



ANNUAL REPORT 2013

2013



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B o h r t e c h n i k



## TAUFKIRCHEN GEOTHERMAL POWER PLANT

### THE LARGEST GEOTHERMAL POWER PLANT IN CENTRAL EUROPE

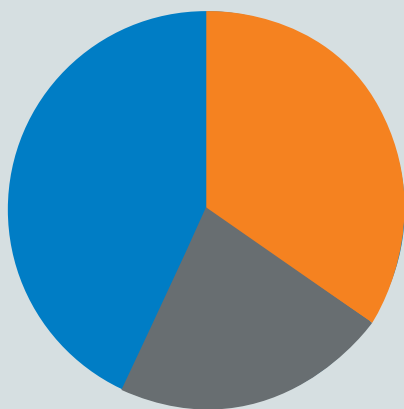
<b>Project:</b>	Taufkirchen geothermal power plant, Taufkirchen located south of Munich (Bavaria)
<b>Project company:</b>	GeoEnergie Taufkirchen GmbH & Co. KG
<b>Share*:</b>	39%
<b>Energy sales**:</b>	21,000 MWh electricity, 61,000 MWh district heating
<b>Purchaser:</b>	German Renewable Energy Sources Act (EEG) plant, local district heating companies
<b>Electricity generation process:</b>	Exorka Kalina power plant
<b>Thermal water:</b>	120 litres per second with approx. 138 °C

\*Geysir Europe\*\*\* shall hold a share of 39% from 2015 onwards

\*\*Due to go live in 2015, sales volumes here: 2016 (as planned)

\*\*\*Daldrup & Söhne AG owns 75.01% of Geysir Europe GmbH

### PROJECT COMPANY GEOENERGIE TAUFKIRCHEN GMBH & CO. KG



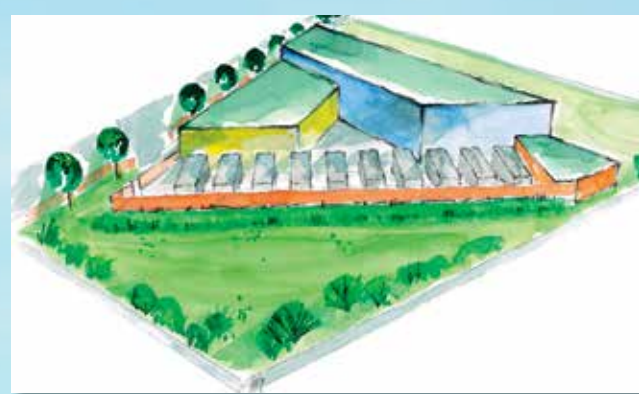
■ Geysir Europe***	42.82%
■ Axpo Power AG	35.00%
■ GW Oberhaching	22.07%
■ BioEnergie TK	0.11%

As at 31/12/2013





On 10 March 2014, representatives from the project company (second from the left, Curd Bems, CFO, Daldrup & Söhne AG; Jörg Uhde (right), Axpo Power AG), and politicians, such as the Bavarian Minister of Economic Affairs, Ilse Aigner (centre), gathered for the symbolic ground-breaking ceremony at the geothermal construction site in Taufkirchen



View of Taufkirchen geothermal power plant following completion of all construction measures







## LANDAU IN DER PFALZ GEOTHERMAL POWER PLANT

### OUR POWER IS GENERATED FROM THE EARTH ITSELF

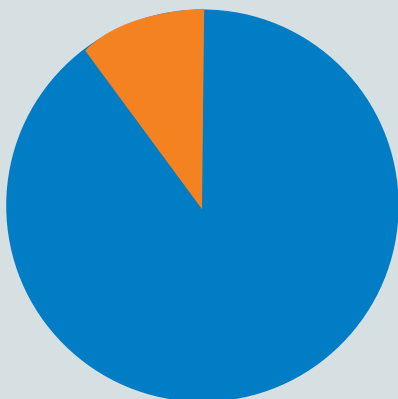
<b>Project:</b>	Geothermie Landau, Landau i. d. Pfalz (Rhineland-Palatinate)
<b>Project company:</b>	geox GmbH
<b>Share*:</b>	90%
<b>Energy sales**:</b>	15,300 MWh electricity, 7,000 MWh district heating
<b>Purchaser:</b>	Renewable Energy Sources Act (EEG) plant, local district heating companies
<b>Electricity generation process:</b>	Ormat ORC (Organic Rankine cycle) power plant
<b>Thermal water:</b>	56 litres per second with approx. 158 °C

\*Geysir Europe\*\*\* shall hold a share of 90% from 2014 onwards

\*\*Operating data from 2013, 2013 availability totalled 98.7%

\*\*\*Daldrup & Söhne AG owns 75.01% of Geysir Europe GmbH

### OPERATING COMPANY GEOX GMBH



■ Geysir Europe GmbH***	90%
■ Energie SüdWest AG	10%

As at 02/01/2014





## NEURIED GEOTHERMAL POWER PLANT

### DRILLING MAY COMMENCE

<b>Project:</b>	Geothermie Neuried, Neuried im Ortenaukreis (Baden-Württemberg)
<b>Project company:</b>	Geothermie Neuried GmbH & Co. KG
<b>Share*:</b>	100%
<b>Energy sales**:</b>	16,000 MWh electricity, approx. 10,000 MWh district heating
<b>Purchaser:</b>	Renewable Energy Sources Act (EEG) plant, local district heating customers
<b>Electricity generation process:</b>	Exorka Kalina power plant
<b>Thermal water:</b>	75 litres per second with approx. 125 °C (expected)

\*Geysir Europe\*\*\* shall hold a share of 100% from 2014 onwards, but is nevertheless planning to acquire further companies for the joint development of the project

\*\*Project in early implementation phase, commissioning scheduled for 2016/2017

\*\*\*Daldrup & Söhne AG owns 75.01% of Geysir Europe GmbH

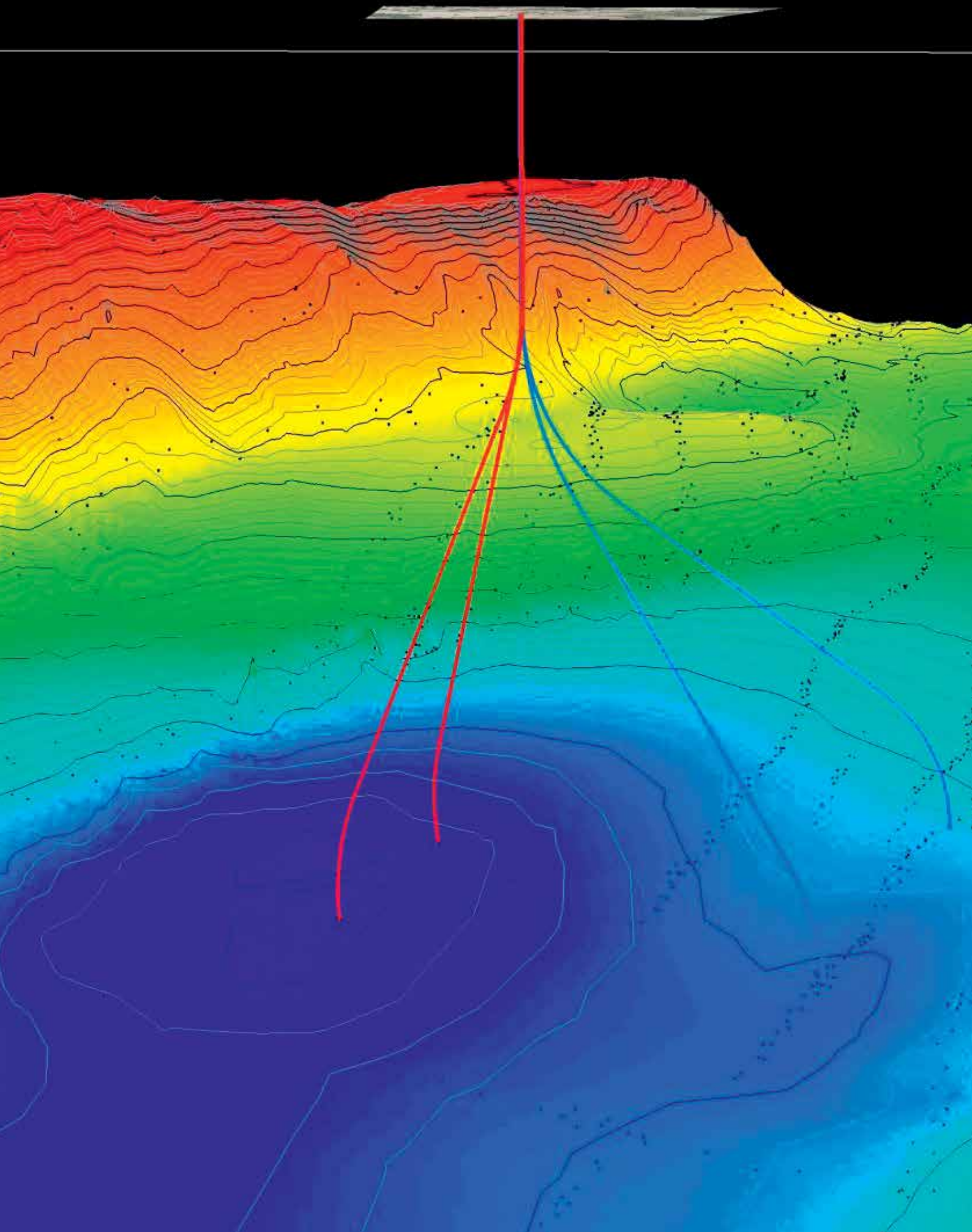
### OPERATING COMPANY GEOTHERMIE NEURIED



■ Geysir Europe GmbH 100%

As at 31/12/2013











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FOR FISCAL YEAR  
1 JANUARY TO 31 DECEMBER 2013

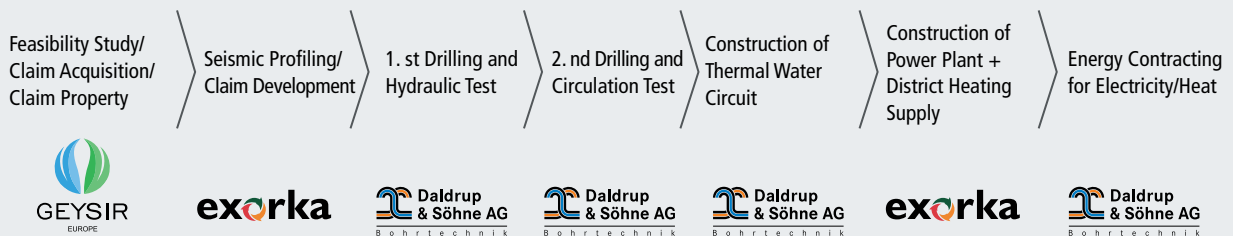
### A. COMPANY – BUSINESS ACTIVITIES, COMPETITIVE POSITION AND ENVIRONMENT

#### 1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

Daldrup & Söhne AG, a company whose history goes back decades, is one of the leading providers of drilling and environmental services, deep geothermal power plant projects and power plant operators in Germany and in Central Europe. The Company's activities are organised into the business units of Geothermics, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS). As a result of building up strategic investments and partnerships, the Daldrup Group AG 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 drilling, constructing the power station through to energy contracting and power plant operation. The aim of the Daldrup Group is to promote and drive forward the development of energy supplies using geothermal renewable energy sources and to promote in order to ultimately provide a competitive alternative to the increasingly scarce fossil fuels.

#### 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, suppliers, municipal/government bodies and private customers.

Geothermal  
energy

Water  
Procurement

Raw Materials  
& Exploration

EDS

#### GEOTHERMAL PROJECT DEVELOPER & IPP<sup>1</sup>

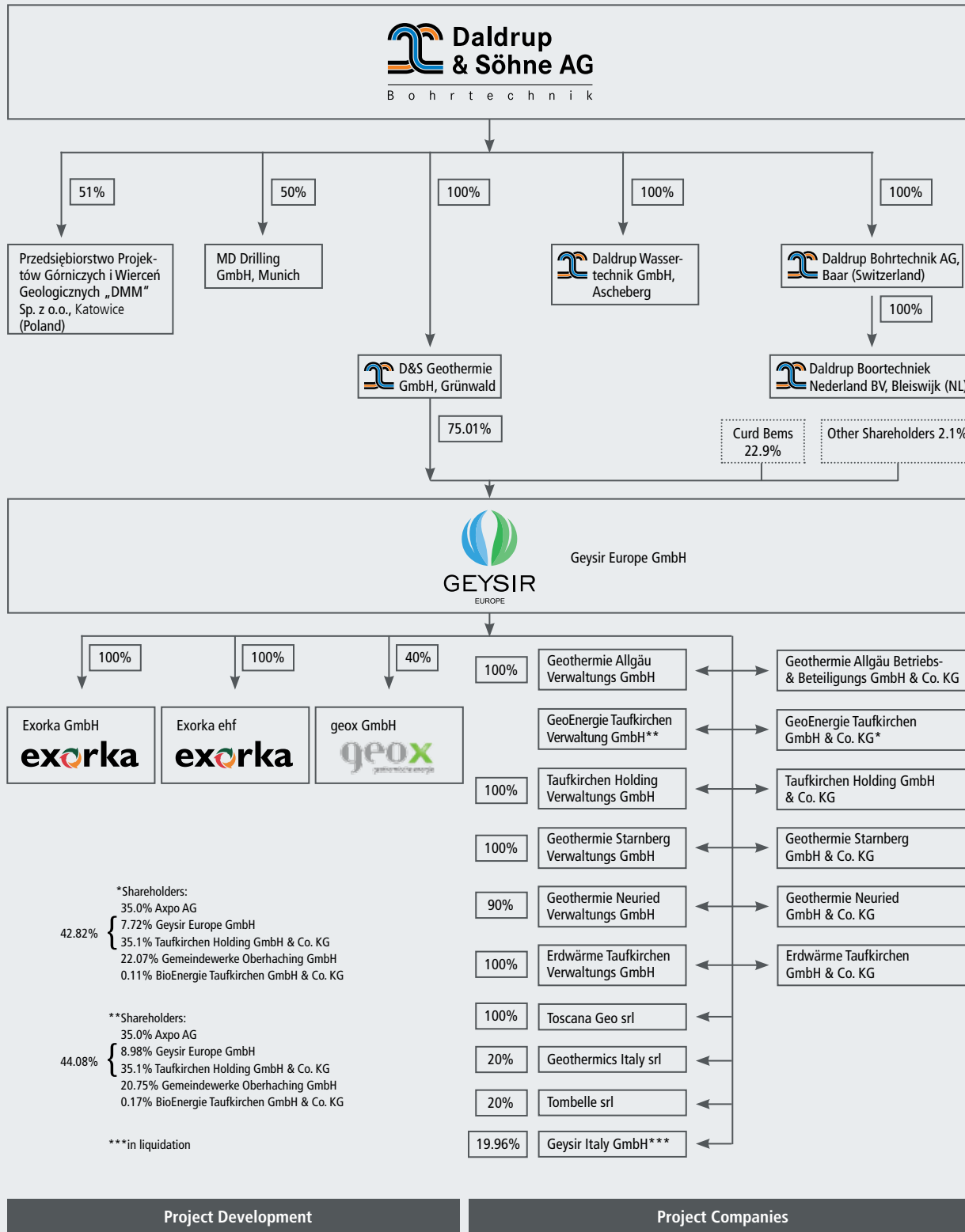


- Own claim areas for active implementation of Daldrup's own deep geothermal energy projects for electricity and heat generation.
- Worldwide licence to use the power plant technology of the Kalina process and exclusive rights to use it in Germany.
- The Daldrup Group combines the know-how of the entire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

<sup>1</sup>IPP = Independent Power Producer

GROUP STRUCTURE (AS AT 31/12/2013)





## ORGANISATION

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.

## 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. Geothermics 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 Energies Heat Act (EEWärmeG) amended on 1 May 2011**, the **Energy Savings Ordinance 2009 EnEV** and the **fourth Act amending the Energy Savings Act (in force since July 2013)** and the



market incentive program regarding the promotion of energy-saving thermal insulation and energy-saving systems engineering for buildings (new builds and old building renovation). The main focus of the activities of Daldrup & Söhne AG in Germany is currently in the Bavarian Molasse Basin south of Munich and the Upper Rhine Rift Valley, while in future it will be in the North German Plain. International activities in fiscal year 2013 concentrated particularly on the Netherlands 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 during the course of the Company's history in various geological formations demonstrate Daldrup & Söhne AG's mastery of all stages of projects. The Geothermal Energy unit's share of gross revenue generated by Daldrup & Söhne AG in 2013 reached 82.8% (previous year: 87.8%).

During fiscal year 2013, the Daldrup Group was involved in the following geothermal power plant projects in which it holds its own shares:

#### **Taufkirchen geothermal power plant**

Planning permission was granted in August 2013 within the framework of the planning permission process for the deep geothermal energy power plant in Taufkirchen, where there have been significant delays in 2012 and 2013. Questions regarding the site dependency and thus the privileging of the overall project externally therefore had to be discussed and explained in depth with the licensing authorities. Foundation work for the power plant began following the dismantling of the well site and the erection of a temporary district heating system. The installed capacity of the geothermal cogeneration plant will total approximately 35 MW for thermal energy and about 4.3 MW for electricity following completion. The feed-in of heat from the geothermal reservoir to the district heating networks of the communities of Taufkirchen and Oberhaching has been up and running since December of last year as part of a temporary installation.

#### **Landau in der Pfalz geothermal power plant**

During the fiscal year, Daldrup acquired 40% of shares in Kraftwerks-gesellschaft geox GmbH (Landau i. d. Pfalz) from EnergieSüdwest AG via Geysir Europe. The Parties also agreed on an option for Geysir Europe to purchase an additional 10%. The power plant, equipped with ORC technology with a capacity of max. 3.6 MW for electricity and max. 7 MW for thermal energy, has been in operation since 2007, supplying consumers located in the EnergieSüdwest region with electricity and heat. Discussions also took place with the second principal shareholder in geox, Pfalzwerke AG, regarding the acquisition of its 50% share; these discussions were successful and the acquisition took place at the beginning of 2014.

#### **Neuried geothermal power plant**

The drilling permit was 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. There is already a cover letter headed by R+V Versicherung for exploration risk and installation insurance. The state of Baden-Württemberg has approved a grant totalling EUR 1 million as a default guarantee for the first deep well. Work is due to start at the end of 2014.

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 Daldrup & Söhne AG in 2013 amounts to 8.0% (previous year: 6.1%).



The **Water Procurement** business unit represents the entrepreneurial origins of Daldrup & Söhne AG. It includes drilling wells to obtain drinking water, process water, thermal and mineral water, boiler feedwater and cooling water as well as thermal brine. Alongside the actual drilling, Water Procurement also uses a number of special 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 industrialised 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. The Water Extraction business unit represents 2.0% (previous year: 3.9%) of gross revenue generated by Daldrup & Söhne AG in 2013.

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 Daldrup & Söhne AG in 2013 was 7.8% (previous year: 2.2%).

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 152 employees were employed by the Daldrup Group in 2013 (previous year: 138). 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 2013

EMPLOYEES as at 31 December 2013, by function	2013	2012
Drilling	88	89
Administration (excluding Directors)	9	15
Persons in minor employment	3	6
Daldrup & Söhne AG	100	110
Exorka GmbH	7	5
Przedsiębiorstwo Projektów Górnictw i Wiercen Geologicznych "DMM" Sp. z o.o.	31	26
<b>Group – total</b>	<b>138</b>	<b>141</b>



## 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 6,000 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 claims (oil rigs) and corresponding drilling capacity serve only to reinforce Daldrup & Söhne AG's favourable position. The order book is well filled.

Electricity production from deep geothermal energy is still a relatively young niche market in Germany. According to the German Federal Geothermal Association (GtV - Bundesverband Geothermie), there are currently 27 deep geothermal power plants (which are predominantly hydrothermal) located in Germany with a capacity of 31.3 MW for electricity and 248.4 MW for thermal energy. A further 47 deep geothermal energy projects are currently under way or in the planning stages. According to the calculations presented by the GtV, deep geothermal energy therefore generates 0.025 TWh (i.e. covering the annual electricity needs of approximately 8,300 two-person households).

According to surveys conducted by the GtV (data based on 2005 versus 2010), other European countries, such as Great Britain, Italy, the Netherlands and Norway in particular, displayed strong growth in the use of geothermal energy. The Daldrup Group primarily sees a number of attractive business opportunities from projects in the Netherlands, Switzerland and the Benelux countries.

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 wells include drilling companies that are primarily engaged in the oil and gas business and occasionally participate in invitations to tender for geothermal projects.

The German federal government (Bundesregierung), which was newly formed in 2013, is committed to adhering to the turnaround in energy policy. The goal to gradually increase the share of renewable energy in the production of electricity to 50% by 2030 should be converted into a so-called "development corridor" following the revision of the Renewable Energy Sources Act (EEG) in 2014. The share should be increased from 40% to 45% by 2025, and then from 55% to 60% by 2035.

The National Action Plan for Renewable Energy (2010) stipulates that the generation of electricity from geothermal energy should total 1,654 GWh; and heat from geothermal energy should provide around 14,400 GWh.

The total final energy supply (electricity, heat, fuels) from renewable energy increased by just over 3% during the reporting years compared to the previous year to 318 billion kWh (2012: 307.6 billion kWh). Based on the figure for the total final energy consumption calculated by the Working Group on Renewable Energy-Statistics (AGEE Stats), the share of renewable energy in the final energy consumption of 12.3% remained at the same level compared to the previous year as a result of the prevailing weather conditions. This means that efforts are well under way to achieve the target of a share of 18% renewable energy in the final energy consumption to be achieved by 2020, as stipulated by the Federal Government (Bundesregierung).

### STRUCTURE OF PROVISION OF FINAL ENERGY FROM RENEWABLE ENERGY IN GERMANY IN 2013

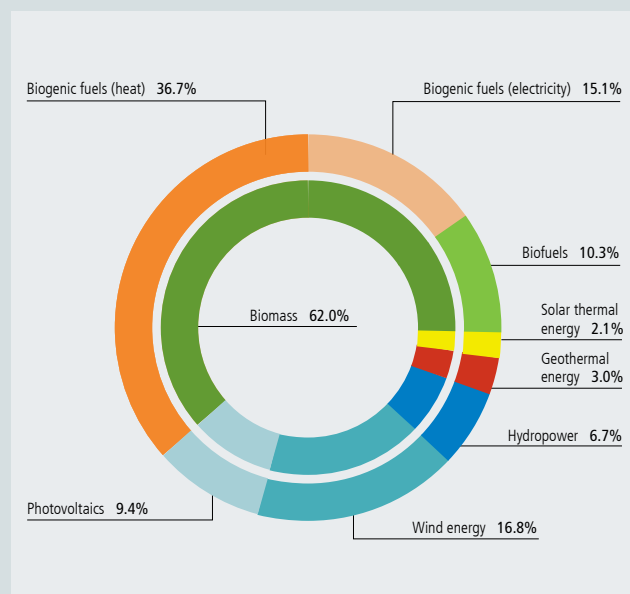


Fig.: Structure of provision of final energy from renewable energy in Germany in 2013 318.0 billion kilowatt-hours in total; as at February 2014, based on provisional data Source: Renewable energy in 2013, Federal Ministry for Economic Affairs and Energy, Working Group on Renewable Energy-Statistics (AGEE Stats)



The provision from renewable energy increased by 6.3% for electricity and by 3.8% for heat compared compared to the previous year.

Heat has the highest impact in Germany in terms of energy consumption. According to the Renewable Energies Agency (Agentur für Erneuerbare Energien), around 50% of the total final energy consumption (electricity, heating, mobility) goes into generating heat.

**PROVISION OF HEAT IN BILLIONS OF KILOWATT-HOURS**

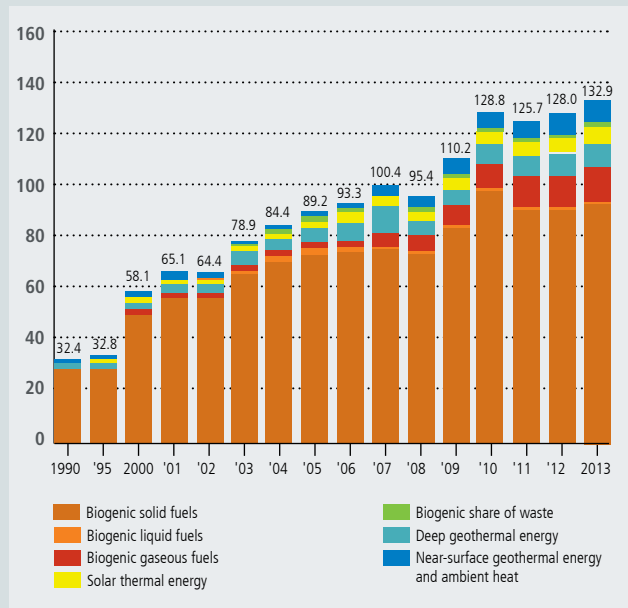


Fig.: Development of heat provision from renewable energy in Germany from 1990 to 2013, as at February 2014, based on provisional data

Source: Renewable energy in 2013, Federal Ministry for Economic Affairs and Energy, Working Group on Renewable Energy-Statistics (AGEE Stats)

The provision of heat from renewable energy increased to approximately 133 billion kWh in 2013 (previous year: 128 billion kWh). However, the share of renewable energy in Germany's total heat consumption achieved in 2013, which totalled 9.0%, was just below the level achieved in the previous year (9.3%); this was down to the fact that total heat consumption saw a massive increase compared to the previous year as a result of the extended heating period in the first few months of the year. To summarise, however, the growth of renewable energy in the heat market needs to be accelerated to 14% of total heat consumption by 2020 in order to achieve the target that was self-imposed as part of the Integrated Energy and Climate Programme of the Federal Government (Bundesregierung).







9.5 billion kWh of heat in total were able to be generated from geothermal energy sources in 2013. This corresponds to 7% of all heat from renewable energy. In addition to supplying heat, deep geothermal energy can also be used for generating electricity. The generation of electricity, e.g. by using the latest Kalina technology, becomes viable once temperatures reach in excess of 110 degrees Celsius.

#### STRUCTURE OF PROVISION OF FINAL ENERGY FROM RENEWABLE ENERGY IN GERMANY IN 2013

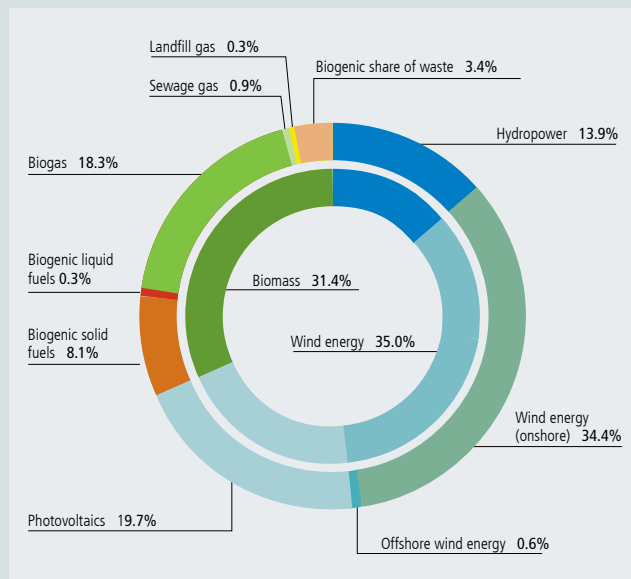


Fig.: Development of electricity provision from renewable energy in Germany in 2013, total 152.6 billion kilowatt-hours; as at February 2014, based on provisional data

Source: Renewable energy in 2013, Federal Ministry for Economic Affairs and Energy, WorkingGroup on Renewable Energy-Statistics (AGEE Stats)

The increase in the share of renewable energy in Germany's gross electricity consumption slowed somewhat in 2013 when compared to the two previous years. The share of 25.4% achieved in 2013 was approximately two percentage points above the previous year's value (23.6%), however gains in excess of three percentage points were achieved in both 2011 and 2012. The generation of electricity from renewable energy reached a new peak of 152.6 billion kWh (previous year: 143.5 billion kWh). However, dynamic growth levels and a conducive market environment are both necessities if the minimum target of 35% of gross electricity consumption is to be achieved by 2020.

The importance of electricity generation from geothermal energy is still somewhat low in Germany, even though a number of additional plants have been connected to the grid in southern Germany. Nevertheless, the 40 million kWh generated represent an increase of 60% more electricity compared to the previous year.

The advantage of geothermal energy is its constant availability, i.e., it can be predicted by network operators and can therefore be used as a residual and controlled variable to offset the fluctuating wind and photovoltaic systems. Other benefits include the parallel generation of electricity and heat generation, virtually CO<sub>2</sub>-free production and ability to be stored.

The generation and use of renewable energy is promoted in many ways by both German and European legislators. The Renewable Energies Heat Act (EEWärmeG), the Energy Savings Ordinance (EnEV), the market incentive program (MAP) and the Renewable Energy Sources Act 2012 (EEG 2012) are all relevant to heat and electricity generated from geothermal energy in Germany. The various Acts are continuously being developed further and specified.



### 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 via the feed-in tariff under the 2012 Renewable Energy Sources Act (EEG 2012), or direct marketing in local and district heating networks. The medium-term goal is to develop the Daldrup Group into a medium-sized independent 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. During the reporting year, the Daldrup Group held a 40% share in the Landau in der Pfalz geothermal power plant, which achieved a thermal capacity of max. 7 MW and an electrical capacity of max. 3.6 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 was dissolved during the reporting year. The aim of the joint venture to develop the Walldorf permit area at Frankfurt Airport in close collaboration with the project partners Fraport AG and Mainova AG failed to materialise. Daldrup acquired a 50% share in RWE Innogy, and transferred this share along with its own shares to D&S Geothermie GmbH.

#### **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 Economics and the regional provinces are supporting this development through a subsidy programme for capital expenditure on self-sufficient geothermal heating plants. Boor-techniek Nederland BV, Bleiswijk, founded in 2011, acts as Daldrup's representation in the Netherlands.

Activities in Italy were coordinated and supervised by the Geysir-Europe Group. The decision was taken to suspend activities following an analysis of the situation regarding the Italian energy market and geothermal energy in Italy, the financial and financing capacity of potential partners and the general economic environment.

#### **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, including for flat geothermal and reconnaissance drilling projects. 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 continued to consider outsourcing business activities regarding Water Procurement to Daldrup Wassertechnik GmbH. Plans regarding this are currently on hold. The Company is not currently in operation.





Daldrup & Söhne AG

Daldrup & Söhne AG

### **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. The regional geothermal projects in their different development phases are grouped in the existing eight domestic and three international subsidiaries (SPV – special purpose vehicles). The decision was taken as part of project development in Italy to cease expanding any activities for the time being and sell any shares held, as well as to finish developing its own permit areas.

### **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 2012. 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 depths of the initial geothermal drilling were approximately 6,000 m MD (measured depth). A follow-up project was initiated at the end of the reporting year in Danzig, Poland.

## **5. RESEARCH AND DEVELOPMENT**

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

- **Deep geothermal energy probes:**

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

- **Hydrothermal systems:**

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

- **Petrothermal systems (or EGS = enhanced geothermal systems):**

Open or closed circuit where hydraulic stimulation measures are used to generate or enhance fissures and gaps in the dry subsoil, through which artificially introduced/injected water is able to flow.

While Daldrup has successfully executed the first two systems and taken the projects into operation on several occasions, there is no petrothermal geothermal energy project in regular operation in Europe. There is, however, a European research project being undertaken in Alsace as well as a project in Groß-Schönebeck undertaken 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 of EGS in future. Daldrup is involved in 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 subsidised from funds from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.





## 6. OVERVIEW OF BUSINESS DEVELOPMENT

According to calculations made by the Kiel Institute for the World Economy (IfW) during the reporting year, the eurozone has finally begun to grow again following the recession which had been in place since winter 2011. Gross domestic product (GDP) increased for the first time in the second quarter of 2013, and this upswing was further cemented in the second half of 2013. Momentum remained, albeit only slightly, as the structural changes made in the euro crisis countries and the ongoing fiscal consolidation were still putting the brakes on economic development. Foreign trade is providing initial economic stimulus. Economic experts have forecast negative GDP growth in the eurozone of - 0.4% (previous year - 0.6%).

Whilst starting from a particularly low economic base, the pace of economic growth in Germany has picked up noticeably during the course of 2013. According to the experts from the Kiel Institute, this is down to an increase in demand from abroad and expansionary economic policies domestically. Given that the economic and financial situation of the euro crisis countries has stabilised, this has helped to brighten the mood within the German economy. This particular development has also been supported by the highly expansionary monetary policy and low interest rates in place. The IfW has forecast GDP growth in Germany of 0.4% for the reporting year (previous year: 0.7%).

Taking into account this economic environment, the Daldrup Group managed to achieve revenues of EUR 60.8 million (previous year: EUR 22.7 million) and an overall performance of EUR 59.9 million (previous year: EUR 45.4 million) in 2013. This is equivalent to an increase in revenue of 167.8% compared with the previous year. The following contributions to revenue were made by the individual business units of Daldrup & Söhne AG:

- Geothermal Energy: EUR 47.75 million (79%)
- EDS: EUR 5.37 million (9%)
- Raw Materials & Exploration: EUR 4.70 million (8%)
- Water Procurement: EUR 2.81 million (4%)

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 2013 were and are protracted tendering and approval procedures for drilling projects and the clear restraint of banks in respect of project funding. The willingness to invest in geothermal energy projects dropped significantly thanks to proposals submitted at the beginning of February proposals by the Federal Minister for the Environment, Nature Conservation and Nuclear Safety, Peter Altmaier, regarding reforms of the Renewable Energy Sources Act (EEG) and the subsequent discussion about the proposed electricity price cut.

Revenues of 66.9% (previous year 59.4%) were achieved in Germany, along with revenues of 33.1% (previous year 40.7%) abroad (the Netherlands and Austria). This illustrates the increasing internationalisation of business activities conducted by Daldrup & Söhne AG along with the expansion of the references and the level of awareness it possesses.

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

### 1. RESULTS OF OPERATIONS

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

INCOME STATEMENT	2013 EURk	2012 EURk
Sales	60,826	22,690
Gross revenue	59,888	45,395
Other operating income and tax refunds	13,401	5,923
Cost of materials	45,525	26,158
Personnel expenses	8,409	7,341
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,944	3,805
Other operating expenses	14,166	11,730
<b>EBITDA</b>	<b>5,189</b>	<b>6,089</b>
<b>EBIT</b>	<b>1,155</b>	<b>2,254</b>

The Daldrup Group's value creation and production process, which is typical of the industry and project-dependent, requires regular measurement of work in process. In accordance with the principle of prudence, deductions for calculated risk, profit and sales costs are made from the earned value achieved.

These income components are therefore not realised until after completion, approval and final billing of a project. Project and operating costs, however, are recognised immediately they are incurred. In this respect, the income statement of the Daldrup Group is heavily influenced by project activities fluctuating over the course of time.

The gross revenue generated in fiscal year 2013 consists of sales revenue of EUR 60.8 million (previous year: EUR 22.7 million) and reductions in inventories of EUR 0.9 million (previous year: increases in inventories of EUR 10.8 million). The reductions in inventories from the drilling orders finished and finally settled during the fiscal year 2013, such as Geretsried, Aspern-Essling Vienna, Austria, and the first and second Agriport drilling, Netherlands. This was offset by own work valued at a lower amount from current projects that are ongoing. The Geretsried project in Germany and the Middenmeer (Agriport) und Heemskerk (Floricultura) projects in the Netherlands contributed in particular to achieved during the course of the fiscal year by the key Geothermal Energy unit.

Project-related extensions of drilling times and shifting of completion dates did not reduce capacities and increase costs in the Income Statement for the year 2013, but were instead able to be finally invoiced on an accrual basis.

Other operating income, including refunds/payments of other taxes totalling EUR 12.9 million (previous year EUR 5.7 million), consists primarily of insurance claims and income from joint ventures. 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) rose in the reporting period to EUR 45.5 million (previous year: EUR 26.2 million) due to higher reported revenues. The gross profit rate totalled 25.2% (previous year 42.4%). The Hightech deep drilling rigs were well utilised.

The increase in personnel expenses of EUR 8.4 million (previous year EUR 7.3 million) was associated with the hiring of new qualified employees and the temporary assignment of external experts within the framework of individual drilling projects. The average Group headcount in fiscal year 2013 rose to 152 employees (previous year: 138 employees).

Other operating expenses increased to EUR 14.2 million (previous year: EUR 11.7 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 mobilisation and demobilisation 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.

Scheduled depreciation in the amount of EUR 3.9 million (previous year: EUR 3.8 million) is in line with the previous year and mainly relates to drilling rigs and the vehicle fleet. The deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

DESIGNATION	2013	2012
Group earnings before interest, taxes, depreciation and extraordinary expense (EBITDA)	EUR 5.2 million	EUR 6.1 million
Group earnings before interest, taxes and extraordinary expense (EBIT)	EUR 1.2 million	EUR 2.3 million

Group earnings before interest, taxes, depreciation and extraordinary expense (EBIT) for Daldrup & Söhne AG totalled EUR 1.2 million (previous year EUR 2.3 million). The EBIT ratio, based on overall performance, decreased to 1.9% when compared when the previous year's figure of 5.0%.

The financial result amounts to EUR - 0.6 million (previous year: EUR - 0.3 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 2013 are EUR 90k million (previous year: EUR 1.2 million). Daldrup & Söhne AG's share of these earnings is EUR 1.2 million (previous year: EUR 1.9 million).

SUBGROUP EARNINGS	2013	2012
Daldrup & Söhne AG	EUR + 1.2 million	EUR + 1.9 million
Daldrup Bohrtechnik AG, Switzerland	EUR + 0.2 million	EUR + 1.2 million
Daldrup Wassertechnik GmbH	EUR 0.0 million	EUR 0.0 million
"DMM" Sp. z o.o., Poland	EUR + 0.1 million	EUR 0.0 million
D&S Geothermie GmbH	EUR + 0.1 million	EUR + 0.1 million
Geysir Europe GmbH (subgroup)	EUR - 1.0 million	EUR - 1.7 million
Consolidating entries	EUR - 0.5 million	EUR - 0.3 million
<b>Group Earnings</b>	<b>EUR + 0.1 million</b>	<b>EUR + 1.2 million</b>

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 0.5 million in 2013 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 power plant is commenced from 2014 onwards and, in particular, after approval and handover of the power plant in 2015.





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 expected to be around EUR 1.8 million, will be generated from the middle of 2015 following commissioning of the power plant. Costs incurred for 2013 consist of insurance policy costs, consultancy fees, depreciation and cost of materials.

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 understandable project and cost trends seen during fiscal year 2013, the Daldrup group has indeed significantly exceeded the forecast target of increasing overall performance to EUR 52 million by achieving a figure of approximately EUR 60 million; however, the scheduled EBIT margin of 6% has not been achieved.





## 2. NET ASSETS

### OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP

ASSETS	31/12/2013 EURk	31/12/2012 EURk
<b>A. Fixed assets</b>		
I. Intangible fixed assets	3,330	3,875
II. Tangible fixed assets	39,975	41,367
III. Long-term financial assets	22,375	22,988
<b>B. Current Assets</b>		
I. Inventories	1,218	4,447
II. Receivables and other assets	25,422	22,706
III. Other securities	1,444	0
IV. Liquid funds	3,567	5,863
<b>C. Prepaid Expenses</b>	232	104
<b>D. Deferred Tax Assets</b>	124	101
	<b>97,687</b>	<b>101,451</b>



<b>LIABILITIES</b>	<b>31/12/2013 EURk</b>	<b>31 December 2012 EURk</b>
<b>A. Equity</b>	65,958	66,123
I. Subscribed capital	5,441	5,441
II. Reserves	30,685	30,664
III. Equity difference from currency translation	- 96	125
IV. Consolidated net retained profits	26,458	26,229
V. Minority interests	3,470	3,664
<b>B. Provisions</b>	2,472	3,594
<b>C. Liabilities</b>		
I. Liabilities to banks	7,163	8,049
II. Trade payables	9,183	11,404
III. Other liabilities	12,773	12,122
<b>D. Deferred Income</b>	28	20
<b>E. Deferred Tax Liabilities</b>	110	138
	<b>97,687</b>	<b>101,451</b>



The total assets of the Daldrup Group amounted to EUR 97.7 million as at the balance sheet date, 31/12/2013. This represents a decrease of 3.7% compared to the previous year. Fixed assets in the amount of EUR 65.7 million (previous year: EUR 68.2 million) consist of intangible assets of EUR 3.3 million (previous year: EUR 3.9 million), which constitute the value of the five 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 1.3 million (previous year: EUR 1.4 million), which serve business purposes and are directly related to drilling and power plant projects, are recognised as tangible assets. Machinery, technical and other equipment in the value of EUR 23.5 million (previous year: EUR 24.9 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 15.1 million) which related to a geothermal energy project in Mauerstetten as well as a turbine.

The long-term financial assets totalling EUR 22.4 million (previous year: EUR 23.0 million) include shares in associated companies totalling EUR 19.6 million. These essentially include MD Drilling GmbH, the 42.82% share in GeoEnergie Taufkirchen GmbH & Co. KG which is accounted for according to the equity method, and the 40% share in geox GmbH, the company that operates the Landau geothermal power plant. There is also a loan issued to the value of EUR 2.7 million.

In Current Assets, the value of raw materials, consumables and supplies totalling EUR 3.4 million (previous year: EUR 3.3 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 17.2 million (previous year: EUR 18.3 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 20.8 million (previous year: EUR 17.2 million) were deducted from orders in progress on the face of the balance sheet. The geothermal energy project in Pfullendorf, Agriport in the Netherlands, Unterföhrung and Rheinsalinen Muttenz in Switzerland, as well as the Asse project from the EDS business unit, are all stated as work in progress as at the balance sheet date.

A reporting date-related further decrease in receivables to EUR 12.0 million (previous year: EUR 16.5 million) can be noted. The receivables from the, on the whole, solvent customer base are intact. Other assets totalling EUR 13.4 million (previous year: EUR 6.1 million) include claims for damages against insurers/suppliers, tax receivables and claims from reinsurance policies. Liquid funds (cash in hand/bank) are EUR 3.6 million as at the reporting date (previous year: EUR 5.9 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 31/12/2013 is EUR 66.0 million (previous year: EUR 66.1 million) and the equity ratio on the reporting date was 67.5% (previous year: 65.2%).

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 0.6 million), tax provisions (EUR 0.0 million) and other provisions (EUR 1.9 million).

Liabilities are due, in particular, to the goods and services process, and are at a slightly lower level than the previous year (EUR 9.2 million). Liabilities to banks in the amount of EUR 7.2 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 commenced 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 12.6 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 11.7 million.



### 3. FINANCIAL POSITION

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

CASH FLOW STATEMENT	2013 EURk	2012 EURk
Net income for the year	89	1,164
Depreciation, amortisation and write-downs	3,944	3,805
Other changes in cash from operating activities (balance)	- 1,590	9
Cash flow from Asset Management	733	14,351
Net cash used in investing activities	- 1,888	- 1,418
Net cash provided by financing activities	- 886	3,682
Change in liquid funds	- 2,041	16,615
Effect on cash funds of exchange rate movements and changes in reporting entity structure	- 254	- 14,085
Liquid funds 1 Jan	5,863	3,333
<b>Liquid funds 31 Dec</b>	<b>3,567</b>	<b>5,863</b>

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

The increasing economic recovery in the eurozone and the continuing low interest rates seen are helping to stimulate the willingness to invest in geothermal heat and power plant projects. A more appropriate feed-in tariff has been granted to the new concept of geothermal energy as part of the discussion regarding the amendment of the Renewable Energy Sources Act (EEG) in Germany. These developments support both the economic and financial development of Daldrup & Söhne AG. The drilling rigs were well utilised and geothermal energy gained 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, Switzerland and the Netherlands. However, the debate regarding a potential electricity price cut in summer 2013 did not contribute to motivating investors in Renewable Energy Sources Act (EEG) projects. 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, optimisation 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

The following events took place after the balance sheet date, 31/12/2013, which were of major importance for Daldrup & Söhne AG.

Construction work began on the geothermal power plant in Taufkirchen at the start of 2014. Representatives from the Company along with politicians, such as the Bavarian Minister of Economic Affairs, Ilse Aigner, gathered for the symbolic ground-breaking ceremony in the middle of March 2014. Based on current plans, the geothermal power plant is expected to be commissioned by the end of 2014. From the middle of 2015, the geothermal power plant is scheduled to supply 76 GWh of heat and 26 GWh of electricity as part of an electricity project supplying heat.

The Daldrup Group increased its share in geox GmbH, the company that operates the Landau i. d. Pfalz geothermal power plant, to 90% following the acquisition of the 50% share held by Pfalzwerke AG on 2 January 2014, and did so via Geysir Europe.

In the middle of March 2014, geox GmbH shut down the Landau as a precautionary measure. Soil displacements were detected on the power plant site as well as in the urban area of Landau. In order to prevent any damage to the environment and technology, and in order to contribute to the cause studies undertaken, geox GmbH shut down the power plant. Geysir Europe took over the operation of the power plant from 1 March 2014 onwards from the previous shareholders Energie SüdWest and the engineering office established by Pfalzwerke. geox GmbH is working closely together with the local authorities and, in particular, the State Agency for Geology and Mining closely together to determine the cause of the soil displacements and to be able to assess them on the basis of reliable data. Daldrup & Söhne AG is constantly checking the Landau geothermal power plant for all different kinds of commercial and operational options and risks. Funding has been awarded from the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety until 30 September for a third well that would help to improve operational safety and efficiency.

## 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 globalised world means that the opportunities and risk system needs to be regularly adapted to changes in the underlying conditions. The risk system, the risk environment and potential threats to the Daldrup Group are described below:

### 1. STRATEGIC RISKS

Rapid corporate growth carries risks on account of new personnel, adjustments to organisational structures and a change in the risk environment. Integration and optimisation processes are a part of day-to-day business.

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 boreholes 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. 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 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. Risk of unsuccessful exploration associated with a drilling project**

Special policies from insurance consortia now cover the risk of a deep borehole being 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 regularly 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 and experienced machine operators), 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. It is not possible either 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 organisation. Additional areas of activity in the technical and commercial domains are being created; information and communication channels as well as organisational and personnel resources must be permanently adapted to these requirements.

### FINANCIAL RISKS/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 for planned orders and procurements in foreign currencies (mainly Swiss francs in 2013). 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 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. 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 organised in such a way that there is a balanced distribution of opportunities and risks for Daldrup & Söhne AG as a result of integrating legal, technical and commercial activities. The current order book is subject to these aspects of contract management.

### 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 organisational 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 from a pure drilling services provider 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 construction of the above-ground heating power plant in the Kalina process, ongoing since 2014, is expected to be implemented by mid-2015 and represents an important milestone in the history of the Company.

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 organisational capacities.

### 2. FUTURE ECONOMIC ENVIRONMENT

The signs are for the economy in Germany to start expanding. According to the IfW, an attractive investment cycle will help to noticeably stimulate economic activity in the next couple of years. The IfW's forecast for 2014 is that domestic demand in Germany will once again help contribute more and more to the expansion of GDP alongside foreign trade. The experts believe that investment activity, to which the extremely expansive monetary environment continues to contribute, is a key driver of economic momentum. Overall, total economic output is expected to increase by 1.9% this year and by 2.5% in 2015, according to the IfW experts.

Economic momentum has also continued to strengthen in the eurozone too. The IfW expects the recovery to gradually gain more momentum because of the fact domestic economic forces are increasingly contributing to such expansion. The increased levels of certainty are likely to help ensure the Company invests once again. As a result, investment projects which have been put back to date will be rescheduled due to the improved sales prospects. The experts also believe that the Company's financial conditions will continue to improve thanks to the weakening segmentation of financial markets. Exports are likely to continue supporting economic growth thanks to the increasing global economic momentum.

However, the IfW believes that the speed of any recovery will remain somewhat modest for the time being. According to calculations made by the IfW, the growth in GDP within the eurozone is expected to total 1.2% in 2014. The experts forecast higher economic momentum and 1.7% growth in GDP for 2015, partly because the structural changes made in the euro crisis countries are starting to bear fruit.

The forecast presented by the IfW also points to a number of significant risks that run alongside any such economic recovery. These are attributed mainly to uncertainties related to the further development of the crisis situation in the eurozone. However, economic policy decisions taken in Germany that weaken investment and performance conditions on the part of the government may also weaken growth and expansion forces too.

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 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). The amendment to the Renewable Energy Sources Act (EEG), undertaken as part of parliamentary legislative procedures, sets new targets for gross electricity consumption in the context of a "development corridor": the share should increase from 40 to 45% by 2025, then from 55 to 60% by 2035.

The role of geothermal energy in the renewable energy mix is also being increasingly acknowledged in the world of politics thanks to its base load capacity and controllability. The regulatory framework conditions of the geothermal industry have been strengthened thanks to the Renewable Energy Sources Act 2012 (EEG 2012, helping to contribute to the economic viability of large power plant projects. The provisions in the amended Renewable Energy Sources Act 2012 (EEG 2014) combined with the proposed stabilisation of the feed-in tariff for electricity generated from geothermal energy help support the development of the industry.



The amended Energy Savings Ordinance (EnEV) entered into force on 1 May 2014. This is another important step in increasing energy awareness within the construction and housing industry and achieving the target of a virtually carbon-neutral building stock by 2050. According to information provided by the German Association of Energy and Water Industries (BDEW), approximately two-thirds of the 19 million residential buildings in Germany need to be renovated in terms of their energy efficiency. Heat from geothermal sources can provide efficient building heating solutions for both larger existing building stocks and real estate as well as in new construction projects.

The provisions of the EU Energy Efficiency Directive, which must be implemented in Germany by June 2014, follow the same direction here. There is a great deal of untapped potential for climate protection purposes (reduction of CO<sub>2</sub> emissions) as well as for becoming self-sufficient in terms of resources. Once implemented, the EU Energy Efficiency Directive will certainly provide incentives for energy efficiency investments for the housing industry, contracting authorities or small and medium-sized enterprises to convert their heat supply by third parties, as is the case for contracting authorities and district heating, according to estimates by the German Association of Energy and Water Industries (BDEW).

The federal government's market incentive program, revised in 2012, not only promotes heating projects, as has been the case previously, but also power plant projects as well as combined heat and power projects via the KfW program "Renewable Energy Premium", which is applied within 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 financial feasibility of geothermal energy projects are improved.

According to experts from the German Federal Geothermal Energy Association (GtV - Bundesverband Geothermie), significant growth in the use of geothermal energy should be expected. According to predictions made by the German Renewable Energy Federation (BEE), electricity generated from geothermal energy in Germany will increase to 3,750 GWh per year by 2020. The figure in 2013 was 8 TWh, which corresponded to the annual electricity needs of 8300 two-person households. The federal government is also looking to significantly expand in this area: in its "National Action Plan for Renewable Energy", which

was decided upon in August 2010, it stipulated a target of generating 1,654 GWh of electricity from geothermal energy by 2020. This figure is not quite as much as the one stipulated by the representatives of the renewable energy sector, but it is nevertheless much more than at present. It is a similar case for heat, where the German Renewable Energy Federation (BEE) expects to achieve a capacity of 26,000 GWh. The federal government has stipulated 14,400 as a target, which is based in particular on rapid growth in deep geothermal energy.

#### HEAT GENERATION FROM GEOTHERMAL ENERGY AND AMBIENT HEAT AND SHARE OF HEAT CONSUMPTION

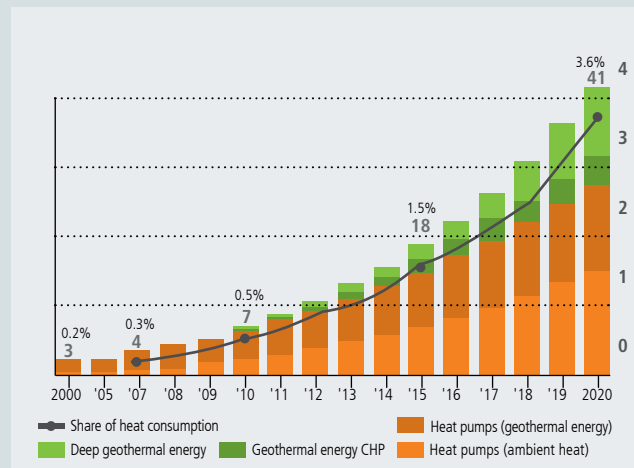


Fig.: Heat generation from geothermal energy and heat pumps and share of heat consumption in Germany  
Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.), Wege in die moderne Energiewirtschaft, Teil 2: Wärmeversorgung 2020, Berlin, October 2009, p. 12

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.

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.

### INSTALLED SERVICES FOR ELECTRICITY GENERATION FROM RENEWABLE ENERGY IN GERMANY UNTIL 2020

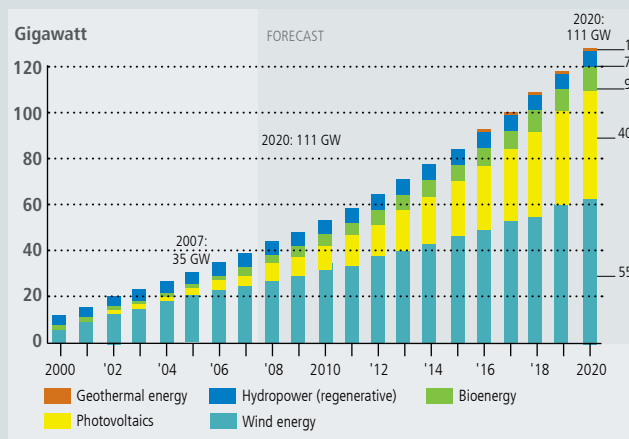


Fig.: Installed capacity for electricity generation from renewable energies according to sector in Germany  
Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.), Wege in die moderne Energiewirtschaft, Teil 1: Stromversorgung 2020, Wege in eine moderne Energiewirtschaft, Berlin, January 2009, p. 7

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 organisation 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.

### HEAT GENERATION FROM RENEWABLE ENERGY AND SHARE OF HEAT CONSUMPTION

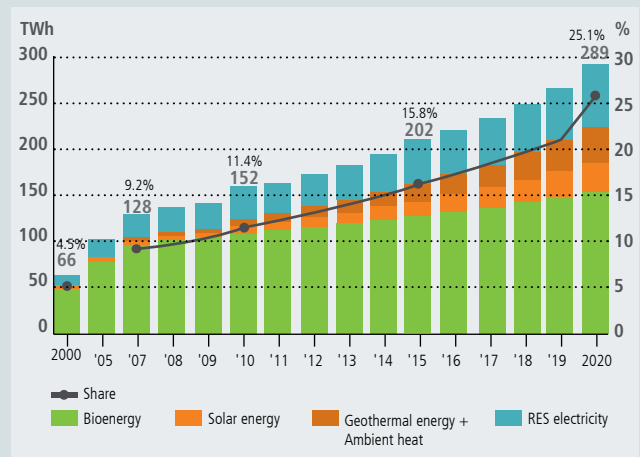


Fig.: Development of heat generation from renewable energies and share of heat consumption in Germany  
Source: Renewable Energy Agency (Agentur für Erneuerbare Energien), Renewables Spezial, Edition 63, Jan 2013, p. 9

The positioning of geothermal energy for the future direction of energy supplies is very good. It is decentralised and does not require any expansion of the grid, is an inexhaustible and free resource, has an unrestricted ability to supply base load (i.e., regardless of time of the day, seasons and weather conditions), makes a major contribution to environmental and climate protection and provides an outstanding CO<sub>2</sub> 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. 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. The subsidies provided under the terms of the Renewable Energy Sources Act for geothermal energy have therefore fulfilled their actual purpose; i.e. to grant temporary transitional/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 the amendment to the Renewable Energy Sources Act 2014 (EEG 2014).

### 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 the Daldrup Group.

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 2015 onwards, the first proceeds from electricity feed-in and heat supply will be generated in the Daldrup Group.

At the start of fiscal year 2014, there are three high-tech deep drilling plants in the Netherlands and Pfullendorf (Baden-Württemberg) as well as in Unterföhring (Bavaria) engaged in deep geothermal energy drilling down to 4,500 metres. Affiliated geothermal projects are already in the planning stage and are being coordinated with potential clients. Further orders are expected to be received during 2014.

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 above-ground geothermal heating power plant in summer 2014. The Landau power plant is due to be recommissioned in summer 2014 following the completion of the necessary repair works.

The plant ran superbly in 2013 with availability in excess of 98% on average throughout the year.

The power plants in Taufkirchen and Landau ensure 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.

The value creation, growth and earnings potential for the Daldrup Group as the claim owner and power plant operator is due to improve significantly thanks to the start of work on the Neuried geothermal project at the end of 2014 and the perspective opportunity for the geothermal multiple use of a permit area in the Greater Munich area.

With an excellent order book in pace, the Management Board of Daldrup & Söhne AG expects to see overall Group performance of approximately EUR 68 million for fiscal year 2014 combined with an EBIT margin of 3 to 5%.





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

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

Grünwald, 15 May 2014

**Daldrup & Söhne AG**  
The Management Board



Josef Daldrup  
(CEO)



Peter Maaserwerd  
(Management Board)



Andreas Tönies  
(Management Board)



Curd Bems  
(CFO)











**CONSOLIDATED FINANCIAL STATEMENTS** for the Fiscal Year 2013

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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 2013



## GROUP INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

	01/01/2013 - 31/12/2013 EUR	1 January 2012 - 31 December 2012 EUR
1. Sales revenue	60,826,316.84	22,690,291.08
2. Increase/decrease in work in progress	- 938,803.69	10,773,231.71
3. Other own work capitalised	0.00	11,931,708.33
4. Other operating income	12,914,233.66	5,727,109.44
5. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	11,349,476.62	11,655,011.03
b) Cost of purchased services	34,175,565.41	14,503,125.19
	<b>45,525,042.03</b>	<b>26,158,136.22</b>
6. Personnel expenses		
a) Wages and salaries	7,041,907.69	6,214,990.51
b) Social security, post-employment and other employee benefit costs	1,366,771.41	1,125,814.45
– of which post-employment benefit: EUR 25,817.76 (PY: EUR 44,453.38)		
	<b>8,408,679.10</b>	<b>7,340,804.96</b>
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,944,061.18	3,804,849.89
8. Other operating expenses	14,165,930.43	11,730,412.27
– of which from currency translation: EUR 1,356.64 (PY: EUR 11,270.74 (PY: EUR 297,035.42))		
9. Income from other securities and long-term loans	228,498.84	45,000.00
10. Other interest and similar income	585,224.14	1,302,564.84
– of which from the discounting of provisions: EUR 0.00 (PY: EUR 10,587.31)		
– of which from currency translation: EUR 1,356.64 (PY: EUR 310,974.06 (PY: EUR 0.00))		
11. Write-downs of long-term financial assets and securities classified as current assets	89,812.57	30,387.98
12. Expenses from long-term investments in associates	590,491.24	813,468.53
13. Interest and similar expense	760,069.42	779,148.53
– of which from the interest cost of provisions: EUR 24,572.00 (PY: EUR 21,801.00)		
14. Result from ordinary activities	<b>131,383.82</b>	<b>1,812,697.02</b>
15. Taxes on income	- 528,810.35	- 844,285.75
16. Other taxes	486,606.58	195,957.33
17. Consolidated net income for the year	<b>89,180.05</b>	<b>1,164,368.60</b>
18. Minority interests	139,876.72	544,474.72
19. Retained income	26,228,963.47	24,520,120.15
20. Net retained profits	<b>26,458,020.24</b>	<b>26,228,963.47</b>





## GROUP BALANCE SHEET

### GROUP BALANCE SHEET AS AT 31 DECEMBER 2013

ASSETS	31/12/2013 EUR	31/12/2012 EUR
<b>A. Fixed assets</b>		
I. Intangible fixed assets		
Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	3,330,455.02	3,874,971.17
II. Tangible fixed assets		
1. Land, land rights and buildings, including buildings on third-party land	1,348,155.72	1,414,188.83
2. Technical equipment and machinery	17,850,997.69	19,663,408.87
3. Other equipment, operating and office equipment	5,668,748.19	5,194,764.69
4. Prepayments and assets under construction	15,107,053.63	15,094,717.67
	<b>39,974,955.23</b>	<b>41,367,080.06</b>
III. Long-term financial assets		
1. Shares in affiliated companies	18,000.00	18,000.00
2. Loans to affiliated companies	35,000.00	29,990.06
3. Shares in associates	19,578,969.31	20,779,548.80
4. Investments	30,348.00	30,348.00
5. Loans to other long-term investees and investors	0.00	81,591.22
6. Long-term securities	10,770.00	2,048,810.00
7. Other loans	2,702,386.79	0.00
	<b>22,375,474.10</b>	<b>22,988,288.08</b>
	<b>65,680,884.35</b>	<b>68,230,339.31</b>
<b>B. Current Assets</b>		
I. Inventories		
1. Raw materials, consumables and supplies	3,387,944.38	3,297,133.67
2. Work in progress	17,216,471.99	18,334,269.24
3. Prepayments	1,408,793.94	0.00
4. Payments received on account of orders	- 20,795,598.99	- 17,184,887.23
	<b>1,217,611.32</b>	<b>4,446,515.68</b>
II. Receivables and other assets		
1. Trade receivables	11,975,161.78	12,571,887.04
2. Receivables from affiliated companies	28,084.59	5,547.36
3. Receivables from other long-term investees and investors	27,966.23	3,951,188.41
4. Other Assets – of which due after more than one year: EUR 628,470.83 (PY: EUR 591,466.80)	13,390,125.39	6,105,621.66
	<b>25,421,337.99</b>	<b>22,634,244.47</b>
III. Securities		
Other securities	1,444,114.00	71,600.00
IV. Cash in hand, bank balances	3,567,340.70	5,862,510.94
	<b>31,650,404.01</b>	<b>33,014,871.09</b>
<b>C. Prepaid Expenses</b>	<b>232,094.41</b>	<b>103,858.77</b>
<b>D. Deferred Tax Assets</b>	<b>123,796.53</b>	<b>101,543.66</b>
	<b>97,687,179.30</b>	<b>101,450,612.83</b>



<b>LIABILITIES</b>	<b>31/12/2013 EUR</b>	<b>31/12/2012 EUR</b>
<b>A. Equity</b>		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury shares	- 4,017.00	- 4,017.00
	<b>5,440,983.00</b>	<b>5,440,983.00</b>
II. Capital reserves	30,502,500.00	30,502,500.00
III. Revenue reserves		
1. Legal reserve	65,729.88	66,418.16
2. Other revenue reserves	116,363.67	95,086.77
IV. Currency translation adjustments	- 95,698.33	125,419.26
V. Net retained profits	26,458,020.24	26,228,963.47
	<b>57,046,915.46</b>	<b>57,018,387.67</b>
VI. Minority interests	3,470,429.58	3,663,871.90
	<b>65,958,328.04</b>	<b>66,123,242.56</b>
<b>B. Provisions</b>		
1. Provisions for pensions	563,388.00	503,523.00
2. Tax provisions	42,007.66	118,630.37
3. Other provisions	1,866,962.76	2,972,325.06
	<b>2,472,358.42</b>	<b>3,594,478.43</b>
<b>C. Liabilities</b>		
1. Liabilities to banks – of which due within one year: EUR 1,332,800.00 (PY: EUR 1,048,966.21)	7,163,442.98	8,049,366.21
2. Trade payables – of which due within one year: EUR 9,183,199.94 (PY: EUR 11,403,726.01)	9,183,199.94	11,403,726.01
3. Liabilities to other long-term investees and investors – of which due within one year: EUR 155,653.83 (PY: EUR 1,561.54)	155,653.83	1,561.54
4. Other liabilities – of which due within one year: EUR 919,816.13 (PY: EUR 752,273.52) – of which due after more than five years: EUR 11,696,843.77 (PY: EUR 11,368,076.64) – of which taxes: EUR 607,047.50 (PY: EUR 408,998.01) – of which social security: EUR 28,020.19 (PY: EUR 25,781.57)	12,616,659.90	12,120,350.16
	<b>29,118,956.65</b>	<b>31,575,003.92</b>
<b>D. Deferred Income</b>	<b>27,536.19</b>	<b>20,387.92</b>
<b>E. Deferred Tax Liabilities</b>	<b>110,000.00</b>	<b>137,500.00</b>
	<b>97,687,179.30</b>	<b>101,450,612.83</b>



## GROUP FIXED ASSETS REPORT

### GROUP FIXED ASSETS REPORT FOR FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

	ACQUISITION COSTS					As at 31/12/2013 EUR
	As at 01/01/2013 EUR	Currency differences EUR	Accruals EUR	Outgoings EUR	Transfers EUR	
I. Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	6,700,783.80	154,227.69	68,085.11	783.14	0.00	6,922,313.46
	<b>6,700,783.80</b>	<b>154,227.69</b>	<b>68,085.11</b>	<b>783.14</b>	<b>0.00</b>	<b>6,922,313.46</b>
II. Tangible fixed assets						
1. Land, land rights and buildings	1,701,613.65	- 2,973.05	10,220.66	0.00	- 14,251.29	1,694,609.97
2. Technical equipment and machinery	27,155,823.62	0.00	72,166.00	0.00	0.00	27,227,989.62
3. Other equipment, operating and office equipment	10,849,502.29	24.75	1,777,660.25	83,544.00	14,251.29	12,557,894.58
4. Prepayments and assets under construction	15,094,717.67	0.00	67,374.30	55,038.34	0.00	15,107,053.63
	<b>54,801,657.23</b>	<b>- 2,948.30</b>	<b>1,927,421.21</b>	<b>138,582.34</b>	<b>0.00</b>	<b>56,587,547.80</b>
III. Long-term financial assets						
1. Shares in affiliated companies	18,000.00	0.00	0.00	0.00	0.00	18,000.00
2. Loans to affiliated companies	29,990.06	0.00	35,000.00	29,990.06	0.00	35,000.00
3. Shares in associates	21,762,735.03	0.00	2,925,711.97	3,757,659.98	10,674.33	20,941,461.35
4. Investments	30,348.00	0.00	0.00	0.00	0.00	30,348.00
5. Loans to other long-term investees and investors	81,591.22	0.00	0.00	2,218.65	0.00	79,372.57
6. Long-term securities	2,125,054.80	0.00	0.00	2,030,000.00	0.00	95,054.80
7. Other loans	0.00	0.00	2,702,386.79	0.00	0.00	2,702,386.79
	<b>24,047,719.11</b>	<b>0.00</b>	<b>5,663,098.76</b>	<b>5,819,868.69</b>	<b>10,674.33</b>	<b>23,901,623.51</b>
	<b>85,550,160.14</b>	<b>151,279.39</b>	<b>7,658,605.08</b>	<b>5,959,234.17</b>	<b>10,674.33</b>	<b>87,411,484.77</b>





DEPRECIATION, AMORTISATION AND WRITE-DOWNS					BOOK VALUES	
As at 01/01/2013 EUR	Currency translation EUR	Accruals EUR	Outgoings EUR	As at 31/12/2013 EUR	As at 31/12/2013 EUR	As at 31/12/2012 EUR
2,825,812.63	0.03	766,045.78	0.00	3,591,858.44	3,330,455.02	3,874,971.17
<b>2,825,812.63</b>	<b>0.03</b>	<b>766,045.78</b>	<b>0.00</b>	<b>3,591,858.44</b>	<b>3,330,455.02</b>	<b>3,874,971.17</b>
287,424.82	0.00	59,029.43	0.00	346,454.25	1,348,155.72	1,414,188.83
7,492,414.75	0.00	1,884,577.18	0.00	9,376,991.93	17,850,997.69	19,663,408.87
5,654,737.60	0.00	1,234,408.79	0.00	6,889,146.39	5,668,748.19	5,194,764.69
0.00	0.00	0.00	0.00	0.00	15,107,053.63	15,094,717.67
<b>13,434,577.17</b>	<b>0.00</b>	<b>3,178,015.40</b>	<b>0.00</b>	<b>16,612,592.57</b>	<b>39,974,955.23</b>	<b>41,367,080.06</b>
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	35,000.00	29,990.06
983,186.23	0.00	590,491.24	211,185.43	1,362,492.04	19,578,969.31	20,779,548.80
0.00	0.00	0.00	0.00	0.00	30,348.00	30,348.00
0.00	0.00	79,372.57	0.00	79,372.57	0.00	81,591.22
76,244.80	0.00	10,440.00	2,400.00	84,284.80	10,770.00	2,048,810.00
0.00	0.00	0.00	0.00	0.00	2,702,386.79	0.00
<b>1,059,431.03</b>	<b>0.00</b>	<b>680,303.81</b>	<b>213,585.43</b>	<b>1,526,149.41</b>	<b>22,375,474.10</b>	<b>22,988,288.08</b>
<b>17,319,820.83</b>	<b>0.03</b>	<b>4,624,364.99</b>	<b>213,585.43</b>	<b>21,730,600.42</b>	<b>65,680,884.35</b>	<b>68,230,339.31</b>



## GROUP EQUITY

### GROUP EQUITY FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

	PARENT COMPANY					
	Subscribed capital EUR	Treasury shares EUR	Capital reserves EUR	Self-Generated Group Equity EUR	Accumulated other Group earnings EUR	Accumulated other Group earnings EUR
					Currency translation adjustments	Other items recognised directly in equity
As at 01/01/2013	5,445,000	- 4,017	30,502,500	22,021,176	125,419	4,369,292
Proceeds from increases in capital						
Changes to investment relationships						
Consolidated net income for the year				229,057		
Other Group earnings					- 221,118	20,589
<b>As at 31/12/2013</b>	<b>5,445,000</b>	<b>- 4,017</b>	<b>30,502,500</b>	<b>22,250,233</b>	<b>- 95,698</b>	<b>4,389,881</b>

	MINORITY SHAREHOLDERS				GROUP EQUITY
Equity EUR	Minority capital EUR	Accumulated other Group earnings EUR	Accumulated other Group earnings EUR	Equity EUR	EUR
		Currency translation adjustments	Other items recognised directly in equity		
62,459,371	3,596,181	63,918	3,773	3,663,872	66,123,243
229,057	- 139,877				
- 200,529		- 53,566		- 139,877	89,180
				- 53,566	- 254,095
<b>62,487,899</b>	<b>3,456,304</b>	<b>10,353</b>	<b>3,773</b>	<b>3,470,430</b>	<b>65,958,328</b>





## CONSOLIDATED CASH FLOW STATEMENT

### CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2013

	2013 EUR	2012 EUR
<b>1. Cash flow from ongoing operating activities</b>		
Result for the year	89,180	1,164,369
Write off of fixed assets	3,944,061	3,804,850
Additions to/retirements of (-) of provisions	- 1,122,120	833,572
Profit (-)/loss from asset retirements	- 35,199	- 228,953
Non-cash revenue (-) and expenditure	529,024	424,959
Increase (-)/decrease in inventories, trade receivables and other assets	- 1,081,192	8,342,679
Increase (-)/decrease in trade payables and other liabilities	- 1,590,476	9,382
<b>Cash flow from ongoing operating activities</b>	<b>733,279</b>	<b>14,350,857</b>
<b>2. Cash flow from investment activities</b>		
Inflows from retirements of fixed assets	160,555	30,794,847
Outflows (-) for investments into intangible and tangible fixed assets	- 1,995,506	- 29,130,691
Outflows (-) for investments into financial assets	- 5,671,554	- 3,082,582
Inflows from retirements of financial assets	5,618,075	0
<b>Cash flow from investment activities</b>	<b>- 1,888,431</b>	<b>- 1,418,426</b>
<b>3. Cash flow from financing activities</b>		
Inflows from share issues	0	3,633,053
Inflows/repayment (-) of financial loans	- 885,923	49,365
<b>Cash flow from financing activities</b>	<b>- 885,923</b>	<b>3,682,417</b>
<b>4. Financial fund at the end of the period</b>		
Net change in cash and cash equivalents (Subtotals 1 - 3)	- 2,041,076	16,614,848
Changes of the financial fund due to effects of exchange rate and consolidated entities	- 254,095	- 14,084,995
Financial fund at the start of the period	5,862,511	3,332,658
<b>Financial fund at the end of the period</b>	<b>3,567,341</b>	<b>5,862,511</b>
<b>5. Composition of the financial fund</b>		
Liquid funds	3,567,341	5,862,511



DALDRUP AG  
BOHRTECHNIK

DALDRUP  
BOHRTECHNIK

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR  
1 JANUARY TO 31 DECEMBER 2013

### 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 recognised directly in equity and allocated to revenue reserves.

Non-consolidated subsidiaries are accounted for using the equity method. Initially, these subsidiaries are recognised at cost. The Group's share of the profits and losses of these companies is recognised in the income statement from the moment of their acquisition. The cumulative changes are offset against the investment value.

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

## 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 2013. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Indirect 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	
MD Drilling GmbH, Grünwald	50.00	
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik/Iceland		100.00
geox GmbH, Landau i. d. Pfalz		40.00
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		42.82
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald		44.08
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 srl, Bozen/Italy and a 20% holding in TOMBELLE – S.R.L., Lana/Italy. During the fiscal year 2013, the share in GeoEnergie Taufkirchen GmbH & Co. KG was reduced from 49.84% to 42.82%, and the share in GeoEnergie Verwaltungs GmbH was reduced from 50.25% to 44.08%.



## FOREIGN CURRENCY TRANSLATION

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

<b>FOREIGN CURRENCY TRANSLATION</b>	Exchange rate EUR 1 =	Average exchange rate for the year as at 31/12/2013	Closing rate as at 31/12/2013
Swiss Franc	CHF	1.2311	1.2276
Icelandic Krona	ISK	161.2903	158.7302
Polish Zloty	PLN	4.1975	4.1543







## ACCOUNTING POLICIES

### ASSETS

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

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 recognised at cost. If the daily values were lower on the balance sheet date, these values have been recognised.

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

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

Cash in hand and bank balances have been recognised 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 recognised.

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 recognised at par value.

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

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

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

Liabilities have been recognised at their settlement amount.

### 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.

## CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

### I. BALANCE SHEET

#### FIXED ASSETS

The statement of changes in fixed assets as at 31/12/2013 has been attached as Appendix 1 to the notes.

Shares in affiliated companies relate to the 100% holding in Daldrup Boortechnik 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, German Commercial Code).

Loans to affiliated companies relate to a loan from Daldrup Bohrtechnik AG, Baar/Switzerland to Daldrup Boortechnik Nederland BV, Bleiswijk/Netherlands (EUR 35k).

Shares in associates totalling EUR 19,579k relate to the following companies:

- a) **MD Drilling GmbH (EUR 1,000k share capital).** The Company has a 50% share 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 31/12/2013 is EUR 2,244k.
- b) **GeoEnergie Taufkirchen GmbH & Co. KG (EUR 37,417k contribution).** The Company has a 42.82% share 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 31/12/2013 is EUR 16,886k. The Company has an indirect 44.08% share in the limited liability company, GeoEnerg Taufkirchen Verwaltungs GmbH (EUR 3k subscribed capital). The carrying amount as at 31/12/2013 is EUR 9k.
- c) **geoX GmbH (EUR 1,200k subscribed capital).** The Company has a 40% share in the share capital; it is included at equity in the consolidated financial statements. geoX GmbH operates a geothermal power plant in Landau i. d. Pfalz. The carrying amount as at 31/12/2013 is EUR 440k.

Investments totalling EUR 30k relate to the following companies:

- a) **Geysir Italy GmbH i.L., Grünwald.** The Company has an indirect 19.91% share in the share capital. The carrying amount as at 31/12/2013 is EUR 26k.
- b) **TOMBELLE – S.R.L., Lana/Italy.** The Company has a 20% share in the share capital. The carrying amount as at 31/12/2013 is EUR 2k.
- c) **Geothermics Italy srl, Bozen/Italy.** The Company has a 20% share in the share capital. The carrying amount as at 31/12/2013 is EUR 2k.

There are a total of EUR 4k loans to mast projects and management SAS.

Long-term securities include long-term financial investments in securities (EUR 11k).

Other loans totalling EUR 2,699k were granted.

#### 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 realised and non-capitalisable costs.



## OTHER ASSETS

<b>OTHER ASSETS AS AT 31/12/2013 IN EURK</b>				
Designation	Total amount	due within one year	due after more than one year	Total amount in previous year
1. Claims for damages against clients/ suppliers	1,405	1,405	0	2,534
2. Insurance compensation	6,660	6,660	0	0
3. Claims from reinsurance cover	588	0	588	534
4. Tax receivables	2,227	2,227	0	649
5. Drilling contracts that have not yet been billed	2,000	2,000	0	2,000
6. Other	510	469	41	389
<b>Total of other assets</b>	<b>13,390</b>	<b>12,761</b>	<b>629</b>	<b>6,106</b>

### 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 124k).

### SECURITIES

Securities held as current assets contain short-term financial investments in securities (EUR 1,444k).

### 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). Authorised capital as at 31/12/2013 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 (German Stock Corporation Act) amounts to EUR 66k.

### **OTHER REVENUE RESERVES**

Other revenue reserves amount to EUR 116k.

### **CONSOLIDATED NET RETAINED PROFITS**

Consolidated net retained profits developed as follows:

• Retained income as at 1 January	EUR 26,229k
• Consolidated net income	EUR 89k
• Minority interests	EUR 140k
• Net retained profits	EUR 26,458k

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 16,983k as at 31/12/2013.

The total amount subject to restriction on distribution pursuant to Section 268(8) of the HGB is EUR 124k. This amount is due to the capitalisation 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 4.88% p.a., published by the Deutsche Bundesbank as at the balance sheet date of 31/12/2013, 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 42k. (previous year: EUR 119k)



## OTHER PROVISIONS

<b>STATEMENT OF PROVISIONS AS AT 31/12/2013 IN EURK</b>					
Designation	01/01/2013	Utilisation	Closing	Transfer	31/12/2013
Personnel provisions	758	750	7	824	825
Global provision for warranties	190	0	0	37	227
Other provisions	2,024	1,778	67	636	815
<b>Total other provisions</b>	<b>2,972</b>	<b>2,528</b>	<b>74</b>	<b>1,497</b>	<b>1,867</b>

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

Other provisions were recognised for outstanding invoices, litigation costs, audit of annual financial statements, archiving costs etc.

## LIABILITIES

<b>STATEMENT OF LIABILITIES AS AT 31/12/2013 IN EURK</b>					
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	7,163	1,496	5,331	336	8,049
Trade payables	9,183	9,183	0	0	11,404
Liabilities to minority shareholders	11,697	0	0	11,697	11,423
Liabilities to affiliated companies	155	155	0	0	2
Other liabilities	920	920	0	0	697
	<b>29,119</b>	<b>11,754</b>	<b>5,331</b>	<b>12,033</b>	<b>31,575</b>

**Liabilities to banks** essentially include WGZ BANK AG (EUR 3,500k) and Sparkasse Westmünsterland (EUR 3,500k), which have been collateralized by assignment of a drilling rig as security.

**Other liabilities** contain liabilities from wages and salaries (EUR 244k), liabilities from wage and church tax (EUR 101k), VAT liabilities (EUR 363k) and other liabilities (EUR 212k).

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 60,826k (previous year: EUR 22,690k) was composed of EUR 40,705k (corresponding to 66.92%) at home (previous year: EUR 13,466k/59.35%) and EUR 20,121k (33.08%) abroad (previous year: EUR 9,224k/40.65%). 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 45,202k (corresponding to 75.48%) at home (previous year: EUR 22,048k/48.57%) and EUR 14,685k (24.52%) abroad (previous year: EUR 23,347k/51.43%).

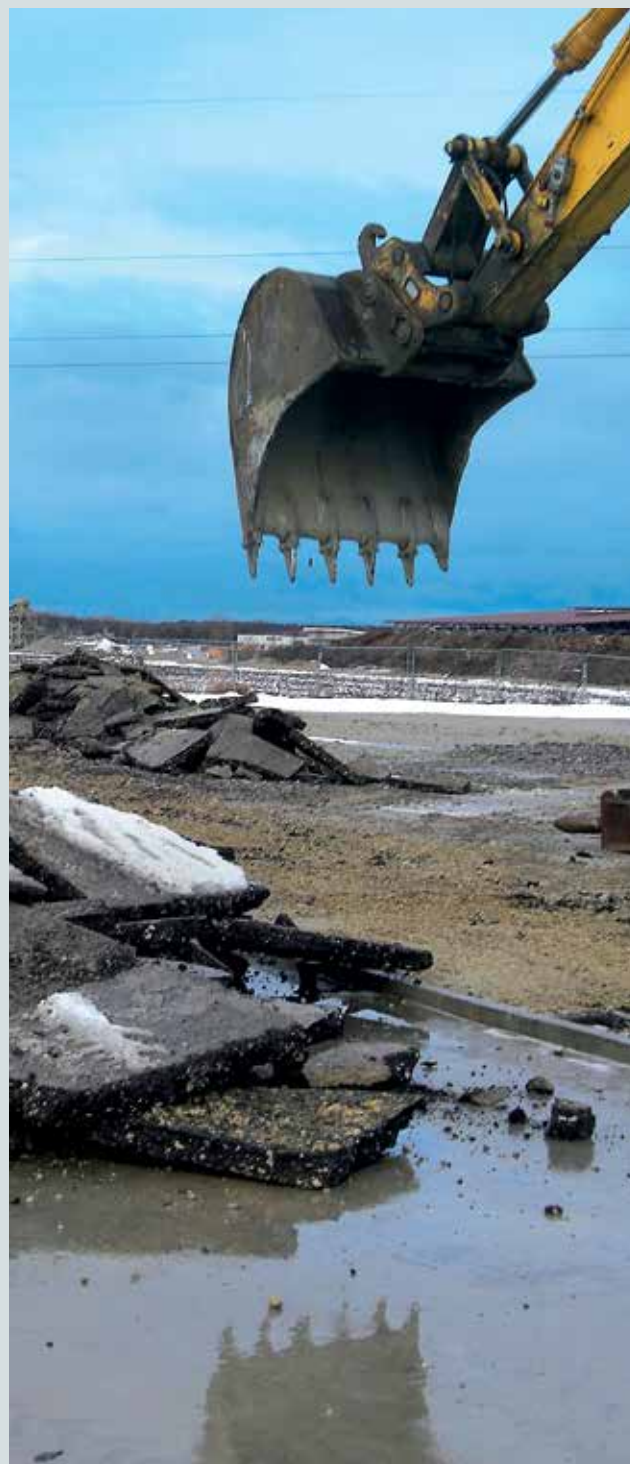
Other operating income (EUR 12,914k) breaks down as follows:

• Insurance compensation:	EUR 8,027k
• Heat sold:	EUR 1,280k
• Sales of turbines:	EUR 1,971k
• Other:	EUR 1,636k
<b>Total:</b>	<b>EUR 12,914k</b>

Other operating expenses (EUR 14,165k) are broken down as follows:

• Construction site costs:	EUR 2,480k
• Rent for movable property:	EUR 1,411k
• Advertising and travel:	EUR 1,283k
• Bad debt losses:	EUR 1,276k
• Insurance policies and contributions:	EUR 1,136k
• Residue and waste disposal:	EUR 836k
• Legal and consultancy fees:	EUR 774k
• Car costs:	EUR 650k
• Occupancy costs:	EUR 665k
• Construction site fuels:	EUR 690k
• Repairs and maintenance work:	EUR 451k
• Other:	EUR 2,513k
<b>Total:</b>	<b>EUR 14,165k</b>

The amortisation 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 has other financial obligations arising from rental and lease agreements totalling EUR 372k. Of these, EUR 233k are liabilities due within one year, and the remaining EUR 139k are due within one to five years.

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 TOS-CANA GEO S.r.l. Of these, EUR 43k are liabilities due within one year, and the remaining EUR 20k are due within one to five years.

#### CONTINGENT LIABILITIES

Daldrup & Söhne AG has an obligation, as a joint debtor of a **fixed liability guarantee** in the amount of EUR 1,000,000.00, to the Thuringian Ministry for Agriculture, Nature Conservation and Environment. The purpose of this guarantee, which expires on 31/12/2017, 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.

In order to finance the drilling rig (Bentec Euro Rig 450 t type) together with equipment for the 50%-owned affiliated company MD Drilling GmbH, Grünwald, the Company issued a **guarantee obligation** payable on first demand from UniCredit Bank Czech Republic totalling EUR 8.5 million on 15 October 2012. The maximum risk incurred by Daldrup & Söhne AG as at 31/12/2013 based on repayments that have already been made is still EUR 5.2 million.

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 million to ensure that the Group companies Geysir Europe GmbH and Exorka GmbH fulfil their obligations to Axpo AG and GeoEnergie Taufkirchen GmbH & Co. KG to finance the Taufkirchen project from a share purchase and transfer agreement participating in capital increases and a general contractor agreement. 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 9.6 million.

In view of the sound project management (planning, financing, implementation, component suppliers etc.) and project progress, a claim is unlikely to be made by Daldrup & Söhne AG 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 2,457,131.00 and EUR 996,437.00, respectively, and to carry out the projects on time in line with planning and the grant regulations. 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), registered office in 46238 Bottrop
- "2. BA Phoenix See Los B 4" consortium (company under civil law), registered office in 50858 Cologne
- "Bohrungen Aspern-Essling, Wien" 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
- "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 2013 is EUR 48k (of which EUR 3k subsequently for 2012), plus EUR 2k for other services.



## OTHER MANDATORY DISCLOSURES

### NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

<b>Name:</b>	<b>Function, occupation</b>
Josef Daldrup:	CEO
Dipl.-Geologe Peter Maaserwerd:	Member of the Management Board and holder of a master's degree in geology (COO)
Andreas Tönies:	Member of the Management Board (COO)
Curd Bems (as of 15/03/2013):	Member of the Management Board (CFO)

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

<b>Name, Function:</b>	<b>Administrative, Management or Supervisory Board appointments or partner positions</b>
Wolfgang Clement, German Federal Minister (ret.) Chairman of the Supervisory Board	Member of the Supervisory Boards of the following companies: <ul style="list-style-type: none"><li>• RWE Power AG, Essen</li><li>• Landau Media Monitoring AG &amp; Co. KG, Berlin</li><li>• DIS AG, Düsseldorf</li><li>• Deutsche Wohnen AG, Berlin</li><li>• Member of the Foundation Board at the Peter Dussmann Foundation and Chair of Supervisory Board of Dussmann Stiftung &amp; Co. KGaA, Berlin</li></ul>
Dipl.-Ing. Wolfgang Quecke: Member of the Supervisory Board:	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"><li>• Member of the Management Board of Rudimo AG, Marl</li><li>• Managing Director of "terra-concept GmbH", Marl</li><li>• Managing Director of Ewald Solar GmbH, Marl</li><li>• Managing Director of Ewald Energie GmbH &amp; Co. KG, Marl</li></ul>
Joachim Rumstadt: Member of the Supervisory Board:	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"><li>• Chairman of the Management Board, STEAG GmbH, Essen</li><li>• Member of the Supervisory Board, RAG AG / RAG Deutsche Steinkohle AG, Herne</li><li>• Chairman of the Supervisory Board, STEAG Power Saar GmbH, Saarbrücken</li><li>• Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen</li><li>• Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken</li><li>• Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey</li></ul>









#### 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 2013 amounted to EUR 1,171k.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2013 amounted to EUR 60k.

The total remuneration paid to the Management Board for its work in fiscal year 2013 amounted to EUR 28k.

There is a clearing account with the Chairman of the Management Board, Josef Daldrup, which shows a receivable of EUR 1k as at 31/12/2013. 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:

GROUPS OF STAFF	2013	2012
Waged employees	129	112
Salaried employees	20	21
Persons in minor employment	3	5
<b>Total</b>	<b>152</b>	<b>138</b>


Grünwald, 15 May 2014

#### Daldrup & Söhne AG

The Management Board




Josef Daldrup  
(CEO)



Peter Maasewerd  
(Management Board)



Andreas Tönies  
(Management Board)



Curd Bems  
(CFO)

On the annual financial statements, comprising the balance sheet, the profit and loss account and the notes to the annual financial statements, and on the management report of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the financial year 01 January to 31 December 2013, which have been prepared in German language, we have issued an unqualified audit opinion in German language in accordance with section 322 HGB. The translation of the auditor's opinion in English language is as follows:

### TRANSLATION OF THE AUDITOR'S OPINION ON THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the annual financial statements – together with the bookkeeping system and the management report of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the financial year from 01 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of association are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB [German Commercial Code] 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 materially affecting the presentation of the net assets, financial position and results of operations in the annual 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 company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the financial year from 01 January to 31 December 2013 comply with legal requirements and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting of Daldrup & Söhne Aktiengesellschaft, Grünwald. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 15 May 2014

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

Häger  
German Public Auditor

Carstens  
German Public Auditor

## FISCAL CALENDAR for Daldrup & Söhne AG

- 30 May 2014:** Consolidated Financial Statements as at 31/12/2013 and Annual Report 2013
- 24 July 2014:** Annual General Meeting 2014, Munich
- 30 September 2014:** Semi-Annual Consolidated Financial Statements as at 30/06/2014 and Semi-Annual Report 2014

## INVESTOR RELATIONS Contact

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## IMPRINT

### Headquarters

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[info@daldrup.eu](mailto:info@daldrup.eu)

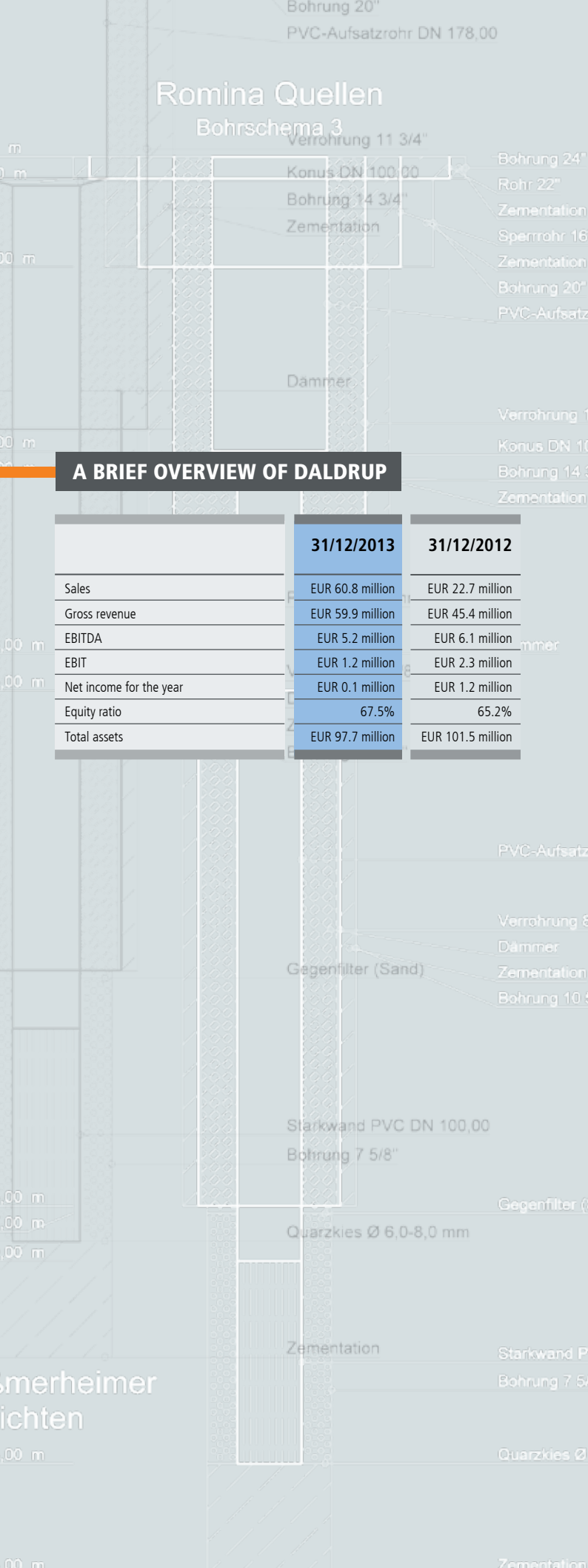
This Annual Report is also available in an online version at [www.daldrup.eu](http://www.daldrup.eu).

### Design and Setting

DESIGNRAUSCH Kommunikationsdesign, Herten | Susanne Frisch  
[www.designrausch.eu](http://www.designrausch.eu)

# Romina Quellen

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### A BRIEF OVERVIEW OF DALDRUP

	31/12/2013	31/12/2012
Sales	EUR 60.8 million	EUR 22.7 million
Gross revenue	EUR 59.9 million	EUR 45.4 million
EBITDA	EUR 5.2 million	EUR 6.1 million
EBIT	EUR 1.2 million	EUR 2.3 million
Net income for the year	EUR 0.1 million	EUR 1.2 million
Equity ratio	67.5%	65.2%
Total assets	EUR 97.7 million	EUR 101.5 million

