.46 | 17,107,137.43 | 38,938,384.94 |
| 2. Increase/decrease in work in progress | 12,288,852.03 | 4,900,457.40 | - 4,030,880.17 |
| Gross revenue | **21,997,169.49** | **22,007,594.83** | **34,907,504.77** |
| 3. Other operating income | 431,886.57 | 1,022,154.70 | 1,668,690.54 |
| 4. Cost of materials | | | |
| a) Cost of raw materials, consumables and supplies, and of purchased merchandise | - 6,353,472.42 | - 4,582,599.15 | - 10,583,651.43 |
| b) Cost of purchased services | - 4,803,811.25 | - 6,344,766.43 | - 18,550,932.21 |
| | **- 11,157,283.67** | **- 10,927,365.58** | **- 29,134,583.64** |
| 5. Personnel expenses | | | |
| a) Wages and salaries | - 3,868,038.75 | - 3,748,137.16 | - 7,090,002.87 |
| b) Social security, post-employment and other employee benefit costs | - 713,390.25 | - 616,995.01 | - 1,327,335.98 |
| – including retirement benefit: EUR 14,209.14 (previous year: EUR 26,956.75) | | | |
| | **- 4,581,429.00** | **- 4,365,132.17** | **- 8,417,338.85** |
| 6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets | - 1,763,260.71 | - 1,942,347.13 | - 3,879,696.04 |
| | | | |
| 7. Other operating expenses | - 5,883,608.46 | - 4,539,690.35 | - 11,710,975.48 |
| – of which from currency conversion: EUR 30,024.04 (previous year: EUR 876.55) | | | |
| 8. Income from securities and long-term loans | 30,679.82 | 27,673.76 | 27,673.76 |
| 9. Other interest and similar income | 66,347.63 | 75,457.21 | 318,064.77 |
| – of which from discounting of provisions: EUR 13,617.15 (previous year: EUR 20,098.37 ) | | | |
| 10. Expenses/income from long-term investments in associates | 0.00 | 0.00 | 0.00 |
| 11. Interest and similar expenses | - 1,310,771.34 | - 1,142,759.45 | - 2,436,038.58 |
| – of which from interest accumulation from provisions: EUR 0.00 (previous year: EUR 14,932.00) | | | |
| 12. Result from ordinary activities | - 2,170,269.67 | 215,585.82 | - 18,656,698.75 |
| 13. Extraordinary and similar expenses | 0.00 | 0.00 | 0.00 |
| 14. Taxes on income and revenue | 64,651.94 | - 42,108.03 | - 151,800.26 |
| 15. Other taxes | - 20,374.55 | - 66,446.33 | 266,121.72 |
| 16. Consolidated net loss/net income for the year | - 2,125,992.28 | 107,031.46 | - 18,542,377.29 |
| 17. Minority interests | 1,721.01 | 424,916.46 | 1,387,050.80 |
| 18. Retained loss/profit brought forward | - 6,048,913.53 | 11,106,412.96 | 11,106,412.96 |
| **19. Consolidated balance sheet loss/profit** | **- 8,173,184.80** | **11,638,360.88** | **- 6,048,913.53** |

## CONSOLIDATED CASH FLOW STATEMENT

### CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 JUNE 2019

| | 01/01/2019 - 30/06/2019 EUR | 01/01/2018 - 30/06/2018 EUR |
|---|---|---|
| **1.** Cash flow from ongoing operating activities | | |
| Result for the period including third-party shares before extraordinary items | - 2,125,992.28 | - 18,542,377.29 |
| Scheduled depreciation of fixed assets | 1,763,260.71 | 3,879,696.04 |
| Increase/decrease in provisions | 653,318.48 | - 1,320,796.74 |
| Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities | 2,107,309.56 | 20,161,454.99 |
| Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities | - 532,154.90 | 28,189,776.45 |
| Profit/loss from disposal of fixed assets | - 16,438.68 | 51,000.00 |
| Interest expenses | 1,310,771.34 | 2,436,038.58 |
| Interest income | - 66,347.63 | - 318,064.77 |
| Other investment income | - 30,679.82 | - 27,673.76 |
| Income tax expense / income | - 64,651.94 | 151,800.26 |
| Income tax refunds/payments | 17,286.82 | - 232,487.53 |
| Cash flow from ongoing operating activities | **3,015,681.66** | **34,428,366.23** |
| | | |
| **2.** Cash flow from investment activities | | |
| Proceeds from disposals of intangible assets | 48,783.53 | 289,070.02 |
| Payments for investments in intangible assets | - 17,745.43 | - 11,146,092.48 |
| Payments for investments in tangible assets | - 698,731.41 | - 10,000.00 |
| Proceeds from disposal of financial assets | 0.00 | 168,916.00 |
| Disbursements for additions to the consolidation group | - 1,165,951.00 | - 20,761,821.28 |
| Interest received | 66,347.63 | 318,064.77 |
| Dividends received | 30,679.82 | 27,673.76 |
| Cash flow from investment activities | **- 1,736,616.86** | **- 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/payments from the issuance of bonds and raising of (financial) loans | - 3,043,380.48 | 4,913,930.77 |
| Payments from equity reductions to shareholders of the parent company | 0.00 | - 682,000.00 |
| Interest paid | - 1,310,771.34 | - 2,436,038.58 |
| Cash flow from financing activities | **- 4,354,151.82** | **8,193,767.20** |
| | | |
| **4.** Cash and cash equivalents at the end of the period | | |
| Net change in cash and cash equivalents (subtotals 1-3) | - 3,075,087.02 | 11,507,944.22 |
| Changes in cash and cash equivalents due to effects of consolidated entities | 551,461.49 | - 2,102,397.86 |
| Cash and cash equivalents at the beginning of the period | 17,723.51 | - 9,387,822.85 |
| Cash and cash equivalents at the end of the period | **- 2,505,902.02** | **17,723.51** |
| | | |
| **5.** Composition of cash and cash equivalents | | |
| Cash assets, credit balances with credit institutions | 1,095,134.14 | 2,425,596.22 |
| Liabilities to banks (current account liabilities) | - 3,601,036.16 | - 2,407,872.71 |
| Cash and cash equivalents at the end of period | **- 2,505,902.02** | **17,723.51** |

## CONSOLIDATED EQUITY STATEMENT

### CONSOLIDATED EQUITY STATEMENT FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2019

| | PARENT COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Subscribed capital EUR | Treasury shares EUR | Capital reserves EUR | Self-generated group equity EUR | Accumulated other comprehensive income EUR | Accumulated other comprehensive income EUR |
| | | | | | Currency translation adjustments | Other items recognised directly in equity |
| As at 01/01/2019 | 5,989,500 | - 4,017 | 36,355,875 | - 9,940,980 | - 1,248,059 | 4,427,103 |
| Consolidated loss for the year | 0 | 0 | 0 | - 2,124,271 | 0 | 0 |
| Changes to investment relationships | 0 | 0 | 0 | 17,572,184 | 0 | 0 |
| Other group earnings | 0 | 0 | 0 | - 242,491 | - 504,158 | 0 |
| | | | | | | |
| **As at 31/12/2018** | **5,989,500** | **- 4,017** | **36,355,875** | **5,264,441** | **- 1,752,217** | **4,427,103** |

| | | MINORITY SHAREHOLDERS | | | | GROUP EQUITY |
|---|---|---|---|---|---|---|
| Equity EUR | Minorities capital EUR | Accumulated other comprehensive income EUR | Accumulated other comprehensive income EUR | Equity EUR | | EUR |
| | | Currency translation adjustments | Other items recognised directly in equity | | | |
| 35,579,422 | 19,436,106 | - 228,602 | 0 | 19,207,504 | | 54,786,926 |
| - 2,124,271 | - 1,721 | 0 | 0 | - 1,721 | | - 2,125,992 |
| 17,572,184 | - 18,738,135 | 0 | 0 | - 18,738,135 | | - 1,165,951 |
| - 746,649 | 0 | 0 | 0 | 1,298,111 | | 551,462 |
| | | | | | | |
| **50,280,686** | **696,250** | **- 228,602** | **0** | **1,765,759** | | **52,046,445** |

# CONSOLIDATED STATEMENT OF ASSETS

## CONSOLIDATED STATEMENT OF ASSETS FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2019

| | ACQUISITION COSTS | | | | | |
|---|---|---|---|---|---|---|
| | As at 01/01/2019 EUR | Currency differences EUR | Additions EUR | Outgoings EUR | Transfer EUR | As at 30/06/2019 EUR |
| I. Intangible assets | | | | | | |
| Concessions, industrial property rights and similar rights and assets and values, as well as licences for such rights and assets | 9,297,066.56 | 0.00 | 17,745.43 | 0.00 | 0.00 | 9,314,811.99 |
| | **9,297,066.56** | **0.00** | **17,745.43** | **0.00** | **0.00** | **9,314,811.99** |
| II. Property, plant and equipment | | | | | | |
| 1. Land and buildings | 5,492,045.88 | 0.00 | 0.00 | 0.00 | 0.00 | 5,492,045.88 |
| 2. Technical equipment and machinery | 40,276,666.64 | 0.00 | 243,486.00 | 13,270.50 | 0.00 | 40,506,882.14 |
| 3. Other equipment, operating and office equipment | 14,623,951.07 | 779.65 | 396,215.39 | 19,854.00 | 0.00 | 15,001,092.11 |
| 4. Prepayments and assets under construction | 92,766,470.52 | 0.00 | 59,030.02 | 0.00 | 0.00 | 92,825,500.54 |
| | **153,159,134.11** | **779.65** | **698,731.41** | **33,124.50** | **0.00** | **153,825,520.67** |
| III. Financial assets | | | | | | |
| 1. Shares in associates | 1,372,492.04 | 0.00 | 0.00 | 0.00 | 0.00 | 1,372,492.04 |
| 2. Long-term securities | 95,054.80 | 0.00 | 0.00 | 0.00 | 0.00 | 95,054.80 |
| 3. Other loans | 983,927.90 | 0.00 | 0.00 | 0.00 | 0.00 | 983,927.90 |
| | **2,451,474.74** | **0.00** | **0.00** | **0.00** | **0.00** | **2,451,474.74** |
| | **164,907,675.41** | **779.65** | **716,476.84** | **33,124.50** | **0.00** | **165,591,807.40** |

| DEPRECIATION AND AMORTISATION | | | | | BOOK VALUES | |
|---|---|---|---|---|---|---|
| As at 01/01/2019 EUR | Currency differences EUR | Additions EUR | Outgoings EUR | As at 30/06/2019 EUR | As at 30/06/2019 EUR | As at 31/12/2018 EUR |
| | | | | | | |
| 6,528,869.89 | 0.00 | 57,484.57 | 0.00 | 6,586,354.46 | 2,728,457.53 | 2,768,196.67 |
| **6,528,869.89** | **0.00** | **57,484.57** | **0.00** | **6,586,354.46** | **2,728,457.53** | **2,768,196.67** |
| | | | | | | |
| 1,207,329.94 | 0.00 | 51,311.33 | 0.00 | 1,258,641.27 | 4,233,404.61 | 4,284,715.94 |
| 20,105,072.63 | 0.00 | 1,336,368.41 | 0.00 | 21,441,441.04 | 19,065,441.10 | 20,171,594.01 |
| 12,058,481.38 | 0.00 | 318,096.40 | 0.00 | 12,376,577.78 | 2,624,514.33 | 2,565,469.69 |
| 6,894,973.43 | 0.00 | 0.00 | 0.00 | 6,894,973.43 | 85,930,527.11 | 85,871,497.09 |
| **40,265,857.38** | **0.00** | **1,705,776.14** | **0.00** | **41,971,633.52** | **111,853,887.15** | **112,893,276.73** |
| | | | | | | |
| 1,362,492.04 | 0.00 | 0.00 | 0.00 | 1,362,492.04 | 10,000.00 | 10,000.00 |
| 94,873.80 | 0.00 | 0.00 | 0.00 | 94,873.80 | 181.00 | 181.00 |
| 2,832.86 | 0.00 | 0.00 | 0.00 | 2,832.86 | 981,095.04 | 981,095.04 |
| **1,460,198.70** | **0.00** | **0.00** | **0.00** | **1,460,198.70** | **991,276.04** | **991,276.04** |
| | | | | | | |
| **48,254,925.97** | **0.00** | **1,763,260.71** | **0.00** | **50,018,186.68** | **115,573,620.72** | **116,652,749.44** |

# NOTES TO THE CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS FOR THE FIRST HALF OF THE FISCAL YEAR FROM 1 JANUARY TO 30 JUNE 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 82031 Grünwald, Bavariafilmplatz 7.

Where it is possible to exercise options with regard to disclosures in the consolidated balance sheet, the consolidated income statement or the notes to the consolidated financial statements, it was chosen to make comments in the balance sheet or in the income statement . The Group Asset Statement is contained on pages 32 and 33 of this Report.

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.

## 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, 18 DOMESTIC AND 4 FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019. THESE ARE MADE UP AS FOLLOWS:**

| NAME AND REGISTERED OFFICE OF THE COMPANY | Capital Direct | Capital Indirect |
|---|---|---|
| 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., Katowice/Poland | 50.44 | |
| GERF B.V., 's Gravenzande/Netherlands | | 100.00 |
| Geysir Europe GmbH, Grünwald | | 97.89 |
| Exorka GmbH, Grünwald | | 100.00 |
| Exorka ehf, Husavik/Iceland | | 100.00 |
| geox GmbH, Ascheberg | | 99.00 |
| Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald | | 100.00 |
| Geothermie Allgäu Verwaltungs GmbH, Grünwald | | 100.00 |
| Geothermie Starnberg GmbH & Co. KG, Grünwald | | 100.00 |
| Geothermie Taufkirchen GmbH & Co. KG, Grünwald | | 100.00 |
| Geothermie Starnberg Verwaltungs GmbH, Grünwald | | 100.00 |
| Erdwärme Taufkirchen GmbH & Co. KG, Grünwald | | 100.00 |
| Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald | | 100.00 |
| GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald | | 73.61 |
| GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald | | 73.83 |
| Taufkirchen Holding GmbH & Co. KG, Grünwald | | 100.00 |
| Taufkirchen Holding Verwaltungs GmbH, Grünwald | | 100.00 |
| Geothermie Neuried GmbH & Co. KG, Neuried | | 100.00 |
| Geothermie Neuried Verwaltungs GmbH, Neuried | | 100.00 |
| Geysir Chile SpA, Santiago/Chile | | 100.00 |

Geysir Chile SpA, Santiago/Chile is not included in the consolidated group due to its minor significance for the economic situation of the Group.

D&S Geothermie GmbH, Grünwald, acquired 22.88 % shares in Geysir Europe GmbH, Grünwald on 1 April 2019 (UR: No. 232/2019). The Company therefore owns 97.89 % of Geysir Europe GmbH.

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

On 29 May 2019, 1 % of the shares in geox GmbH were acquired and 48.9 % of the shares of Geysir Europe GmbH were sold to a private investor. Under certain conditions, the Company has an option to repurchase the Company's shares between 1 October 2019 and 31 November 2020.

## 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 TRANSLATION** | Exchange rate EUR 1 = | Average exchange rate for the year as at 30/06/2019 | Closing rate as at 30/06/2019 |
|---|---|---|---|
| Swiss francs | CHF | 1.1294 | 1.1167 |
| Icelandic Krona | ISK | 127.88 | 133.51 |
| Polish Zloty | PLN | 4.2919 | 4.2635 |

## 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 is calculated linearly according to the expected useful life. Low-value assets between EUR 250.00 and EUR 1,000.00 are entered in a collective item and amortised linearly over a period of 5 years. Assets under EUR 150.00 are 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 are 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. Project business services in progress (construction of the Taufkirchen power plant) are measured by means of attributable manufacturing 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.

The special item shows construction cost subsidies which are distributed over the useful life of the asset.

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 include inflows before the balance sheet date which will only become income in the following year.

# NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

## I. BALANCE SHEET

### FIXED ASSETS

The consolidated statement of changes in fixed assets as at 30/06/2019 has been attached as Appendix 1 to the notes.

The shares in associated companies totalling EUR 10k relate to Geysir Chile SpA, Santiago de Chile.

### 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 30 JUNE 2019 IN EUR K | | | | |
|---|---|---|---|---|
| Description | Total amount **30/06/2019** | due within **one year** | due after **more than one year** | Total amount **31/12/2018** |
| 1. Loans receivable | 4,189 | 4,189 | 0 | 5,708 |
| 2. Repayment claims from advance payments already made | 1,643 | 1,643 | 0 | 1,643 |
| 3. Insurance compensation | 0 | 0 | 0 | 950 |
| 4. Claims from reinsurance cover | 303 | 303 | 0 | 288 |
| 5. VAT receivables | 323 | 323 | 0 | 364 |
| 6. Heat deliveries still to be invoiced | 1,440 | 1,440 | 0 | 960 |
| 7. Other | 610 | 610 | 0 | 682 |
| **Total of other assets** | **8,508** | **8,508** | **0** | **10,595** |

**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.

**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 30/06/2019 amounts to EUR 2,994.75k (31/12/2018: EUR 2,994.75k).

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 17,839.7k (31/12/2018: EUR 510k).

**GROUP BALANCE SHEET PROFIT**
Consolidated net retained profits developed as follows:

| | |
|---|---|
| • Accumulated losses brought forward 01/01/2019 | EUR 6,049k |
| • Consolidated net loss | EUR 2,126k |
| • Loss attributable to minority shareholders | EUR 2k |
| • Consolidated balance sheet loss 30/06/2019 | EUR 8,173k |

**TAX PROVISIONS**
Tax provisions amount to EUR 46k (previous year: EUR 121k).

## OTHER PROVISIONS

| STATEMENT OF PROVISIONS AS AT 30/06/2019 IN EUR K | | | | | |
|---|---|---|---|---|---|
| Description | 01/01/2019 | Utilisation | Reversal | Allocations | 30/06/2019 |
| Personnel provisions | 1,130 | 718 | 38 | 861 | 1,235 |
| Global provision for warranties | 124 | 0 | 14 | 0 | 110 |
| Other provisions | 3,595 | 740 | 0 | 1,378 | 4,233 |
| **Total other provisions** | **4,849** | **1,458** | **52** | **2,239** | **5,578** |

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.

Other provisions were recognised for outstanding invoices for the renovation of the Landau power plant of geox GmbH, litigation costs, audit of annual financial statements, archiving costs etc.

## LIABILITIES

| STATEMENT OF LIABILITIES AS AT 30/06/2019 IN EUR K | | | | | |
|---|---|---|---|---|---|
| Type of liability | Total amount **30/06/2019** | due within **one year** | due within **one to five years** | due after **more than five years** | Total amount **31/12/2018** |
| 1. Liabilities to banks | 9,143 | 8,266 | 877 | 0 | 10,993 |
| 2. Advance payments received on orders | 1,061 | 1,061 | 0 | 0 | 955 |
| 3. Trade payables | 8,099 | 8,099 | 0 | 0 | 9,585 |
| 4. Liabilities from purchase price instalments | 1,540 | 154 | 616 | 770 | 0 |
| 5. Liabilities to minority shareholders | 13,106 | 13,106 | 0 | 0 | 13,112 |
| 6. Other liabilities to pension funds | 9,620 | 1,166 | 8,454 | 0 | 9,371 |
| 7. Other liabilities to investment companies | 22,920 | 1,322 | 6,158 | 15,440 | 24,574 |
| 8. Tax liabilities | 253 | 253 | 0 | 0 | 911 |
| 9. Other liabilities from share purchases | 3,948 | 3,948 | 0 | 0 | 3,666 |
| 10. Other miscellaneous liabilities | 3,201 | 3,201 | 0 | 0 | 2,109 |
| **Total Liabilities** | **72,891** | **40,576** | **16,105** | **16,210** | **75,276** |

The **liabilities to banks** comprise liabilities to Sparkasse Südliche Weinstraße (EUR 1,461k), which are secured by mortgages and other customary securities. Liabilities amounting to EUR 7,682k from the use of working capital loans on an open item basis or time deposit loans.

There is a qualified subordination agreement attached to the **liabilities to minority shareholders** and interest has been deferred until 2019.

The **other liabilities towards pension funds** are owed to the Ärzteversorgung Westfalen-Lippe and are used to finance geothermal projects. The loan has a term until 30/06/2022. Collateral security is provided by a pledge of limited partnership shares in GeoEnergie Taufkirchen GmbH & Co. KG.

**Other liabilities to investment companies** exist for Green Utility Projects Germany III GmbH & Co. KG and are used to finance the share acquisition of GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald. The loan has a term until 01/12/2032. The interest rate is 3.5 % per year. Collateral security is provided by a pledge of limited partnership shares in GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald.

The **other liabilities for share acquisition** include the last purchase price instalment (EUR 3,916k) payable to Axpo Power AG from the purchase of the shares in GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald.

The **other liabilities** comprise liabilities from wages and salaries (EUR 468k), liabilities from social security (EUR 102k) and other liabilities (EUR 2,631k).

The **deferred tax liabilities** (EUR 4,883k) mainly result from the disclosure of hidden reserves in the framework of initial consolidation of GeoEnergie Taufkirchen GmbH & Co. KG.

## II. INCOME STATEMENT

The total cost format was selected for the Income Statement.

Other **operating income** is broken down as follows:

| | **30/06/2019** |
|---|---|
| • Insurance compensation | EUR 251k |
| • Income from the release of provisions | EUR 16k |
| • Income from sales of fixed assets | EUR 16k |
| • Other income | EUR 149k |
| Total | EUR 432k |

Other **operating expenses are** broken down as follows:

| | **30/06/2019** |
|---|---|
| • Residue and waste disposal | EUR 892k |
| • Legal and consulting fees | EUR 607k |
| • Rent for mobile assets | EUR 561k |
| • Repairs and maintenance | EUR 526k |
| • Advertising, travel, accommodation of staff | EUR 316k |
| • Insurance policies and premiums | EUR 302k |
| • Vehicle costs | EUR 287k |
| • Premises | EUR 267k |
| • Currency translation | EUR 277k |
| • Construction site costs | EUR 230k |
| • Licence fees | EUR 175k |
| • Workshop costs | EUR 96k |
| • Postage, telephone | EUR 56k |
| • Other | EUR 1,292k |
| Total | EUR 5,884k |

## III. OTHER DISCLOSURES

**OTHER FINANCIAL OBLIGATIONS**

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 930k. The liabilities amount to EUR 260k for terms of up to one year and EUR 670k for terms of one to five years. Moreover there are obligations stemming from a licensing agreement amounting to EUR 4,525k, of which EUR 350k are due within one year, EUR 1,400k within one and five years and EUR 2,775k within more than five years.

In addition, Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG accounts for EUR 130k. Of these, EUR 10k are liabilities due within one year, EUR 40k are due within 1 to 5 years and the remaining EUR 80k have a term of more than five years.

The total amount of other group financial obligations thus amounts to EUR 5,233k, of which:

| | |
|---|---|
| • due within one year: | EUR 530k |
| • due between one and five years: | EUR 1,848k |
| • due within more than five years: | EUR 2,855k |

**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 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 was financed and settled during the reporting period. As part of the financing, Daldrup & Söhne AG has provided a bank with a directly enforceable maximum guarantee to secure the credit claim of EUR 3,000k.

Within the context of the purchase of another 50 % of the shares in geox GmbH by Geysir Europe GmbH from Pfalzwerke Aktiengesellschaft, Daldrup & Söhne AG has acted as guarantor for the purchaser and has provided Landesbank Baden-Württemberg with an independent guarantee for 50 % of the amount borrowed for geox GmbH, the purchase price as well as ongoing financial futures transactions. This also included the obligation to make own funds available with regard to a third borehole in Landau which was supported by the German Federal Ministry for the Environment. The total liability for Daldrup & Söhne AG amounts to EUR 1,461k.

It is not reasonably probable that a claim will be made against the guarantee because the geox GmbH geothermal power plant in Landau became operational again in 2018 so that the Company will be able to finance the debt service out of its own funds.

**REPORT ON POST-BALANCE SHEET DATE EVENTS**

The following events took place after the balance sheet date, 30/06/2019, which were of major importance for Daldrup & Söhne AG.

On 26 June 2019, D&S Geothermie GmbH, Grünwald and Geysir Europe GmbH, Grünwald concluded an agreement on the sale and assignment of 48.9 % of the shares in Geysir Europe GmbH and 1 % of the shares in Geox GmbH and on the grant of an option to acquire a further 48.9 % of the shares in Geox GmbH and on the assignment of shareholder loans to an investment company. The contract was subject to execution conditions which were fulfilled 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 | CEO (responsible for the Strategy, Key Accounts, Communications, Personnel, Legal and as a deputy for Controlling and Finance) |
| Dipl.-Geologe Peter Maasewerd | Member of the Management Board (responsible for the 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 Deep Geothermal Energy business unit and the Logistics/Merchandise Management and Purchasing divisions) |
| Curd Bems (until 15 March 2019): | Member of the Management Board (responsible for Power Plants & Energy) |
| Dipl.-Kfm. Stephan Temming (from 21 August 2019) | Member of the Management Board (responsible for Finance, Controlling, Business Development and Investor Relations) |

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.)<br>Chairman of the Supervisory Board: | Member of the Supervisory Boards of the following companies:<br>• Member of the Supervisory Board for Exaring AG, Munich<br>• Member of the Supervisory Board for Media Broadcast GmbH, Cologne |
| Dipl.-Ing. Wolfgang Quecke<br>Member of the Supervisory Board | Member and/or Managing Director of the following companies:<br>• Managing Director of "terra-concept GmbH", Marl |
| Joachim Rumstadt<br>Member of the Supervisory Board | Member and/or Managing Director of the following companies:<br>• Chairman of the Management Board, STEAG GmbH, Essen<br>• Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen<br>• Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken<br>• Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey<br>• Member of the Advisory Board of Wessling Holding GmbH & Co. KG Altenberge<br>• Chairman of the Supervisory Board of Rheinkalk GmbH, Wülfrath |

Grünwald, 28 September 2019

Daldrup & Söhne AG

The Management Board

Josef Daldrup (CEO)

Peter Maasewerd (Board member)

Andreas Tönies (Board member)

Stephan Temming (Board member)

## FISCAL CALENDAR for Daldrup & Söhne AG

**27 November 2019:** Equity Forum 2019, Frankfurt

## INVESTOR RELATIONS Contact

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