



**GROUP MANAGEMENT REPORT
AND CONSOLIDATED FINANCIAL
STATEMENTS 2012**

2012



B o h r t e c h n i k





GROUP MANAGEMENT REPORT for the Fiscal Year 2012

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GROUP MANAGEMENT REPORT

FOR THE FISCAL YEAR FROM
1 JANUARY TO 31 DECEMBER 2012

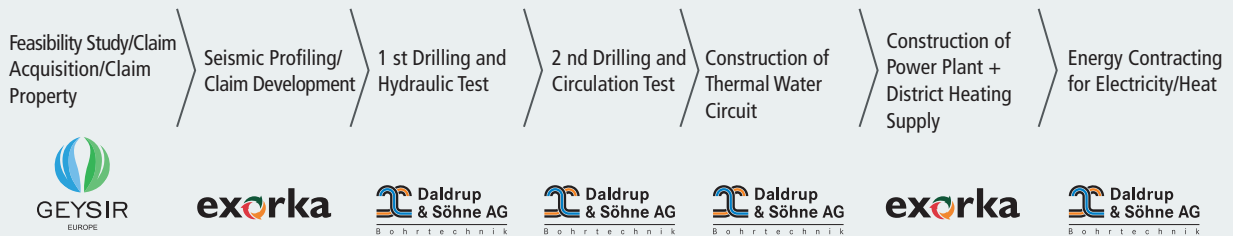
A. COMPANY – BUSINESS ACTIVITIES, COMPETITIVE POSITION AND ENVIRONMENT

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

Daldrup & Söhne AG, a company whose history goes back decades, is the leading provider of drilling and environmental services in Germany and in Central Europe. The Company's activities are organized into the business units of Geothermics, Raw Materials & Exploration, Water Procurement and Environment, Development & Services (EDS).

As a result of building up strategic investments and partnerships, the Daldrup Group now occupies all positions in the value chain for geothermal projects, from holding the permits for exploration of geothermal energy in a particular area, from field development through to drill readiness, from execution of the drillings, constructing the power station through to energy contracting.

VALUE CHAIN OF A DEEP GEOTHERMAL ENERGY PROJECT

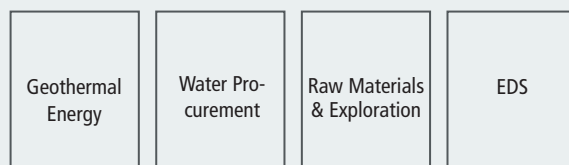


The Daldrup Group's range of services enables it to offer turnkey geothermal energy power plant projects at a fixed price "from a single source".

PROVIDER OF DRILLING SERVICES



Daldrup provides comprehensive drilling and environmental services for numerous customers such as industrial companies, private customers and municipal/government bodies.



GEOTHERMAL PROJECT DEVELOPER (IPP¹)

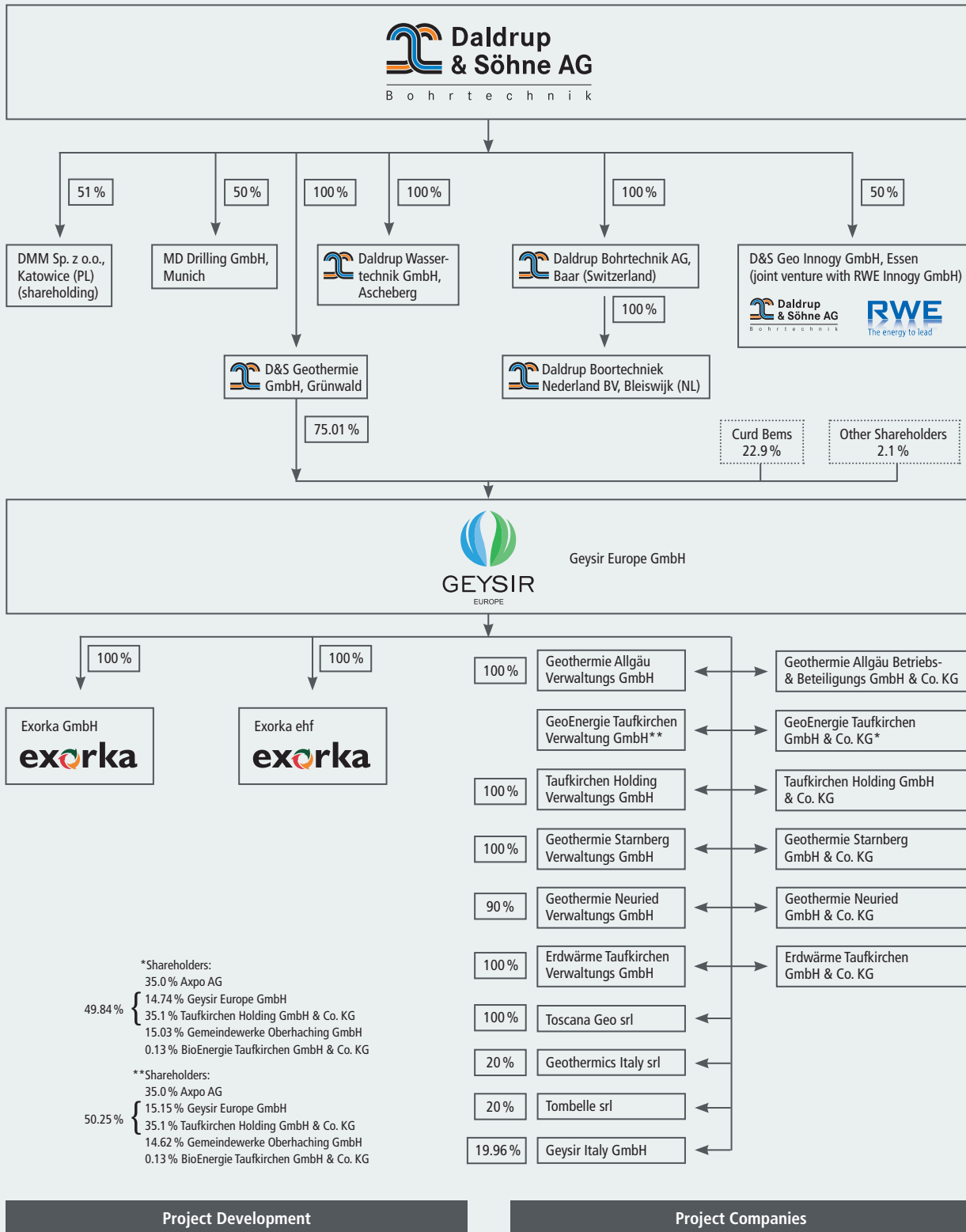


- Own claim areas for active implementation of Daldrup's own deep geothermal energy projects for electricity and heat generation.
- Worldwide licence to use the power plant technology of the Kalina process and exclusive rights to use it in Germany.
- The Daldrup Group combines the know-how of the entire value chain of a deep geothermal energy project.

Through partnerships and cooperative ventures with energy supply companies, public services and investors, Daldrup will develop its own geothermal energy projects (participation in power plant operation) and obtain stable long-term income from the generation of electricity and heat.

¹IPP = Independent Power Producer

GROUP STRUCTURE (AS AT 31 DECEMBER 2012)



*Shareholders:
 35.0% Axpo AG
 14.74% Geysir Europe GmbH
 49.84% { 35.1% Taufkirchen Holding GmbH & Co. KG
 15.03% Gemeindewerke Oberhaching GmbH
 0.13% BioEnergie Taufkirchen GmbH & Co. KG

**Shareholders:
 35.0% Axpo AG
 15.15% Geysir Europe GmbH
 50.25% { 35.1% Taufkirchen Holding GmbH & Co. KG
 14.62% Gemeindewerke Oberhaching GmbH
 0.13% BioEnergie Taufkirchen GmbH & Co. KG



ORGANIZATION

All Group companies are bound by rules of procedure and/or by catalogues of transactions requiring approval and are subject to the strategic orientation of the Daldrup Group. Within this framework, their actions are aimed at expanding the position of the Daldrup Group as the leading drilling technology specialist, project developer and provider of turnkey geothermal energy power plant projects in Central Europe. Value creation is achieved by developing geothermal energy projects in the Group's five own claim areas (four in the Bavarian Molasse Basin and one in the Upper Rhine Rift Valley), on which more than one project can be implemented in individual cases or as a corresponding service provider for external clients. In organizational terms, it is Exorka GmbH, with its general contractor, project development and engineering expertise, that carries out active operations here. In addition, the Group company Exorka ehf (Iceland) holds the global license for the use of the Kalina power plant technology, including exclusive rights to the market in Germany. With more than 30 successfully completed geothermal deep wells, down to a depth of 5,000 metres (TVD = true vertical depth), and as a result of mastering different geological formations, the drilling technology expertise of Daldrup & Söhne AG, together with the Group's extensive range of drilling equipment, play a key role in the Group. The parent company performs central functions for the Group companies.



BUSINESS ACTIVITIES

Services within the Daldrup Group are brought together at two levels. One level relates to Daldrup & Söhne AG with its direct equity investments, while the second level groups the activities of Geysir Europe GmbH and its direct subsidiaries. In this respect, the Geysir-Europe Group forms a subgroup within the Daldrup Group.

The business activities of Daldrup & Söhne AG include Geothermal Energy, Raw Materials & Exploration, Water Procurement and Environment, Development & Services (EDS).

The **Geothermal Energy** business unit provides drilling services for near-surface geothermal energy (particularly geothermal probes for heat pumps), but above all drilling services for deep geothermal energy. The utilisation of deep geothermal energy requires drilling to depths of up to 7,000 metres, so that the geothermal energy that then becomes accessible can be used for electricity and/or heat generation. Geothermal energy is increasingly gaining in importance throughout the world in the generation of heat and electricity as a component of renewable energies within the overall energy mix. Particular preference here is given to countries that have high enthalpy deposits (sites in which high temperatures (over 200 °C) and/or pressures can be found at relatively shallow depths (< 2,000 m). In low enthalpy regions such as Germany, deeper wells and so-called binary power plant circulation processes are used to generate electricity from geothermal energy. Further, the direct use of geothermal energy for heating and cooling above-ground buildings in Germany, whether as new construction projects or as part of energy-efficient building renovation, cannot be ignored. Reference is made to the **Renewable Energy Heat Act (EEWärmeG)**, as amended on 1 May 2011, the **German Energy Conservation Act 2009 (EnEV)** and the **market incentive program** on the promotion of energy-saving thermal insulation and energy-saving installations in buildings (new construction and renovation). The main focus of the activities of Daldrup & Söhne AG in Germany is currently in the Bavarian Molasse Basin south of Munich, while in future it will be in the Upper Rhine Rift Valley as well as the North German Plain. International activities in fiscal year 2012 concentrated particularly on the Netherlands, Austria and Switzerland.

Daldrup & Söhne AG's activities across Europe will focus on sites with especially good geothermal energy potential and corresponding sales opportunities for electricity and heat. Deep wells down to a depth of 7,000 metres represent a challenge for both teams and technology. The more than 30 successfully completed wells in various geological formations demonstrate Daldrup & Söhne AG's mastery of all stages of projects. The Geothermal Energy business unit's share of gross revenue generated by the Daldrup Group in 2012 reached 88.6 % (previous year: 85.3 %).

In the **Raw Materials & Exploration** business unit, Daldrup & Söhne AG carries out drilling operations on behalf of national and international mining companies in exploration of deposits of fossil fuels (especially hard coal, oil and gas) as well as mineral raw materials (e.g., salts, ores, copper, nickel, zinc and limestone). Another major area comprises activities in respect of the exploration and securing of the substratum in mining areas. This business unit's share of gross revenue generated by the Daldrup Group in 2012 amounts to 5.7 % (previous year: 7.3 %).

The **Water Procurement** business unit represents the entrepreneurial origins of Daldrup & Söhne AG. It includes drilling wells to obtain drinking water, process water, thermal and mineral water, boiler feed-water and cooling water as well as thermal brine. Alongside the actual drilling, Water Procurement also uses a number of special building techniques; from stainless steel piping supplying drinking and mineral water to the professional development of well systems, right through to the installation of modern filtration and pump systems. In global terms, water is an expensive commodity in short supply. Water management will be of major importance in future: The water distribution networks of the industrialized countries are dilapidated, with a large proportion of the world's population being cut off from the drinking water supply and drinking insufficiently treated waste water. This makes clean water a valuable raw material and drinking water a high-quality foodstuff. The Water Procurement business unit share of gross revenue generated by the Daldrup Group in 2012 amounts to 3.6 % (previous year: 3.3 %).



The fourth business unit, EDS, brings together special environmental technology services for a broad range of clients. Daldrup & Söhne AG's expertise has been repeatedly demonstrated in relation to the hydraulic remediation of contaminated sites, the planning and construction of gas extraction wells for obtaining landfill gas, the provision of groundwater quality measurement points or the construction of water purification plants.

The EDS business unit's share of gross revenue generated by the Daldrup Group in 2012 was 2.1 % (previous year: 4.1 %). The experience derived from the three other business units apart from Geothermal Energy have consistently resulted in refinement of drilling know-how and the training of young and new employees. In addition, employment fluctuations in the operation of major installations can be absorbed by staff pooling. All of the business segments are strategically valuable and will continue to be developed, operated and staffed.

An average of 138 employees were employed by the Daldrup Group in 2012 (previous year: 101). Additionally, up to about 30 further employees were made available to Daldrup & Söhne AG on a flexible basis by other companies.

**NUMBER OF EMPLOYEES IN DALDRUP & SÖHNE AG
AS AT 31 DECEMBER 2012**

EMPLOYEES as at 31 December 2012, by function	2012	2011
Drilling	89	79
Administration (excluding Directors)	15	19
Persons in minor employment	6	4
Daldrup & Söhne AG	110	102
Exorka GmbH	5	8
Przedsiębiorstwo Projektów Górnictw i Wiercen Geologicznych "DMM" Sp.Z o.o.	26	0
Group – total	141	110



2. MARKET AND COMPETITION

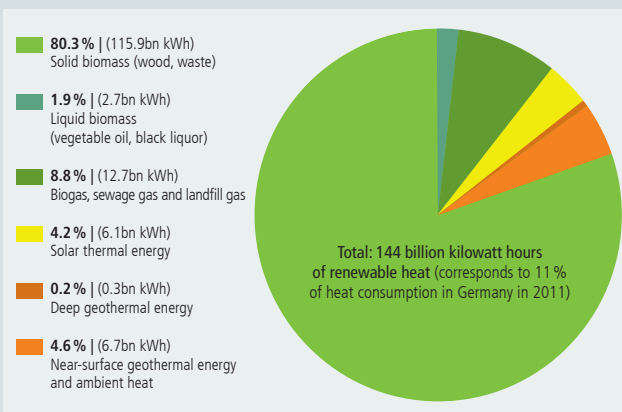
Daldrup & Söhne AG's long-standing market presence, its expertise, its financial strength and its existing reference sites with drilling depths down to 5,000 metres mean that its competitive position has the firmest of foundations.

High technical, financial and official/administrative barriers to entry into the market as well as the limited availability of corresponding drilling capacity serve only to reinforce Daldrup & Söhne AG's favourable position. In addition, Daldrup & Söhne AG has a healthy order book, which guarantees capacity utilization and planning security until 2014. According to data issued by the Federal Association of Geothermal Energy in Germany, a further 92 deep geothermal energy projects are currently on the drawing board. Added to these, there are projects in Austria, Switzerland, Italy and the Benelux countries. According to the Company's own surveys, at least 60 geothermal energy projects are to be implemented in a three year period in the Netherlands alone. The scarcity of available drilling capacity and the limited possibilities of developing this capacity are culminating in high demand. The result is stable drilling prices and low competitive intensity. Particular competitors in the area of deep geothermal energy wells include drilling companies that are primarily engaged in the oil and gas business and occasionally participate in invitations to tender for geothermal energy projects.

In addition to supplying heat, deep geothermal energy can also be used for generating electricity. The efficient supply of electricity can be generated with temperatures in excess of 110 °C. The advantage of geothermal energy is its constant availability, i.e., it can be predicted by network operators and can therefore be used to offset the fluctuating wind and photovoltaic systems. Geothermal electricity generation is still in its infancy in Germany. Three additional plants in Germany (Dürnhaar, Sauerlach, Kirchstockach) have been able to provide approx. 15 MW of electricity in 2012.

The Integrated Energy and Climate Programme of the Federal Government intends to increase the share of renewable energies in heat provision to 14 % by 2012. Renewable heat can be produced using different energy sources, such as geothermal energy, solar thermal energy or biomass. When combined together, these renewable energies accounted for 10.4 % of German heat consumption in 2012 (previous year: 10.4 %).

HEAT FROM RENEWABLE ENERGIES IN GERMANY IN 2012



Source: Renew's Spezial, Erneuerbare Wärme, Edition 63, Jan 2013, p. 5

The German Renewable Energy Sources Act (EEG) was amended at the start of 2012. The main winner was geothermal energy. The feed-in tariffs for electricity from geothermal energy were increased to EUR 0.25/kWh. In addition, the market incentive programme (MAP) was extended to include attractive funding modules for deep geothermal energy. It is worth mentioning in particular the so-called "drilling cost subsidy" (Bohrkostenzuschuss), totalling up to EUR 1.95 million per doublet (two holes), which is now granted for electricity projects as well.

Heat has the highest impact in Germany in terms of energy consumption. According to the Renewable Energy Agency (Agentur für Erneuerbare Energien), around 50 % of the total final energy consumption (electricity, heating, mobility) goes into generating heat. The heating of buildings and process heat for industry have the largest share here (62 %). The majority of the total final energy consumption for heat is attributed to households (46 %), followed by 37 % for industry and 17 % for the commerce/trading/services sector.

Given that the majority of the heat supply demand in Germany is still being met using fossil fuels, this means that carbon dioxide (CO₂) emissions are significant. The heat market as a whole (space heating, water heating, process heat) contributes to approximately 40 % of all energy-related CO₂ emissions. At the same time, the potential for saving energy and reducing emissions in the building sector is enormous. Against this background, it is understandable that heat is often referred to as the "sleeping giant" in climate protection that needs to be woken up according to the Renewable Energy Agency (Agentur für Erneuerbare Energien). The increased use of renewable energy sources in generating heat therefore plays an important role.



3. STRATEGY, OBJECTIVES AND COMPANY MANAGEMENT

Daldrup & Söhne AG's strategies and objectives remain unchanged, expressed as the intention to achieve sustainable growth and to expand the Company's leading market position in Germany and Europe as an experienced drilling technology specialist. In addition, the Company's sights are now trained on participation in geothermal energy power plant projects to generate additional returns from grid feed-in and sale of electricity and heat under the 2012 Renewable Energy Sources Act (EEG 2012). The long-term goal is to develop the Daldrup Group into a medium-sized energy supply company. Decisive steps in this direction were already taken in 2009 and 2010 in the form of a majority holding in Geysir Europe GmbH, Grünwald. In the Taufkirchen project, the thermal water well system was successfully created in 2012 with a thermal capacity of approx. 38 MW.

4. INVESTMENTS AND STRATEGIC PARTNERSHIPS

The purpose of Daldrup & Söhne AG's long-term equity investments and strategic partnerships is the direct and active pursuit of the corporate objectives, from establishing its market position as a drilling technology specialist to the development and implementation of its own deep geothermal energy projects, right through to the marketing of electricity and/or heat. In this respect, Daldrup & Söhne AG will benefit disproportionately from the forecast growth in the market/sector.

D&S Geo Innogy GmbH, Essen

The 50/50 joint venture with RWE Innogy GmbH focuses primarily on developing the claim area at Walldorf next to Frankfurt Airport in close cooperation with project partners Fraport AG and Mainova AG. A decision shall be made in 2013 regarding the next steps of the project.

Daldrup Bohrtechnik AG, Baar (Switzerland)

Daldrup Bohrtechnik AG operates independently within the interesting Swiss market. Not only wells for the exploration of geothermal energy, but particularly also special wells for brine production are of interest. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

The use of geothermal energy as a resource-conserving energy source is being well received by industrial greenhouse operators (vegetables, flowers, plants) in the Netherlands. The Dutch Ministry of Economic Affairs and the regional provinces

This development is supported by way of a subsidy program for investments in self-sustaining geothermal heating plants. Daldrup Boortech-niek Nederland BV, Bleiswijk, founded in 2011, acts as Daldrup's representation in the Netherlands.

Activities in Italy are coordinated and supervised by the Geysir-Europe Group. The collaboration with partners in the South Tyrol is active and an application has been made for 17 sites in the Italian regions of Lazio, Toscana, Lombardy and Piemont in respect of exploration of geothermal deposits. The most interesting sites for hydrothermal geothermal energy projects have a temperature level between 150 °C at a depth of 2,000 metres and 250 °C at a depth of 3,000 metres. The first permits in the formerly state-regulated energy market in Italy were issued in 2012, and others are due to follow in 2013.

Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych "DMM" Sp. z o.o., Katowice (Poland)

Daldrup & Söhne AG holds 51 % of shares in the Polish company "Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych "DMM" Sp. z o.o." (project company for mining and geological drilling activities) set up in 2012 by two Polish partners for the acquisition and execution of drilling activities (in the coal mining sector, for the shale gas business and the exploration of minerals). The company has started a large exploration project for hard coal and has established itself in the Polish market with an excellent order book. The company combines the geological knowledge, technical equipment and professional staff of the group of shareholders.

Daldrup Wassertechnik GmbH, Ascheberg

During the fiscal year, Daldrup & Söhne AG deliberated whether to outsource business activities regarding Water Procurement to Daldrup Wassertechnik GmbH. Plans regarding this are currently on hold. The company is inactive.

D&S Geothermie GmbH, Grünwald

The main investment activities of Daldrup & Söhne AG are brought together in D&S Geothermie GmbH. 75.01 % of the capital shares of Geysir Europe GmbH with its national and international subsidiaries are held here. The operational project planning and development companies trade here under the Exorka brand.



SWL 1x25ml



The regional geothermal energy projects in their different development phases are grouped in the existing six domestic and four international subsidiaries (SPV – special purpose vehicles).

MD Drilling GmbH, Grünwald

The Group has opened up new geographical and technical areas of growth for drilling services thanks to the 50/50 joint venture concluded with the Czech-based drilling company, MND a.s, during the fiscal year. A drilling rig (450 AC) was purchased from the German manufacturer Bentec. It was used for the first time in the Geretsried/Wolfratshausen geothermal energy project conducted by ENEX Geothermieprojekt Geretsried Nord GmbH & Co. KG. The geothermal energy wells are designed to transport geothermal energy for electricity generation and supply district heating. The target depths of the geothermal energy doublet are approximately 6,000 m MD (measured depth).

5. RESEARCH AND DEVELOPMENT

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

- **Deep geothermal energy probes:**
Closed circuit within a U tube or a coaxial probe with a circulating heat transfer medium (e.g. geothermal energy project for electricity plants for the city of Zurich, Switzerland, in the Triemli District).
- **Hydrothermal systems:**
Closed circuit in which thermal water is pumped from production wells and fed back into natural aquifers via re-injection wells.
- **Petrothermal systems (or EGS = enhanced geothermal systems):**
Open or closed circuit where hydraulic stimulation measures are used to generate or enhance fissures and gaps in the dry subsoil, through which artificially introduced/injected water is able to flow.

While Daldrup has successfully executed the first two systems and taken the projects into operation on several occasions, there is no petrothermal geothermal energy project in regular operation in Europe. However, there is a European research project in Alsace along with a project in Groß-Schönebeck conducted by the GFZ German Research Centre for Geosciences in Potsdam. The technology is essentially proven and is currently being further developed.

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/EGS in future. Daldrup is involved in two pilot projects in order to obtain further technical competence within the field of petrothermal geothermal energy as well, and to demonstrate its mining know-how.

As part of the Company's research & development, it is initiating an experimental and test project in respect of the market-ready application of EGS in the currently suspended project with Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG in Mauerstetten (Kaufbeuren). It is intended to make use of an existing, non-productive well of 4,400 m MD (= measured depth). The joint project together with geothermal energy experts, the Technical University and Mining School in Freiberg and the GFZ German Research Centre for Geosciences in Potsdam includes a stimulation experiment in Malm karst limestone in a deep geothermal energy well with a view to the industrial use of geothermal energy heat in supposedly unfavourable geological formations. Furthermore, the Company is pushing ahead with the development of a modular Kalina or ORC plant for geothermal electricity generation. Both research activities are being subsidized from funds from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

Together with the company JENA-GEOS, Daldrup & Söhne AG has prepared a feasibility study on a deep geothermal energy power plant at two locations (Meiningen and Suhl) as part of a consortium managed by Exorka GmbH, and has done so on behalf of the Ministry of Economics of the Federal State of Thuringia. This is another very important pilot project for the Daldrup Group. According to the results of the study, the geological formations in South Thuringia are particularly suitable for geothermal energy. Wells would need to be drilled up to a depth of 4,000 meters. The Ministry of Economics of the Federal State of Thuringia announced its intention to provide further funding for the project in a press release in December 2012. Moreover, Daldrup & Söhne AG is therefore keen to bring its technological competence and mining know-how to the project.

Daldrup's largest drilling rig, the DS-10 Bentec 350-t-AC Euro Rig™, has been designed to carry out deep drilling operations such as this.





6. OVERVIEW OF BUSINESS DEVELOPMENT

The macroeconomic situation in the eurozone in 2012 was characterized by a high degree of uncertainty in the economy. The sovereign debt crisis and the fragile state of the European banking sector also made for a macroeconomic crisis that was accompanied by necessary fiscal consolidation measures. However there were some significant differences between the member countries within the eurozone. While Italy and Spain were in recession, countries like Germany, Austria and the Netherlands were able to resist the downward trend. According to calculations by the Kiel Institute for the World Economy (IfW), gross domestic product (GDP) in the eurozone fell back by 0.6 % in 2012 (previous year: + 1.4 %). This basic situation is something the German economy has been unable to escape from either. The weak external environment and uncertainty regarding the economic policy on how to deal with the crisis in the eurozone has weighed heavily on economic development in Germany. The utilization of industrial production capacities declined and investment in equipment also saw a significant decrease. Foreign trade saw slight levels of growth, whereas construction investment - driven by buoyant levels of house-building - grew significantly. Consumer spending also increased as households chose to spend a little more rather than hold off making purchases. According to the Kiel Institute for the World Economy (IfW), the GDP figure in Germany grew by 0.7 % over the course of the year (previous year: 3.0 %).

In this difficult and uncertain economic environment, the Daldrup Group generated gross revenue of EUR 45.4 million in 2012, which was almost the same as the previous year (previous year: EUR 47.1 million).

Performance in the upper range of available drilling and personnel capacity is in line with expectations and satisfactory. Over and above this, performance-limiting factors in the drilling and project business in 2012 were and are protracted tendering and approval procedures for drilling projects and the clear restraint of banks in respect of project funding. The Federal Government has called for a turnaround in energy policy and intends to increase renewables' share of the electricity supply gradually to 50 % (2030). The prevailing credit squeeze is contributing to achievement of this objective being delayed.

The following contributions to gross revenue were made by the individual business units of Daldrup & Söhne AG

• Geothermal Energy	EUR 40.0 million	(88 %)
• Raw Materials & Exploration	EUR 2.7 million	(6 %)
• Water Procurement	EUR 1.7 million	(4 %)
• EDS	EUR 1.0 million	(2 %)

48.6 % (previous year: 57.5 %) of this revenue was achieved in Germany and 51.4 % (previous year: 42.5 %) in other countries (Netherlands, Austria and Switzerland).

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:

INCOME STATEMENT	2012 EURk	2011 EURk
Sales	22,690	40,251
Gross revenue	45,395	47,057
Other operating income and tax refunds	5,922	10,266
Cost of materials	26,158	35,150
Personnel expenses	7,341	6,353
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,805	4,118
Other operating expenses	11,730	13,624
EBITDA	6,088	2,156
EBIT	2,283	-1,962

The Daldrup Group's value creation and production process, which is typical of the industry and project-dependent, requires regular measurement of inventories, particularly the measurement of work in process. In accordance with accounting principles and applying the principle of prudence, deductions for calculated risk, profit and sales costs are made from the earned value achieved. The calculated margins and the project success are therefore not realized until after completion, approval and final billing of a project. Project and operating costs, however, are recognized immediately they are incurred. In this respect, the income statement of the Daldrup Group is heavily influenced by project activities.

The gross revenue generated in fiscal year 2012 consists of sales revenue of EUR 22.7 million (previous year: EUR 40.3 million), increases in inventories of EUR 10.8 million (previous year: EUR 5.3 million) as well as own work activated in the amount of EUR 11.9 million (previous year: EUR 12.2 million).

The stockpile of inventories results from drilling projects which have not yet been finished and finally settled during the fiscal year. The Geothermie Taufkirchen, Stadtwerke Arnsberg and California Wijnen (Netherlands) projects contributed in particular to revenues earned by the key Geothermal Energy business unit during the fiscal year. Project-related extensions of drilling times and postponement of completion dates resulted in a reduction in revenue and an increase in costs in the 2012 income statement.

Other operating income during the fiscal year totalling EUR 5.7 million (previous year EUR 9.7 million) consisted mainly of insurance compensation, income from joint ventures and investment subsidies. Please see the notes for further details.

The cost of materials with a traditionally high proportion of services purchased from third-party companies (e.g. borehole measurements, directional drilling services, drilling mud service and bought-in personnel services) fell in the reporting period from EUR 35.2 million the previous year to EUR 26.2 million. The gross profit ratio improved significantly to 42.4 % (previous year: 25.3 %). The Hightech deep drilling rigs were well utilized.

Personnel expenses of EUR 7.3 million (previous year: EUR 6.4 million) relate to the hiring of new, well-qualified employees. The average headcount in fiscal year 2012 rose to 138 employees (previous year: 101 employees).

Other operating expenses fell by 13.9 % to EUR 11.7 million (previous year: EUR 13.6 million). The costs include, among others, rent for necessary drilling equipment, residue and waste disposal, insurance premiums (or to secure the exploration risk), consultancy costs as part of the planning of the geothermal energy heating power plant, travel expenses incurred due to international activities and logistics costs incurred as a result of the mobilization and demobilization of drilling rigs. Furthermore, there has been an increase in the costs of the vehicle fleet and ongoing maintenance activities due to increased international business activities. Please see the notes for further details.

The scheduled depreciation of EUR 3.8 million is slightly lower than the previous year's total of EUR 4.1 million, and relates to the range of drilling equipment and the vehicle fleet. The deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

DESIGNATION	2012	2011
Group earnings before interest, taxes, depreciation and extraordinary expense (EBITDA)	EUR 6.1 million	EUR 2.2 million
Group earnings before interest, taxes and extraordinary expense (EBIT)	EUR 2.3 million	EUR -2.0 million

The EBIT margin increased to 5.0 %. The project-related margin in the previous year was -4.2 %.

The financial result amounts to EUR - 0.3 million (previous year: EUR - 0.5 million) and mainly includes income from investments, interest on loans and advances to banks and interest expense on loans from other companies.

Group earnings for fiscal year 2012 are EUR 1.2 million (previous year: EUR - 3.6 million). The Daldrup Group's share of these earnings is EUR 1.9 million (previous year: EUR 2.5 million).

SUBGROUP EARNINGS	2012	2011
Daldrup & Söhne AG	EUR + 1.9 million	EUR + 2.5 million
Daldrup Bohrtechnik AG, Switzerland	EUR + 1.1 million	EUR - 1.4 million
Daldrup Wassertechnik GmbH	EUR 0.0 million	EUR 0.0 million
"DMM" Sp. z o.o., Poland	EUR 0.0 million	EUR 0.0 million
D&S Geothermie GmbH	EUR + 0.1 million	EUR + 0.1 million
Geysir Europe GmbH (subgroup)	EUR - 1.6 million	EUR - 4.7 million
- of which Exorka GmbH	EUR + 1.0 million	EUR - 0.7 million
- of which GeoE Taufkirchen GmbH & Co. KG	EUR - 1.5 million	EUR - 2.7 million
- of which Taufkirchen Holding GmbH & Co. KG	EUR - 0.0 million	EUR - 0.3 million
- of which Exorka ehf, Iceland	EUR - 0.7 million	EUR - 0.6 million
Consolidating entries	EUR - 0.3 million	EUR - 0.1 million
Group Earnings	EUR + 1.2 million	EUR - 3.6 million

Exorka GmbH is responsible for developing geothermal energy projects in the Daldrup Group, undertakes the role of general contractor and is responsible for implementing the Kalina turnkey geothermal energy heating power plant (GTP) in Taufkirchen, Bavaria. The annual profit of EUR 1.0 million in 2012 resulted from the general contractor's activities. This is offset by administrative costs for staff, office space, consultancy costs etc. Exorka GmbH will generate appreciable income that will exceed running costs when construction of the GTP is commenced from summer 2013 onwards and, in particular, after approval and handover of the GTP in 2014.

In the case of GeoEnergie Taufkirchen GmbH & Co. KG, regular feed-in proceeds of around EUR 8 million a year, which will bring the Daldrup Group a risk-free cash flow of around EUR 2.5 million, will be generated as of summer 2014 following commissioning of the GTP. The costs incurred in 2012 consist of deductibles for insurance and immediate depreciation resulting from an infill following drilling damage.

The negative earnings contributions of Taufkirchen Holding GmbH & Co. KG and Exorka ehf, Iceland arise on the one hand from other operating expenses, and from the scheduled annual depreciation of the Kalina license on the other hand.

In view of the traceable project and cost developments in fiscal year 2012, it was not possible to achieve the increase in gross revenue to around EUR 60 million and the planned EBIT of more than EUR 5.0 million.





LIABILITIES	31 December 2012 EURk	31 December 2011 EURk
A. Equity	66,123	75,411
I. Subscribed capital	5,445	5,445
II. Reserves	30,664	30,659
III. Equity difference from currency translation	125	13
IV. Consolidated net retained profits	26,229	24,520
V. Minority interests	3,664	14,779
B. Provisions	3,594	2,761
C. Liabilities		
I. Liabilities to banks	8,049	8,000
II. Trade payables	11,404	11,668
III. Other liabilities	12,122	11,835
D. Deferred Income	20	6
E. Deferred Tax Liabilities	138	165
	101,451	109,846



The total assets of the Daldrup Group amounted to EUR 101.5 million as at the balance sheet date, 31 December 2012. This represents a decrease of 7.6 % compared to the previous year. Fixed assets in the amount of EUR 68.2 million (previous year: EUR 70.8 million) consist of intangible assets of EUR 3.9 million (previous year: EUR 7.0 million), which constitute the value of the seven permits for the exploration of geothermal energy (Claims) in a particular area in the respective stage of development (including seismic profiling) and the Kalina license. The value of the Kalina license is also presented here. This is a heat transfer process for generating steam using a mixture of ammonia and water at low temperatures for energy production. The Daldrup Group holds the worldwide license for exploitation of the Kalina process and, in particular, the exclusive rights to its use in Germany.

Land and buildings on land in the amount of EUR 1.4 million (previous year: EUR 3.9 million), which serve business purposes and are directly related to drilling and power plant projects, are recognized as tangible assets. Machinery, technical and other equipment in the value of EUR 24.9 million (previous year: EUR 25.8 million) involves, in particular, the drilling rigs, the vehicle fleet and the necessary operating and office equipment, which undergo scheduled depreciation. In addition, payments were made to assets under construction totalling EUR 15.1 million (previous year: EUR 31.6 million) which related to a geothermal energy project in Mauerstetten as well as a turbine.

The long-term financial assets totalling EUR 23.0 million (previous year: EUR 2.4 million) include shares in associated companies totalling EUR 20.8 million. This mainly includes MD Drilling GmbH along with the 49.84 stake in GeoEnergie Taufkirchen GmbH & Co. KG, which is accounted for under the equity method. In addition, there are long-term financial investments in securities (EUR 2.0 million).

In Current Assets, the value of raw materials, consumables and supplies totalling EUR 3.6 million (previous year: EUR 3.6 million) corresponds to the inventory required for operation of a drilling business. In view of suppliers' ability and readiness to deliver, it is not necessary to hold a larger inventory. Work in progress valued in accordance with commercial prudence has a value of EUR 18.3 million (previous year: EUR 7.6 million) and results primarily from the Taufkirchen power plant and construction sites that have not yet been finally invoiced. Payments

received in the amount of EUR 17.2 million (previous year: EUR 6.3 million) were deducted from orders in progress on the face of the balance sheet. The work in progress as at the balance sheet date refers in particular to the Aspern-Essling Vienna/Austria, Wijnen GeoWeb/Netherlands and Rheinsalinen Muttenz/Switzerland projects.

A reporting date-related further decrease in receivables to EUR 22.7 million (previous year: EUR 28.2 million) can be noted. The receivables from the, on the whole, solvent customer base are intact. Other assets totalling EUR 6.1 million (previous year: EUR 9.9 million) include Claims for damages against clients/suppliers, tax receivables and additional services arising from drilling contracts that have not yet been billed.

Liquid funds (cash in hand/bank) are EUR 5.9 million as at the reporting date (previous year: EUR 3.3 million). The Daldrup Group companies were solvent at all times throughout the fiscal year and, if required, banks would make sufficient credit lines available.

Equity in the Daldrup Group as at 31 December 2012 is EUR 66.1 million (previous year: EUR 75.4 million) and the equity ratio on the reporting date was 65.2 % (previous year: 68.7 %).

Obligations that are fixed, in principle, and contingency risks, e.g. for warranties in accordance with the business prudence concept, have been taken into account when recognizing provisions for pensions (EUR 0.5 million), tax provisions (EUR 0.1 million) and other provisions (EUR 3.0 million).

Liabilities are due, in particular, to the goods and services process, and remain virtually the same (EUR 11.4 million). Liabilities to banks in the amount of EUR 8 million involve loans from the Company's principal banks with an original term of 8 years. They are collateralized, as is customary with banks, by means of assignment of a drilling rig as security. Repayment is due to commence in the middle of 2013. Existing credit lines at banks are sufficient to cover the sureties, guarantees, letters of credit customary in the industry and for forming a potential liquidity reserve. Other liabilities totalling EUR 12.1 million are due to current wage and tax liabilities, social security contributions, and also exist in relation to other shareholders of Geysir Europe GmbH in the amount of EUR 11.4 million.



3. FINANCIAL POSITION

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

CASH FLOW STATEMENT	2012 EURk	2011 EURk
Net income for the year	1,164	- 3,612
Depreciation, amortization and write-downs	3,805	4,118
Other changes in cash from operating activities (balance)	9,382	- 3,960
Cash flow from Asset Management	14,351	- 3,454
Net cash used in investing activities	- 1,418	- 13,793
Net cash provided by financing activities	3,682	16,469
Change in liquid funds	16,615	- 779
Effect on cash funds of exchange rate movements and changes in reporting entity structure	- 14,085	- 45
Liquid funds 1 Jan	3,333	4,156
Liquid funds 31 Dec	5,863	3,333

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The persisting economic uncertainty, the effort made by both the public and private sectors in industrialized countries to manage their high debt ratios, as well as a discussion of a price cap for electricity within the framework of a potential amendment to the Renewable Energy Sources Act (EEG) at Federal Government level have all had hardly any effect on the economic and financial development of Daldrup & Söhne AG. The drilling rigs are well utilized and geothermal energy is gaining in importance in the energy mix.

In summary, it can be stated that the business development, the position, and the earnings of Daldrup & Söhne AG have been positively affected by the macroeconomic situation and cyclical trends within the target markets of Germany, Austria, Switzerland and the Netherlands. 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 objectives are implemented effectively.

The foundations of daily activities are:

- The **safety and health protection document** in accordance with the relevant legal provisions and directives of the European Union,
- the **HSE Case** in accordance with the template of the IADC,
- the internal guideline of Daldrup & Söhne AG **in respect of personnel management and development**,
- the internal guideline of Daldrup & Söhne AG **in respect of drug prevention**,
- the internal guideline of Daldrup & Söhne AG **in respect of service and maintenance**.

The identification of dangers, optimization of procedures and documentation and communication, all of which are key points, establish a line of action that results in constant improvement of the activities.

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success and customer satisfaction. The SCC (Safety Certificate Contractors) certification is therefore just as self-evident as fulfilment of quality management in accordance with DIN ISO 9001.

D. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Planning permission is expected to be granted shortly within the framework of the planning permission process for the deep geothermal energy power plant in Taufkirchen, where there have been significant delays. Questions regarding the site dependency and thus the privileging of the overall project externally therefore had to be discussed in depth with the licensing authorities. The decommissioning of the well site has already been completed, and the foundation work for the power plant is expected to commence in early summer. Initial commissioning activities are due to commence in winter 2013. The plan is to supply district heating to customers during the 2013/2014 heating period.

The drilling permit is due to be granted in June 2013 for the deep geothermal energy power plant project in Neuried im Oberrheingraben. The whole process has proven to be very slow. In the meantime, the first tenders are already in progress for building the well site, and drilling is expected to commence at the end of 2013/start of 2014.

On 15 March 2013, the Supervisory Board of Daldrup & Söhne AG appointed Mr Curd Bems as the Chief Financial Officer (CFO) of Daldrup & Söhne AG. Curd Bems (36) is the Managing Director of Geysir Europe GmbH, a company in which Daldrup & Söhne AG has a stake of 75.01 %. Curd Bems is responsible for the Controlling, Finance, Investor Relations and Business Development departments within the Daldrup Group.



E. RISK 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 globalized 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 organizational structures and a change in the risk environment. Integration and optimization processes are a part of day-to-day business.

Equity investments and joint ventures may, as a result of misdirected investments and misjudgement of opportunities and risks, have a very negative, integration-related impact on the net assets, financial position and results of operations of Daldrup & Söhne AG. Careful and detailed audits in advance of such commitments are designed to minimize the risks.

2. BUSINESS RISKS

RISKS INVOLVED IN OPERATIONAL DRILLING ACTIVITIES AND PROJECT DEVELOPMENT

There are basically three threat/risk areas that may be associated with deep wells and the project business:

- a. The **subsoil risk**, i.e., the risk of unforeseen effects and difficulties caused by the subsoil (all underground, geological risks), is borne, in construction (law) practice, by the client even if the subsoil of the site provided by it has been previously examined and described in accordance with generally accepted engineering practice. As a contractor for drilling projects, Daldrup & Söhne AG has only a duty of examination, notification and care in the event of clearly discernible risks. As the Daldrup Group has highly trained/certified personnel, uses state of the art technology and drilling projects are monitored by the responsible mining authority, it is not initially open to any risk here.





As the Daldrup Group has highly trained/certified personnel, uses state of the art technology and drilling projects are monitored by the responsible mining authority, it is not initially open to any risk here. When implementing our own geothermal energy projects, given the fact that the owner of the mining rights is a group company, the subsoil risk is taken into account by careful planning and preparation. Additional security is achieved by sub-contracting complex planning and engineering services to correspondingly insured service providers.

- b. The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption are insurable.** With regard to personal injury, material and environmental damage, the Group has adequate worldwide cover through the business and product liability insurance taken out with 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 (BOPs), which Daldrup always uses in any case.

No special risk areas exist beyond the scope of normal business liability risks. Using a rigorous and certified quality and safety concept to avoid risk and damage is accorded high importance in the operational business of the Daldrup Group. In individual cases, the Group itself undertakes fair corrective action, which means that the claim rate with insurers continues to be very low.

- c. Insurance policy to cover unsuccessful exploration of drilling project** Special policies of insurance funds now provide cover for the significant risk of default in the event deep drilling operations are unsuccessful. 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 a project's

insurance risk, insurability and level of premiums, the commissioned drilling company's experience and references and the likelihood of a strike as confirmed by external assessors all play a critical role. Geothermal projects planned, drilled and implemented by the Daldrup Group have always been commercially insurable. Whether corresponding insurance cover is taken out is ultimately a judgement to be made by the project sponsor.

The existing and functional insurance concepts cover the main risks involved in geothermal drilling, thereby smoothing the way for the future technology of geothermal energy to enjoy growth in the niche market.

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. Daldrup does not see any significant intensification of competition for drilling services in the medium term, as demand for these services will, in future, continue to be higher than available capacity. The Daldrup Group'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.

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 Daldrup's performance process. Procurement risks are limited by diversification on the purchasing front and by the availability of alternative sources. The Group has core suppliers based on good terms and conditions, product quality and reliability of delivery. There continue to be no special supplier dependencies to report. Daldrup has identified and implemented new challenges and opportunities through the expansion of the vertical and horizontal value chain. The drilling technology specialist is thus developing further into a fully integrated and stable geothermal energy group.



PERSONNEL RISKS

The Daldrup Group employs key personnel across all Company divisions (e.g. project managers, engineers, experienced machine operators, business economists), whose long-standing contacts and specialist knowledge are important for the success of the Company. The loss of key employees – be that due to being enticed away or illness – might leave a gap, at least temporarily; nor is it possible to eliminate the traditional dearth of professionals with the skills to operate our wide range of drilling equipment through internal training and qualification programmes. Strategic investments and acquisitions are therefore being closely monitored.

In addition, the international growth of Daldrup & Söhne AG and its responsibility as a Group parent company require a foresighted organization. Additional areas of activity in the technical and commercial domains are being created; information and communication channels as well as organizational and personnel resources must be permanently adapted to these requirements.

FINANCIAL RISKS/USE OF FINANCIAL INSTRUMENTS

Foreign currency risks are avoided as far as possible by using the Euro as the basis for contract and price negotiations. Currency/exchange rate hedging instruments such as forward exchange contracts and currency option contracts are used, in principle, for planned orders and procurements in foreign currencies (mainly Swiss francs in 2012). We enter into these derivative transactions only with banks that have a very good credit rating.

No speculative interest, currency and/or commodity transactions exist at present and none are planned.

The notes contain disclosures in respect of the derivative financial instruments existing on the balance sheet date and their quantification.

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 financial and state crisis and banks' restricted readiness to lend make it difficult, on the whole, to implement drill-ready geothermal energy projects. This could give rise to further impediments to growth for the geothermal market.



3. 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 used in particular in the geothermal energy power plant in Husavik, Iceland, as well as on German soil in Unterhaching and Bruchsal, is particularly suitable for generating electricity, especially in the low temperature range. The Daldrup Group is a licensee of this process and is firmly of the opinion that the combined use of geothermal energy and Kalina technology can help make a significant contribution towards securing global energy supplies.

4. LEGAL RISKS

However legal disputes may arise from the performance process as well as within the framework of guarantees. 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. Precautionary accounting-related measures are taken where necessary, or external specialist lawyers are entrusted with the task of representing the interests of the Daldrup Group. With the exception of the corresponding procedural costs incurred, no substantial provision requirement has arisen so far.

The contract management is organized 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.

5. OVERALL ASSERTION IN RESPECT OF THE RISK SITUATION

In cases where there is an intentional risk strategy with an eye for an opportunity, rapid access and willingness to deviate from any plans made, the company management focuses on organizational and, above all, financial stability. There are not currently any risks threatening the existence of the company, nor are any such risks expected in future either.

In view of the existing and potential financial reserves, good balance sheet ratios and mature insurance concept, the risk-bearing capacity is always ensured. The commercial opportunities available far outweigh the potential risks.



F. OPPORTUNITIES OF FUTURE DEVELOPMENT AND FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

The Daldrup Group is continuing to transform itself into a fully integrated geothermal energy group and is therefore building up its national and international market position as an end-to-end supplier of geothermal power plant projects. In the geothermal energy project of the Group company GeoEnergie Taufkirchen GmbH & Co. KG, the drilling phase has been completed with the successful creation of a doublet. The subsequent construction of the thermal power station in the Kalina process is expected to be implemented by the middle of 2014 and constitutes a significant milestone in the company's history.

By exploiting internal growth potential and, in particular, through strategic acquisitions and partnerships, the Group is planning ahead for the expected rapid growth in the geothermal energy market and expanding its technical, personnel and organizational capacities.

2. FUTURE ECONOMIC ENVIRONMENT

According to the Kiel Institute for the World Economy (IfW), the eurozone is only slowly moving out of recession. The macroeconomic situation remains burdened by the sovereign debt and banking crisis. However the experts do expect to see a recovery, albeit a moderate one, as the structural adjustment processes seen in the crisis countries and the continued consolidation of public finances continue to dampen the economy. The Institute is predicting a fall in GDP of 0.2 % for the current fiscal year. The recovery is expected to gather pace in 2014 with growth in GDP of 1 %.

The Kiel Institute for the World Economy (IfW) is forecasting moderate growth in GDP of 0.6 % for the German economy in 2013. The economy is currently benefiting from a particularly favourable financing environment, a recovery in investment activity and a gradual increase in the utilization of capacities. However, the experts also point out that the expansionary monetary policy seen in the eurozone and the structural adjustment processes in the crisis countries may pose significant risks to the German economy. According to the estimates made by the Kiel economists, economic expansion is expected to be strengthened by growth in GDP of 1.5 %, provided no other issues arise as a result of the crisis in the eurozone. The favourable monetary conditions are likely to have a positive effect and help reduce the recessionary trends in the rest of the eurozone.

The general conditions for the geothermal energy sector are better than ever following the 2012 amendment to the Renewable Energy Sources

Act and with the basic feed-in tariff for electricity generated from geothermal energy undergoing a slight increase to 25 ct/kWh. Furthermore, high levels of skill and expertise mean that it is now possible to meet the high safety requirements demanded by the licensing authorities and, above all, the public. In Germany, 21 geothermal projects are in operation and a further 92 projects at the planning stage. In addition, there are numerous projects in the Netherlands and geologically and economically interesting sites in Austria, Switzerland and Italy.

Geothermal energy is the winner of the amendment to the Renewable Energy Sources Act (EEG 2012). Feed-in tariffs have increased, as follows:

NOVELLIERUNG DES ERNEUERBARE-ENERGIEN-GESETZES (EEG) AB 01.01.2012

RENEWABLE ENERGY SOURCES ACT (EEG) FEED-IN TARIFF GEOTHERMAL ELECTRICITY in ct/kWh	PREVIOUS	RENEWABLE ENERGY SOURCES ACT (EEG) AMENDMENT 2012
Basic feed-in tariff	16 ¹	25 ²
Early starter bonus	4 ¹	–
Heat bonus	3	–
Technology bonus	4	5
Drilling cost subsidy from market incentive programme	–	Up to 30 % of drilling costs

¹ 1 % degression from 2010 onwards

² 5 % degression from 2018 onwards

Since 15 August 2012, it is not only heating projects that are funded, as had been the case previously, but also electricity power plant projects and combined heat and electricity projects; thanks to the Federal Government's revised market incentive programme, these projects are now funded via the KfW programme "Erneuerbare Energien Premium" (Renewable Energies Premium) in geothermal energy in Germany. Geothermal energy projects are made more financially viable by way of interest subsidies, repayment grants and the hedging of risk by KfW, and the exploration risk and financing risk is mitigated. As a result, the framework conditions for the financing of geothermal energy projects are improved.

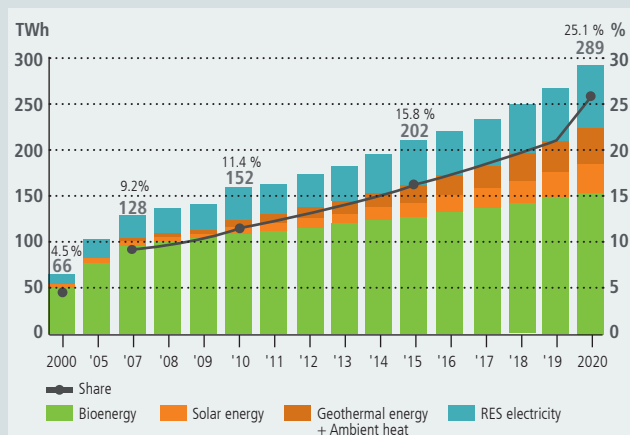


The value-oriented and growth-oriented objectives of Daldrup & Söhne AG and the strategic transformation process in the development from a pure drilling services provider to an independent medium-sized energy supply company are receiving positive support from the sound economic and political framework.

Owing to the specific technical and personnel requirements placed on deep drilling, the high capital requirements for drilling rigs and special equipment, the mining regulations and the complex mining procedures, Daldrup & Söhne AG benefits from high barriers to market entry in deep geothermal energy and low competitive intensity. There are few direct competitors in Central Europe and there is a very high number of drill-ready geothermal energy projects.

The main objective of the Federal Government in terms of energy policy is for Germany to have an economical and environmentally sound energy supply, with renewable energies having the lion's share in the energy mix. Already by 2020, electricity generated from renewable energy sources is to account for 35 % of gross electricity consumption and 14 % of heat consumption. In order to achieve the ambitious climate targets, further efforts are required, especially within the regenerative heat sector. Wind and solar energy cannot guarantee an economically sound and predictable safe supply of renewable energy. It is particularly geothermal energy with its ability to supply base load and in its capacity as a safe, economical and environmentally friendly energy source that offers opportunities and possibilities for decentralized and sustainable electricity and heat supply in numerous regions.

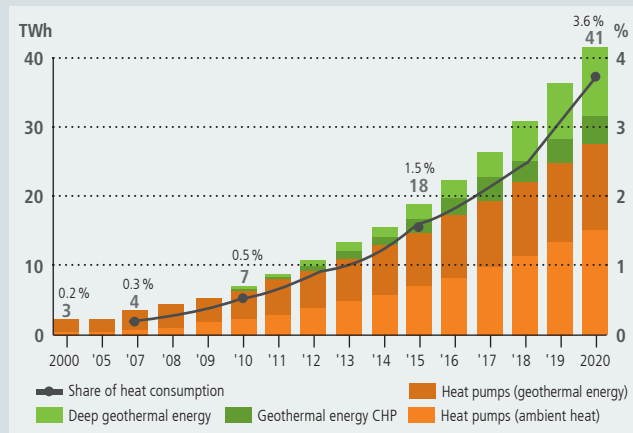
DEVELOPMENT OF HEAT GENERATION FROM RENEWABLE ENERGIES AND SHARE OF HEAT CONSUMPTION IN GERMANY



Source: Renewable Energy Agency (Agentur für Erneuerbare Energien), Renewables Spezial, Edition 63, Jan 2013, p. 9

Heat generation by way of renewable energies is a "sleeping giant" that has a great deal of potential for climate protection purposes as well as for becoming self-sufficient in terms of resources. According to forecasts made by the German Renewable Energy Federation (BEE), bioenergy is expected to provide the largest proportion of heat supplies by 2020; however, the contribution made by geothermal energy, solar thermal energy and heat pumps is expected to grow significantly in the coming years. The volume of electricity derived from renewable energies within the heat sector is expected to increase by two and a half times due to the rapidly growing share of renewable energies in the production of electricity.

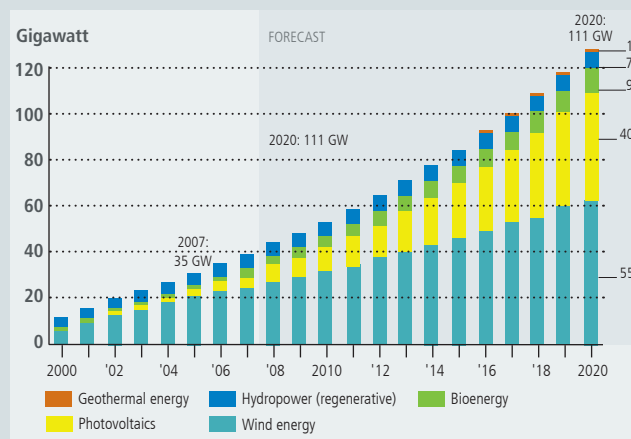
HEAT GENERATION FROM GEOTHERMAL ENERGY AND HEAT PUMPS AND SHARE OF HEAT CONSUMPTION IN GERMANY



Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.), Wege in die moderne Energiewirtschaft, Teil 2: Wärmeversorgung, p. 12

The German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V., BEE) predicts that the direct use of deep geothermal energy and combined heat and power for heat supply based on geothermal energy sources will continue to grow, reaching 14 TWh by 2020. There is great potential for geothermal energy in Germany. The Federation estimates the potential for hydrothermal geothermal energy alone to be 300 billion kWh per year. Until now, however, only a small proportion of geothermal heat supplies has come from deep geothermal energy (approx. 160 million kWh in 2009). According to the Federation, combined plants for electricity and heat generation are particularly attractive from a financial perspective as a relatively high proportion of the investment costs is attributed to heat distribution, e.g., via district heating networks. Projects which are able to supply heat in existing district heating networks are deemed to be ideal.

INSTALLED CAPACITY FOR ELECTRICITY GENERATION FROM RENEWABLE ENERGIES ACCORDING TO SECTOR IN GERMANY



Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.),
Wege in die moderne Energiewirtschaft, Teil 1: Stromversorgung 2020, p. 7

Due to the favourable framework conditions, the German Renewable Energy Federation (BEE) predicts that there will be greater use in future years of deep geothermal energy for power and heat generation purposes. An increase in the installed capacity to more than 600 MW is expected by 2020. Geothermal energy as a whole should therefore be in a position to provide up to 3,750 GWh of environmentally friendly electricity per year.

The aim is thus for renewable energies to become the mainstay of electricity and heat supply. The rate of expansion and the specific growth of the geothermal energy industry are determined on the one hand by the development and organization of funding instruments in Germany and Europe, but are also dependent on various crucial economic issues on the other hand. The increase in prices for fossil fuels, economic stability, a robust employment situation on the labour market and the consolidation of state and bank finances in the eurozone are the cornerstones, promising opportunities for higher growth.

Social consensus regarding the necessary change in direction towards having a secure, affordable and environmentally sound energy supply based on renewable energies remains the same. Renewables now account for almost a quarter of the energy market. They have become part of this market and should not therefore be considered separately from the rest of the market any longer. A lively discussion is currently being held within the public sphere regarding the economic efficiency of the turnaround in energy policy (network expansion, subsidies and cost-sharing via the EEG levy (EEG-Umlage)). This leads to a difference in the way individual conventional energy sources are assessed compared to individual renewable energy sources.

The discussion regarding the cost of the turnaround in energy policy – particularly the sudden increase of almost 50 % in the EEG levy (EEG-Umlage) from 3.59 cents in 2012 to 5.27 cents in 2013 – shows that an inclusive approach is required for a transitional period for conventional power plants - albeit with priorities for renewable energy characteristics. The German Renewable Energy Sources Act (EEG), as amended, is not sufficient for this purpose. In addition to its function as a Technology Promotion Act, it also needs to promote market-based control and stabilization of the energy output of renewables. This requires particular consideration of baseload renewable energies, more flexible power plants and the promotion of storage technologies - this is what any further developments of the German Renewable Energy Sources Act (EEG) need to be based on. The proposals of the Federal Government submitted by the Federal Environment Minister in the middle of February 2013 to help reduce the costs of renewable energies only included a number of short-term measures; they did not include any future-oriented overall concept.

The positioning of geothermal energy for the future direction of energy supplies is very good. It is decentralized 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 CO₂ footprint. The cost reduction potential can be exploited by numerous pending projects, with the result that the costs of geothermal electricity and heat generation are rapidly approaching the market level. The EEG promotion of geothermal energy is thus fulfilling its proper purpose: the grant of temporary transition/bridge financing. Against this background, Daldrup & Söhne AG predicts that the further development of geothermal energy will be given due consideration within the framework of a fundamental realignment of the German Renewable Energy Sources Act (EEG).

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The drilling and project business continues to be accompanied by many natural unknown factors, as delays and fluctuations can occur based on planning, approval and tendering processes, the geology, particular infrastructural conditions and the demands of project financing. It is still not possible to preclude such changes from impacting the results of operations and financial position of Daldrup & Söhne AG.

With the expansion of the value chain of Daldrup & Söhne AG's drilling and project business, through the high and stable level of remuneration for drilling services and the high number of implementable geothermal projects, further business and corporate growth can be expected. From 2014 onwards, the first proceeds from electricity feed-in and heat supply will be generated in the Daldrup Group.

The future possibility of geothermal multiple use of a claim area in the Greater Munich Area will significantly improve the value creation, growth and earnings potential of the Daldrup Group as the claim owner.

With full order books and fully utilized drilling capacity stretching far into 2014, the Management Board of Daldrup & Söhne AG expects to achieve gross revenue of around EUR 52 million and an EBIT margin of 6 % in fiscal year 2013. For the fiscal year 2014, the Management Board expects to see gross revenue that is approximately 10% higher and a slightly higher EBIT margin of around 8 %; this is based on the initial earnings contributions from the sale of electricity and heat from the Taufkirchen deep geothermal energy power plant, which is in operation.



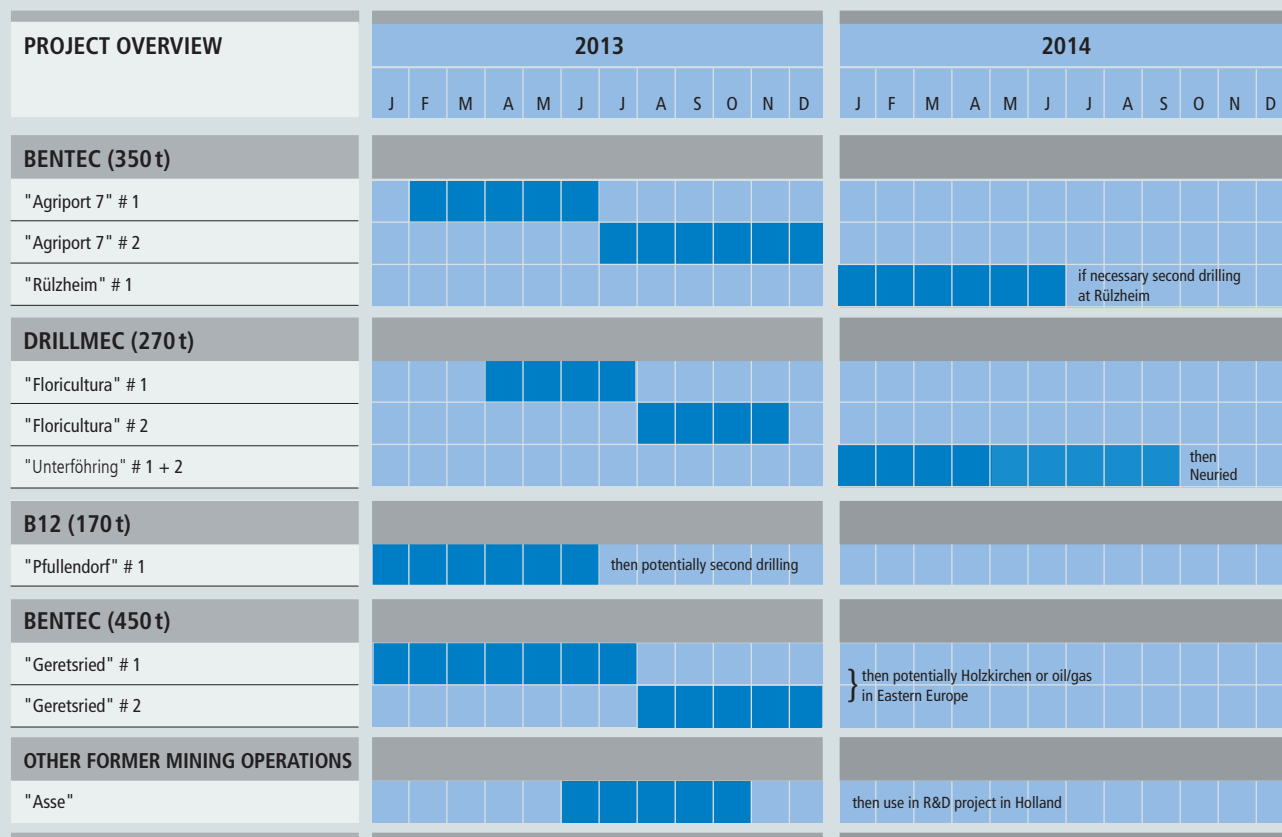


4. OVERALL ASSERTION IN RESPECT OF THE ANTICIPATED DEVELOPMENT

At the start of fiscal year 2013, there are three high-tech deep drilling plants in the Netherlands and Pfullendorf (Baden-Württemberg) engaged in deep geothermal energy drilling down to 4,500 metres. Adjacent geothermal energy projects in Holland and Neuried (Baden-Württemberg) are ready for drilling during the course of 2013.

The order books are well filled, additional incoming orders are expected and the current capacities are already fully utilized until 2014. In this respect, the technical and employee-based drilling capacities need to be adapted to the growing demand.

UTILIZATION OF DRILLING MACHINES AND ANTICIPATED PROJECT PROGRESS 2013 - 2014



Daldrup & Söhne AG, own presentation

Since December 2010, the Taufkirchen geothermal project, in which the Daldrup Group has a majority holding, has moved into the implementation phase with Exorka GmbH, also part of the Daldrup Group, as general contractor. After the successful completion of the drilling phase, which exceeded expectations, a start will be made on constructing the geothermal power plant (GTP) in the early summer of 2013. Commissioning of the GTP is scheduled for summer 2014. The first major milestone in the transformation of the Company's business activities from a pure drilling services provider to an independent medium-sized energy supply company will then have been achieved. Consistent returns from the sale of electricity and heat will stabilize the Daldrup Group's earnings and liquidity situation in the long term and strengthen its financial independence.


Geothermal energy is a multi-talented contributor to the mix of renewable energy. Whether in the form of heat, cold or electricity – geothermal energy is versatile in its use within major projects or smaller individual applications. The geothermal energy source can be used as a seasonal or temporary energy store, thereby balancing out a temporary mismatch between energy supply and energy demand. As the real energy production takes place underground, ecological and optical disturbances as well as noise occurrence and surface consumption are extremely low.

G. MANAGEMENT BOARD'S CONCLUDING STATEMENT ON THE DEPENDENT COMPANY REPORT

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

Grünwald, 16 May 2013

Daldrup & Söhne AG
The Management Board




Josef Daldrup
(CEO)



Peter Maaserwerd
(Management Board)



Andreas Tönies
(Management Board)



Curd Bems
(CFO)





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AUDITOR'S OPINION ON CONSOLIDATED FINANCIAL STATEMENTS

and Group Management Report of Daldrup & Söhne Aktiengesellschaft,
Grünwald, for the Fiscal Year from 1 January to 31 December 2012



GROUP INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

	1 Jan. 2012 - 31 Dec. 2012 EUR	1 Jan. 2011 - 31 Dec. 2011 EUR
1. Sales revenue	22,690,291.08	40,250,910.31
2. Increase/decrease in work in progress	10,773,231.71	- 5,348,512.42
3. Other own work capitalized	11,931,708.33	12,155,080.45
4. Other operating income	5,727,109.44	9,695,783.84
5. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	11,655,011.03	14,683,946.48
b) Cost of purchased services	14,503,125.19	20,466,196.23
	26,158,136.22	35,150,142.71
6. Personnel expenses		
a) Wages and salaries	6,214,990.51	5,411,678.36
b) Social security, post-employment and other employee benefit costs	1,125,814.45	941,273.06
– of which post-employment benefit: EUR 44,453.38 (PY: EUR 12,358.77)		
	7,340,804.96	6,352,951.42
7. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,804,849.89	4,117,558.24
8. Other operating expenses	11,730,412.27	13,624,462.75
– of which from currency translation: EUR 1,356.64 (PY: EUR 297,035.42 (PY: EUR 46,162.98))		
9. Income from other securities and long-term loans	45,000.00	45,000.00
10. Other interest and similar income	1,302,564.84	226,301.39
– of which from the discounting of provisions: EUR 10,587.31 (PY: EUR 12,546.86)		
– of which from currency translation: EUR 1,356.64 (PY: EUR 0.00 (PY: EUR 1,356.64))		
11. Write-downs of long-term financial assets and securities classified as current assets	30,387.98	69,963.23
12. Expenses from long-term investments in associates	813,468.53	39,793.49
13. Interest and similar expense	779,148.53	703,962.30
– of which from the interest cost of provisions: EUR 21,801.00 (PY: EUR 20,259.00)		
14. Result from ordinary activities	1,812,697.02	- 3,034,270.57
15. Taxes on income	- 844,285.75	- 1,107,176.19
16. Other taxes	195,957.33	529,674.49
17. Consolidated net income for the year	1,164,368.60	- 3,611,772.27
18. Minority interests	544,474.72	1,954,843.58
19. Retained income	24,520,120.15	26,177,048.84
20. Net retained profits	26,228,963.47	24,520,120.15



GROUP BALANCE SHEET

GROUP BALANCE SHEET AS AT 31 DECEMBER 2012

ASSETS	31 December 2012 EUR	31 December 2011 EUR
A. Fixed assets		
I. Intangible fixed assets		
Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	3,874,971.17	7,048,422.85
II. Tangible fixed assets	1,414,188.83	3,911,226.32
1. Land, land rights and buildings, including buildings on third-party land		
2. Technical equipment and machinery	19,663,408.87	20,088,885.87
3. Other equipment, operating and office equipment	5,194,764.69	5,742,367.46
4. Prepayments and assets under construction	15,094,717.67	31,602,054.86
	41,367,080.06	61,344,534.51
III. Long-term financial assets		
1. Shares in affiliated companies	18,000.00	18,000.00
2. Loans to affiliated companies	29,990.06	
3. Shares in associates	20,779,548.80	330,282.30
4. Investments	30,348.00	4,400.00
5. Loans to other long-term investees and investors	81,591.22	42,037.11
6. Long-term securities	2,048,810.00	2,025,091.57
	22,988,288.08	2,419,810.98
	68,230,339.31	70,812,768.34
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	3,297,133.67	3,605,840.74
2. Work in progress	18,334,269.24	7,561,037.53
3. Prepayments	0.00	2,156,970.99
4. Payments received on account of orders	- 17,184,887.23	- 6,311,121.20
	4,446,515.68	7,012,728.06
II. Receivables and other assets		
1. Trade receivables	12,571,887.04	18,259,344.46
2. Receivables from affiliated companies	5,547.36	0.00
3. Receivables from other long-term investees and investors	3,951,188.41	0.00
4. Other receivables and other assets – of which due after more than one year: EUR 591,466.80 (PY: EUR 67,698.47)	6,105,621.66	9,934,450.26
	22,634,244.47	28,193,794.72
III. Securities		
Other securities	71,600.00	95,706.41
IV. Cash in hand, bank balances	5,862,510.94	3,332,658.08
	33,014,871.09	38,634,887.27
C. Prepaid Expenses	103,858.77	306,560.30
D. Deferred Tax Assets	101,543.66	91,652.33
	101,450,612.83	109,845,868.24



LIABILITIES	31 December 2012 EUR	31 December 2011 EUR
A. Equity		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury shares	4,017.00	4,017.00
	5,440,983.00	5,440,983.00
II. Capital reserves	30,502,500.00	30,502,500.00
III. Revenue reserves		
1. Legal reserve	66,418.16	66,131.95
2. Other revenue reserves	95,086.77	89,768.29
IV. Currency translation adjustments	125,419.26	12,566.56
V. Net retained profits	26,228,963.47	24,520,120.15
	57,018,387.67	55,191,086.96
VI. Minority interests	3,663,871.90	14,778,746.70
	66,123,242.56	75,410,816.66
B. Provisions		
1. Provisions for pensions	503,523.00	432,559.00
2. Tax provisions	118,630.37	397,175.44
3. Other provisions	2,972,325.06	1,931,171.69
	3,594,478.43	2,760,906.13
C. Liabilities		
1. Liabilities to banks	8,049,366.21	8,000,001.45
– of which due within one year: EUR 1,048,966.21 (PY: EUR 1.45)		
2. Trade payables	11,403,726.01	11,668,027.05
– of which due within one year: EUR 11,403,726.01 (PY: EUR 11,668,027.05)		
3. Liabilities to other long-term investees and investors	1,561.54	0.00
– of which due within one year: EUR 1,561.54 (PY: EUR 0.00)		
4. Other liabilities	12,120,350.16	11,834,503.75
– of which due within one year: EUR 752,273.52 (PY: EUR 789,876.14)		
– of which due after more than five years: EUR 11,368,076.64 (PY: EUR 11,044,627.61)		
– of which taxes: EUR 408,998.01 (PY: EUR 374,459.69)		
– of which social security: EUR 25,781.57 (PY: EUR 24,110.77)		
	31,575,003.92	31,502,532.25
D. Deferred Income	20,387.92	6,613.20
E. Deferred Tax Liabilities	137,500.00	165,000.00
	101,450,612.83	109,845,868.24



GROUP FIXED ASSETS REPORT

GROUP FIXED ASSETS REPORT FOR FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

	ACQUISITION COSTS				As at 31 December 2012 EUR
	As at 1 January 2012 EUR	Currency differences EUR	Accruals EUR	Outgoings EUR	
I. Intangible fixed assets					
Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	9,402,914.40	- 121,787.74	18,038.09	2,598,380.95	6,700,783.80
	9,402,914.40	- 121,787.74	18,038.09	2,598,380.95	6,700,783.80
II. Tangible fixed assets					
1. Land, land rights and buildings	4,141,400.79	0.00	171,558.21	2,611,345.35	1,701,613.65
2. Technical equipment and machinery	25,727,230.33	0.00	1,430,979.79	2,386.50	27,155,823.62
3. Other equipment, operating and office equipment	10,247,267.37	-19.76	607,326.68	5,072.00	10,849,502.29
4. Prepayments and assets under construction	31,602,054.86	0.00	26,902,788.08	43,410,125.27	15,094,717.67
	71,717,953.35	- 19.76	29,112,652.76	46,028,929.12	54,801,657.23
III. Long-term financial assets					
1. Shares in affiliated companies	18,000.00	0.00	0.00	0.00	18,000.00
2. Loans to affiliated companies	0.00	0.00	29,990.06	0.00	29,990.06
3. Shares in associates	500,000.00	0.00	21,262,735.03	0.00	21,762,735.03
4. Investments	4,400.00	0.00	25,948.00	0.00	30,348.00
5. Loans to other long-term investees and investors	42,037.11	0.00	39,554.11	0.00	81,591.22
6. Long-term securities	2,125,054.80	0.00	0.00	0.00	2,125,054.80
	2,689,491.91	0.00	21,358,277.20	0.00	24,047,719.11
	83,810,359.66	- 121,807.50	50,488,918.05	48,627,310.07	85,550,160.14



DEPRECIATION, AMORTIZATION AND WRITE-DOWNS						BOOK VALUES	
As at 1 January 2012 EUR	Currency translation EUR	Accruals EUR	Outgoings EUR	Write-ups EUR	As at 31 December 2012 EUR	As at 31 December 2012 EUR	As at 31 December 2011 EUR
2.354.491,55	26,305.95	739,029.60	294,014.47	0.00	2,825,812.63	3,874,971.17	7,048,422.85
2.354.491,55	26,305.95	739,029.60	294,014.47	0.00	2,825,812.63	3,874,971.17	7,048,422.85
230.174,47	0.00	61,917.04	4,666.69	0.00	287,424.82	1,414,188.83	3,911,226.32
5.638.344,46	0.00	1,854,070.29	0.00	0.00	7,492,414.75	19,663,408.87	20,088,885.87
4.504.899,91	4.73	1,149,832.96	0.00	0.00	5,654,737.60	5,194,764.69	5,742,367.46
0,00	0.00	0.00	0.00	0.00	0.00	15,094,717.67	31,602,054.86
10.373.418,84	4.73	3,065,820.29	4,666.69	0.00	13,434,577.17	41,367,080.06	61,344,534.51
0,00	0.00	0.00	0.00	0.00	0.00	18,000.00	18,000.00
0,00	0.00	0.00	0.00	0.00	0.00	29,990.06	0.00
169.717,70	0.00	813,468.53	0.00	0.00	983,186.23	20,779,548.80	330,282.30
0,00	0.00	0.00	0.00	0.00	0.00	30,348.00	4,400.00
0,00	0.00	0.00	0.00	0.00	0.00	81,591.22	42,037.11
99.963,23	0.00	6,281.57	0.00	30,000.00	76,244.80	2,048,810.00	2,025,091.57
269.680,93	0.00	819,750.10	0.00	30,000.00	1,059,431.03	22,988,288.08	2,419,810.98
12.997.591,32	26,310.68	4,624,599.99	298,681.16	30,000.00	17,319,820.83	68,230,339.31	70,812,768.34



GROUP EQUITY

GROUP EQUITY FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

	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 adjust- ments	Other items recognized directly in equity
As at 1 January 2012	5,445,000	- 4,017	30,502,500	20,312,333	12,567	4,363,688
Proceeds from increases in capital						
Changes to investment relationships						
Consolidated net income for the year				1,708,843		
Other Group earnings					112,853	5,605
As at 31 December 2012	5,445,000	- 4,017	30,502,500	22,021,176	125,419	4,369,292

	MINORITY SHAREHOLDERS				GROUP EQUITY
Equity EUR	Minority capital EUR	Accumulated other comprehensive income EUR	Accumulated other comprehensive income EUR	Equity EUR	EUR
		Currency translation adjust- ments	Other items recognized directly in equity		
60,632,070	14,783,708	- 4,961	0	14,778,747	75,410,817
	3,633,053			3,633,053	3,633,053
	- 14,276,105			- 14,276,105	- 14,276,105
1,708,843	- 544,475			- 544,475	1,164,369
118,457		68,879	3,773	72,652	191,109
62,459,371	3,596,181	63,918	3,773	3,663,872	66,123,243





CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2012

	2012 EUR	2011 EUR
1. Cash flow from ongoing operating activities		
Result for the year	1,164,369	- 3,611,772
Write off of fixed assets	3,804,850	4,117,558
Additions to/retirements of (-) of provisions	833,572	101,159
Profit (-)/loss from asset retirements	- 228,953	- 1,404,099
Non-cash revenue (-) and expenditure	424,959	- 231,109
Increase (-)/reduction of stocks, receivables from goods and services and other assets	8,342,679	- 7,004,053
Increase /reduction (-) of trade payables and other liabilities	9,382	4,116,136
Cash flow from ongoing operating activities	14,350,857	- 3,453,962
2. Cash flow from investment activities		
Inflows from retirements of fixed assets	30,794,847	439,733
Outflows (-) for investments into intangible and tangible fixed assets	- 29,130,691	- 15,494,045
Outflows (-) for investments into financial assets	- 3,082,582	- 64,437
Inflows from retirements of financial assets	0	1,325,293
Cash flow from investment activities	- 1,418,426	- 13,793,456
3. Cash flow from financing activities		
Payments of dividends	0	598,833
Inflows from share issues	3,633,053	9,631,090
Inflows from borrowing	49,365	7,436,555
Cash flow from financing activities	3,682,417	16,468,812
4. Financial fund at the end of the period		
Net change in cash and cash equivalents (Subtotals 1 - 3)	16,614,848	- 778,606
Changes of the financial fund due to effects of exchange rate and consolidated entities	- 14,084,995	- 44,808
Financial fund at the start of the period	3,332,658	4,156,072
Financial fund at the end of the period	5,862,511	3,332,658
5. Composition of the financial fund		
Liquid funds	5,862,511	3,332,658



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM 1 JANUARY
TO 31 DECEMBER 2012

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Group parent company, Daldrup & Söhne AG, with registered office 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 founded in Germany, with limited liability and with its registered office in 82031 Grünwald, Bavariafilmplatz 7.

Where it is possible to exercise options with regard to disclosures in the balance sheet, the income statement or the notes, a note in the balance sheet or in the income statement was chosen. Presentation of the consolidated statement of changes in fixed assets has taken the form of an Appendix to the notes.

The Company is required, pursuant to section 290(1) of the 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 Handelsgesetzbuch (German Commercial Code) and the Aktiengesetz (German Stock Corporation Act).

CONSOLIDATION METHODS

Not only the parent company, but all major 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 recognized directly in equity and allocated to revenue reserves.

Non-consolidated subsidiaries are accounted for using the equity method. Initially, these subsidiaries are recognized at cost. The Group's share of the profits and losses of these companies is recognized 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.

REPORTING ENTITY STRUCTURE

IN ADDITION TO THE PARENT COMPANY, 18 DOMESTIC AND 4 FOREIGN SUBSIDIARIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct capital share	Indirect capital share
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
Daldrup Wassertechnik GmbH, Ascheberg	100.00	
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" SP. Z.o.o., Katowice/Poland	51.00	
D&S Geo Innogy GmbH, Essen	50.00	
MD Drilling GmbH, Grünwald	50.00	
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik/Iceland		100.00
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 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		49.84
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald		50.25
Taufkirchen Holding GmbH & Co. KG, Grünwald		100.00
Taufkirchen Holding Verwaltungs GmbH, Grünwald		100.00
Geothermie Neuried GmbH & Co. KG, Neuried		90.00
Geothermie Neuried Verwaltungs GmbH, Neuried		90.00
TOSCANA GEO S.r.l., Santa Croce Sull'Arno/Italy		100.00

In addition, via Geysir Europe GmbH, there is a 20 % holding in Geothermics Italy S.r.l., Bozen/Italy, a 20 % holding in TOMBELLE – S.r.l., Lana/Italy, and a 19.96 % holding in Geysir Italy GmbH. During the fiscal year 2012, the stake in GeoEnergie Taufkirchen GmbH & Co. KG was reduced from 50.79 % to 49.84 %, and the stake in GeoEnergie Verwaltungs GmbH was reduced from 50.79 % to 50.25 %.



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 recognized directly in equity as "currency translation adjustments".

FOREIGN CURRENCY TRANSLATION	Exchange rate EUR 1 =	Average exchange rate for the year as at 31 DECEMBER 2012	Closing rate as at 31 DECEMBER 2012
Swiss Franc	CHF	1.2053	1.2072
Icelandic Krona	ISK	161.2903	170.6459
Polish Zloty	PLN	4.1847	4.0740



ACCOUNTING POLICIES

ASSETS

Tangible fixed assets and intangible fixed assets have been recognized at cost and, if liable to depreciation/amortization, have been reduced by scheduled depreciation/amortization.

Investments in joint companies (50% joint venture) have been measured using the equity method.

Loans to other long-term investees and investors and long-term securities have been accounted for at their nominal value.

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

Receivables and other assets have been recognized 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 by means of appropriate flat-rate deductions of 1 %.

Cash in hand and bank balances have been recognized at their nominal value. Balances in foreign currency are translated at the mid-market exchange rate on the balance sheet date.

Securities classified as current assets have been accounted for at their nominal value. If the daily values were lower on the balance sheet date, these values have been recognized.

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 %, the solidarity surcharge of 5.5 % and an average trade tax rate of 14.2 %, is used.

LIABILITIES

Subscribed capital has been recognized at par value.

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

Provisions have been recognized for uncertain liabilities from pension obligations. Recognition was based on actuarial calculations using the PUC (Projected Unit Credit) method.

Other provisions have been recognized 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 in more than one year, maturity-matched discounting was carried out using the interest rates published by the Deutsche Bundesbank.

Liabilities have been recognized at their settlement amount.

CURRENCY TRANSLATION

Receivables and payables in foreign currency are measured initially using the exchange rate on the day of the business transaction. Losses from changes in exchange rates up to the reporting date are always taken into account, while gains from changes in exchange rates are taken into account only if they are due within one year or less.

BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

I. BALANCE SHEET

FIXED ASSETS

The statement of changes in fixed assets as at 31 December 2012 has been attached as Appendix 1 to the notes.

Shares in affiliated companies relate to the 100 % holding in Daldrup Boortechniek Nederland BV, Bleiswijk/Netherlands (EUR 18k). The company has not been included in the consolidated financial statements, as its net income for the year and its sales revenue represented less than 1 % of Group earnings and sales revenue, respectively (section 296(2) of the HGB).

Loans to affiliated companies relate to a loan from Daldrup Bohrtechnik AG, Baar/Switzerland to Daldrup Boortechniek Nederland BV, Bleiswijk/Netherlands (EUR 30k).

Shares in associates totalling EUR 20,780k relate to the following companies:

- a) **D&S Geo Innogy GmbH, Essen (EUR 1,000k share capital).** The Company has a 50 % stake in the share capital; it is included at equity in the consolidated financial statements. The company was founded as a joint venture together with RWE Innogy GmbH, Essen with a view to carrying out geothermal energy projects. The carrying amount as at 31 December 2012 is EUR 289k.
- b) **MD Drilling GmbH (EUR 1,000k share capital).** The Company has a 50 % stake in the share capital; it is included at equity in the consolidated financial statements. The company was founded as a joint venture together with MND Group N.V., Amsterdam with a view to carrying out geothermal projects. For this purpose, MD Drilling GmbH purchased a Bentec Euro Rig 450-t drilling rig. The carrying amount as at 31 December 2012 is EUR 3,241k.
- c) **GeoEnergie Taufkirchen GmbH & Co. KG (EUR 37,417k contribution).** The Company has a 49.84 % stake in the capital; it is included at equity in the consolidated financial statements. The company was founded for the construction of a geothermal energy power plant. The carrying amount as at 31 December 2012 is EUR 17,250k.

Investments totalling EUR 30k relate to the following companies:

- a) **Geysir Italy GmbH, Grünwald.** The Company has an indirect 19.96 % stake in the share capital. The carrying amount as at 31 December 2012 is EUR 26k.
- b) **TOMBELLE – S.R.L., Lana/Italy.** The Company has a 20 % stake in the share capital. The carrying amount as at 31 December 2012 is EUR 2k.
- c) **Geothermics Italy srl, Bozen/Italy.** The Company has a 20 % stake in the share capital. The carrying amount as at 31 December 2012 is EUR 2k.

Loans totalling EUR 81k have been made to Geothermics Italy GmbH (EUR 63k), Grünwald, TOMBELLE – S.R.L. (EUR 15k), Lana/Italy, and Masten Projekt & Management SAS (EUR 3k).

Long-term securities include long-term financial investments in securities (EUR 2,049k).

CURRENT ASSETS

INVENTORIES

Payments received are deducted from inventories on the face of the balance sheet.

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 full at-rate deduction of 12.5 % for the share of profit not yet realized and non-capitalizable costs.



OTHER ASSETS

OTHER ASSETS AS AT 31 DECEMBER 2012 IN EURK				
Designation	Total amount	due within one year	due after more than one year	Total amount in previous year
1. Claims for damages against client/suppliers	2,534	2,534	0	6,384
2. Insurance compensation	0	0	0	974
3. Claims from reinsurance cover	534	0	534	483
4. Tax receivables	649	649	0	1,288
5. Drilling contracts that have not yet been billed	2,000	2,000	0	0
6. Other	389	332	57	901
Total of other assets	6,106	5,515	591	10,030

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. Owing to different measurement of the provision for untaken leave and the pension provision, liability items in the tax accounts are lower than in the financial statements, resulting in deferred tax assets (EUR 102k).

SECURITIES

Securities held as current assets contain short-term financial investments in securities (EUR 72k).

EQUITY

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

SHARE CAPITAL

Share capital amounts to EUR 5,445k. It is divided into 5,445,000 no-par bearer shares (no-par shares). Authorized capital as at 31 December 2012 amounts to EUR 2,723k.

The calculated no-par value of acquired treasury shares (EUR 4k) has been deducted from subscribed capital on the face of the balance sheet. The amount of treasury shares stands at 4,017 in the reporting year. No sales took place.



CAPITAL RESERVES

Capital reserves consist of the premium for issuing shares (EUR 30,503k) obtained in the context of the IPO.

LEGAL RESERVE

The legal reserve pursuant to section 150 of the AktG amounts to EUR 66k.

OTHER REVENUE RESERVES

Other revenue reserves amount to EUR 95k.

CONSOLIDATED NET RETAINED PROFITS

Consolidated net retained profits developed as follows:

• Retained income as at 1 January	EUR 24,520k
• Consolidated net income	EUR 1,164k
• Minority interests	EUR 545k
• Net retained profits	EUR 26,229k

The Management Board does not propose to pay a dividend to shareholders for the past fiscal year.

It is, in principle, not the consolidated net retained profits, but the net retained profits from the parent company's single-entity financial statements that are available for distribution purposes. The latter amounts to EUR 15,820k as at 31 December 2012.

The total amount subject to restriction on distribution pursuant to section 268(8) of the HGB is EUR 102k. This amount is due to the capitalization of deferred tax receivables in the parent company's single-entity financial statements.

PENSION PROVISIONS

The pension provision for the CEO, Josef Daldrup, is calculated according to actuarial principles. The calculations are performed on the basis of the 2005 G actuarial tables for pension insurance by Prof. Klaus Heubeck. This is a generation table that reflects transition probabilities in the company pension scheme, such as mortality rate, invalidity or frequency of marriage, according to age, gender and year of birth. The interest rate of 5.04 % p.a., published by the Deutsche Bundesbank as at the balance sheet date of 31 December 2012, was used as the discount rate. A rate of pension increase during the benefit period of 2.0 % and a rate of pension increase during the qualifying period of 0.0 % was taken as a basis. The individual calculations were performed according to the PUC method (projected unit credit method).

TAX PROVISIONS

Tax provisions amount to EUR 119k. (previous year: EUR 397k)



OTHER PROVISIONS

STATEMENT OF PROVISIONS AS AT 31 DECEMBER 2012 IN EURK					
Designation	1 January 2012	Utilization	Closing	Transfer	31 December 2012
Personnel provisions	725	715	10	758	758
Global provision for warranties	198	0	12	4	190
Other provisions	1,008	831	78	1,926	2,024
Total other provisions	1,931	1,546	100	2,688	2,972

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 recognized for outstanding invoices, litigation costs, audit of annual financial statements, archiving costs etc.

LIABILITIES

STATEMENT OF LIABILITIES AS AT 31 DECEMBER 2012 IN EURK					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount in previous year
Liabilities to banks	8,049	1,049	5,331	1,669	8,000
Trade payables	11,404	11,404	0	0	11,668
Liabilities to minority shareholders	11,409	41	0	11,368	11,044
Liabilities to affiliated companies	2	2	0	0	0
Other liabilities	711	711	0	0	791
	31,575	13,207	5,331	13,037	31,503

Liabilities to banks include WGZ BANK AG (EUR 4,000k) and Sparkasse Westmünsterland (EUR 4,000k), which have been collateralized by assignment of a drilling rig as security. In addition a term account totalling EUR 500k was pledged. There are also liabilities totalling EUR 49k arising from the current account held with WGZ Bank.

Other liabilities contain liabilities from wages and salaries (EUR 261k), liabilities from wage and church tax (EUR 88k), VAT liabilities (EUR 320k) and other liabilities (EUR 42k).

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

II. INCOME STATEMENT

The total cost format was selected for the income statement.

The total sales revenue of EUR 22,690k (previous year: EUR 40,251k) was composed of EUR 13,466k (corresponding to 59.35 %) at home (previous year: EUR 19,771k/49.12 %) and EUR 9,224k (40.65 %) abroad (previous year: EUR 20,480k/50.88 %). Due to the long-term project agreements, the sales revenue only present an incomplete picture of the performance in the business year. Therefore, the overall performance is additionally stated as EUR 16,253k (corresponding to 48.57 %) at home (previous year: EUR 27,042k/57.47 %) and EUR 17,210k (51.43 %) abroad (previous year: EUR 20,015k/42.53 %).

Other operating income (EUR 5,727k) is broken down as follows:

• Insurance compensation	EUR 4,280k
• Consortia	EUR 250k
• Investment subsidies	EUR 213k
• Other	EUR 984k
Total	EUR 5,727k

Other operating expenses (EUR 11,730k) are broken down as follows:

• Insurance policies and premiums	EUR 1,023k
• Legal and consultancy costs	EUR 1,623k
• Rent for mobile assets	EUR 1,163k
• Advertising and travel	EUR 1,261k
• Construction site costs	EUR 909k
• Residue and waste disposal	EUR 584k
• Repairs and maintenance	EUR 671k
• Vehicle costs	EUR 649k
• Premises	EUR 629k
• Construction site fuel	EUR 498k
• Other	EUR 2,720k
Total	EUR 11,730k

The amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets carried out in the reporting period were all scheduled.



III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG rents its office, warehouse and workshop premises and a hangar from GVG Grundstücksverwaltungs-GmbH & Co. KG for a total annual rent of EUR 307k. The lease is for an indefinite period and may be terminated by giving three months' notice to the end of a calendar quarter.

In addition, there are other financial obligations for rent and leasing in the amount of EUR 57k in relation to Exorka GmbH, in the amount of EUR 5k in relation to Geothermie Allgäu Betriebs und Beteiligungs GmbH & Co. KG, and in the amount of EUR 0.2k in relation to TOSCA-NA GEO S.r.l..

CONTINGENT LIABILITIES

Daldrup & Söhne AG has an obligation, as a joint debtor of a **fixed liability guarantee** in the amount of EUR 1,000k, to the Thuringian Ministry for Agriculture, Nature Conservation and Environment. The purpose of this guarantee, which expires on 31 December 2017, is to secure a capital expenditure obligation on a remediated plot of land in Thuringia and the creation of permanent jobs.

The guarantee is not expected to be called in, as the project has already been completed and there are no indications of a call on the guarantee.

Daldrup & Söhne AG has issued a letter of comfort in favour of Axpo AG, Baden (Switzerland) and in favour of GeoEnergie Taufkirchen GmbH & Co. KG.. This letter of comfort confirms that Daldrup & Söhne AG will use all reasonable means up to a maximum of EUR 42,000k to ensure that the Group companies Geysir Europe GmbH and Exorka GmbH fulfill their obligations to Axpo AG and GeoEnergie Taufkirchen GmbH & Co. KG from share purchase and general contractor agreements. These obligations reduce in line with project progress and, as at 31 December 2011, the risk of a claim has reduced, according to schedule, to EUR 9,200k. In view of the sound project management (planning, financing, implementation, component suppliers etc.) and project progress, a claim is unlikely to be made under the letter of comfort.

Furthermore, Daldrup & Söhne AG has undertaken to provide two **letters of comfort** in favour of Exorka GmbH and for submission to the Federal Ministry for Environment, Nature Conservation and Reactor Safety in the context of approval of Federal funds for a stimulation experiment in Mauerstetten and for the development of a modular

Kalina or ORC installation for geothermal electricity generation. In each case, Daldrup & Söhne AG undertakes to fund Exorka GmbH so as to enable it to raise its required contribution to the project costs in the amount of EUR 1,900k and EUR 390k, respectively, and to carry out the projects on time in line with planning and the grant regulations. In fiscal year 2012, Exorka GmbH made own contributions of EUR 590k and EUR 610k, respectively, as planned. In view of Exorka GmbH's own contribution, a claim is unlikely to be made under the letters of comfort.

Pursuant to section 285, sentence 1 no. 11a of the HGB, Daldrup & Söhne AG is the **personally liable partner** in the context of involvement in the following consortia:

- "Arnstadt" consortium (company under civil law (GbR)), registered office in 46238 Bottrop
- "Honermann-Siedlung, Oer-Erkenschwick" consortium (company under civil law), registered office in 82031 Grünwald
- "2. BA Phoenix See Los B 4" consortium (company under civil law), registered office in 50858 Cologne
- "Bohrungen Aspern-Essling, Vienna" consortium (company under civil law), registered office in 82031 Grünwald
- "Großlochbohrung Schachtfüllsäule Haus ADEN" consortium (company under civil law), registered office in 45473 Mülheim/Ruhr
- "Stuttgart 21 – Infiltrationsbrunnen, Terrasond-Abt WuU" consortium (company under civil law), registered office in 89312 Günzburg-Deffingen
- "Geothermie Thüringen" consortium, registered office in 82031 Grünwald
- "Bergsicherungsarbeiten Auf dem Loh" consortium, registered office in 59387 Ascheberg

No claim is expected to be made under the personal liability, as the consortium projects have already been successfully completed or are on schedule in terms of contract processing and there are no indications of any claim.

FINANCIAL STATEMENT AUDITOR'S TOTAL FEE

The fee for financial statement audit services charged by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf for fiscal year 2012 is EUR 49k (of which EUR 4k subsequently for 2011), plus EUR 3k for other services and EUR 9k for tax advisory services.

SONSTIGE PFLICHTANGABEN

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	Chief Executive Officer (CEO)
Dipl.-Geologe Peter Maasewerd	Member of the Management Board and Qualified Geologist (CFO) (until 15 March 2013)
Dipl.-Geologe Peter Maasewerd	Member of the Management Board and Qualified Geologist (COO) (since 15 March 2013)
Andreas Tönies	Member of the Management Board (COO)
Curd Bems	Member of the Management Board (CFO) (since 15 March 2013)

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.) Chairman of the Supervisory Board (since 18 July 2012) Deputy Chairman of the Supervisory Board (until 18 July 2012)	Member of the Supervisory Boards of the following companies: <ul style="list-style-type: none"> • RWE Power AG, Essen • Landau Media Monitoring AG & Co. KG, Berlin • DIS AG, Düsseldorf • Deutsche Wohnen AG, Berlin • Member of Foundation Council of Peter Dussmann-Stiftung and Chairman of the Supervisory Board of Dussmann Stiftung & Co. KGaA, Berlin
Dr.-Ing. E.h. Wilhelm Beermann Chairman of the Supervisory Board (until 18 July 2012)	<ul style="list-style-type: none"> • Chairman of the Supervisory Board, MIBRAG GmbH, Zeitz • Chairman of the Supervisory Board, Katholisches Klinikum Bochum gGmbH
Dipl.-Ing. Wolfgang Quecke Member of the Supervisory Board	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"> • Member of the Management Board of Rudimo AG, Marl • Managing Director of "terra-concept GmbH", Marl • Managing Director of Ewald Solar GmbH, Marl • Member of the Advisory Board of Nawaro GmbH, Dortmund
Joachim Rumstadt Member of the Supervisory Board (since 18 July 2012)	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"> • Chairman of the Management Board, STEAG GmbH, Essen • Member of the Supervisory Board, RAG AG / RAG Deutsche Steinkohle AG, Herne • Chairman of the Supervisory Board, STEAG Power Saar GmbH, Saarbrücken • Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen • Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken • Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey • Member of the Advisory Board WESSLING Holding GmbH & Co. KG (since 31 October 2012)







REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The total remuneration paid to the Management Board for its work in fiscal year 2012 amounted to EUR 742k.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2012 amounted to EUR 80k.

There is a clearing account with the Chairman of the Management Board, Josef Daldrup, which shows a receivable of EUR 41k as at 31 December 2012. Interest on the clearing account is charged at 6 % annually.

AVERAGE NUMBER OF STAFF EMPLOYED DURING THE CURRENT YEAR

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

EMPLOYEE GROUPS	2012	2011
Waged employees	112	76
Salaried employees	21	21
Persons in minor employment	5	4
Total	138	101




NUMBER OF EMPLOYEES AS AT 31 DECEMBER WITHIN THE DALDRUP GROUP

EMPLOYEES as at 31 December 2012, by function	2012	2011
Drilling	89	79
Administration (excluding Directors)	15	19
Persons in minor employment	6	4
Daldrup & Söhne AG	110	102
Exorka GmbH	5	8
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" Sp. z o.o.	26	0
Group – total	141	110

Grünwald, 16 May 2013

Daldrup & Söhne AG

The Management Board


Josef Daldrup
(CEO)
Peter Maaserwerd
(Management Board)
Andreas Tönies
(Management Board)
Curd Bems
(CFO)



AUDITOR'S OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

We have audited the consolidated financial statements prepared by the Daldrup & Söhne Aktiengesellschaft, Grünwald, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law and supplementary articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the fiscal year from 1 January to 31 December 2012 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 16 May 2013

Warth & Klein Grant Thornton AG
Auditors

Häger	Carstens
Auditor	Auditor

FISCAL CALENDAR for Daldrup & Söhne AG

- 31 May 2013:** Consolidated Financial Statements as at 31 December 2012 and Annual Report 2012
- 11 July 2013:** Annual General Meeting 2013, Munich
- 30 September 2013:** Semi-Annual Consolidated Financial Statements as at 30 June 2013 and Semi-Annual Report 2013

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A BRIEF OVERVIEW OF DALDRUP

	31 DECEMBER 2012	31 DECEMBER 2011
Sales	EUR 22.7 million	EUR 40.3 million
Gross revenue	EUR 45.4 million	EUR 47.1 million
EBITDA	EUR 6.1 million	EUR 2.2 million
EBIT	EUR 2.3 million	EUR - 2.0 million
Net income for the year	EUR 1.2 million	EUR - 3.6 million
Equity ratio	65.2 %	68.7 %
Total assets	EUR 101.5 million	EUR 109.8 million

Gegenfilter (Sand)

Starkwand PVC DN 100,00
Bohrung 7 5/8"

Quarzkies Ø 6,0-8,0 mm

Zementation

