

2017



B o h r t e c h n i k

SHARE INFORMATION

ISIN: DE0007830572

WKN: 783057

Exchange segment: Open Market, Scale of the Frankfurt Stock Exchange

Ticker Symbol: 4DS

Fiscal Year End: 31 December

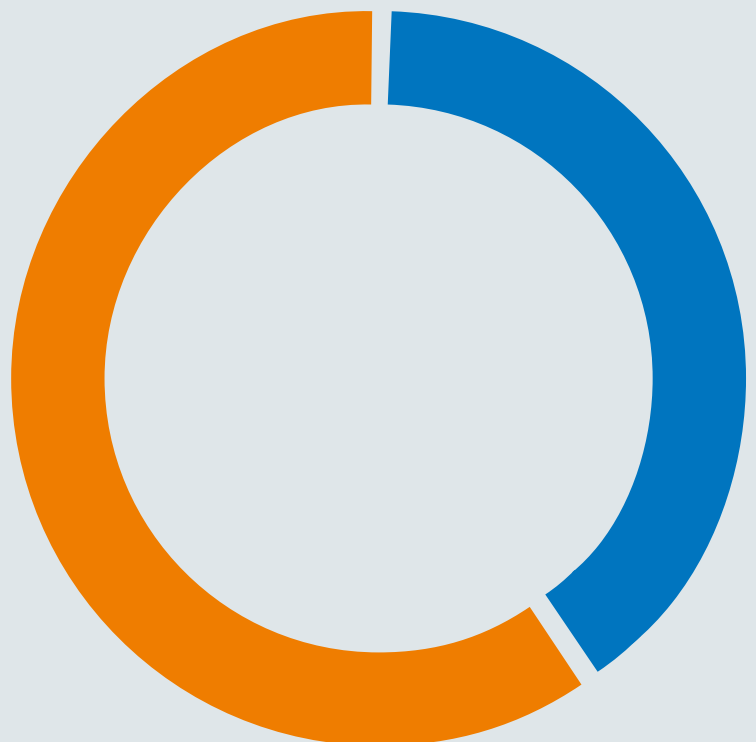
SHAREHOLDER STRUCTURE AS AT 15 MARCH 2018

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

Josef Daldrup	5.17 %
Karl Daldrup	16.06 %
Bernd Daldrup	16.20 %
Thomas Daldrup	16.24 %
Michaela Daldrup	5.21 %
Free Float	41.12 %

DALDRUP FAMILY: 58.88 %

FREE FLOAT: 41.12 %





GROUP MANAGEMENT REPORT for Fiscal Year 2017

- 06 A. Company – Business Activities, Competitive Position and Environment
- 22 B. Results of Operations, Net Assets and Financial Position
- 28 C. Non-Financial Performance Indicators
- 30 D. Risk and Opportunities Report
- 36 E. Forecast Report
- 41 F. Disclosures relating to Treasury Shares Pursuant to Section 160(1)
No. 2 of the German Stock Corporation Act (AktG)
- 41 G. Management Board's Concluding Statement on the Dependent
Company Report

CONSOLIDATED FINANCIAL STATEMENTS for Fiscal Year 2017

- 44 Consolidated Income Statement
- 46 Consolidated Balance Sheet
- 48 Group Equity Statement
- 50 Consolidated Cash Flow Statement
- 52 Notes to the Consolidated Financial Statements

AUDITOR'S OPINION

- 75 Fiscal Calendar
Investor Relations Contact
Imprint



GROUP MANAGEMENT REPORT for Fiscal Year 2017

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

- 06 1. Group Structure and Business Activities
- 12 2. Market and Competition
- 18 3. Strategy, Objectives and Company Management
- 18 4. Long-term Equity Investments and Strategic Partnerships
- 19 5. Research and Development
- 21 6. Overview of Business Development

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

- 22 1. Results of Operations
- 24 2. Net Assets
- 27 3. Financial Position
- 28 4. Overall Assertion in Respect of the Economic Position

28 C. NON-FINANCIAL PERFORMANCE INDICATORS

30 D. RISK AND OPPORTUNITIES REPORT

- 30 1. Strategic Risks
- 30 2. Business Risks
- 32 3. General Economic Risks
- 33 4. Technological Risks
- 33 5. Legal Risks
- 33 6. Regulatory and Political Risks
- 35 7. Opportunities Report
- 35 8. Overall statement on the Risk and Opportunity Situation

36 E. FORECAST REPORT

- 36 1. Future Corporate Strategy
- 37 2. Future Economic Environment
- 40 3. Expected Results of Operations and Financial Position

41 F. DISCLOSURES RELATING TO TREASURY SHARES PURSUANT TO SECTION 160(1) NO. 2 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

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



GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

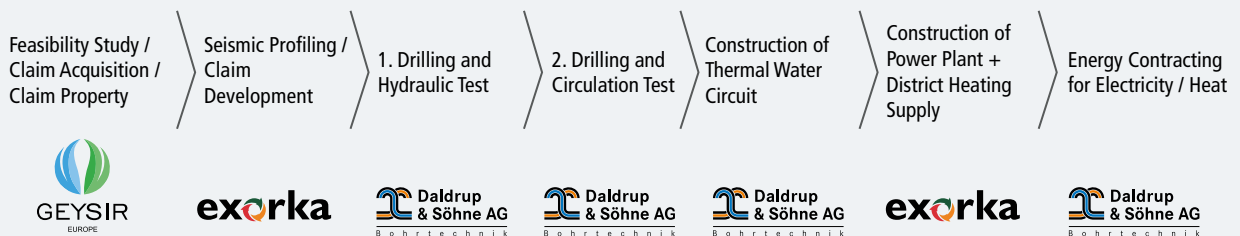
A. COMPANY – BUSINESS ACTIVITIES, COMPETITIVE POSITION AND ENVIRONMENT

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, through its Group companies, 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, Daldrup Group now occupies all positions in the value chain for geothermal projects. It holds permits for the exploration of geothermal energy in a particular area (claims), develops the claims through to drill readiness, executes the drillings, designs and constructs the power plants and takes care of energy contracting and power plant operations.

VALUE CHAIN OF A DEEP GEOTHERMAL ENERGY PROJECT



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

PROVIDER OF DRILLING SERVICES



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

Geothermal Energy

Water Procurement

Raw Materials & Exploration

EDS

GEOHERMAL PROJECT DEVELOPER & IPP¹

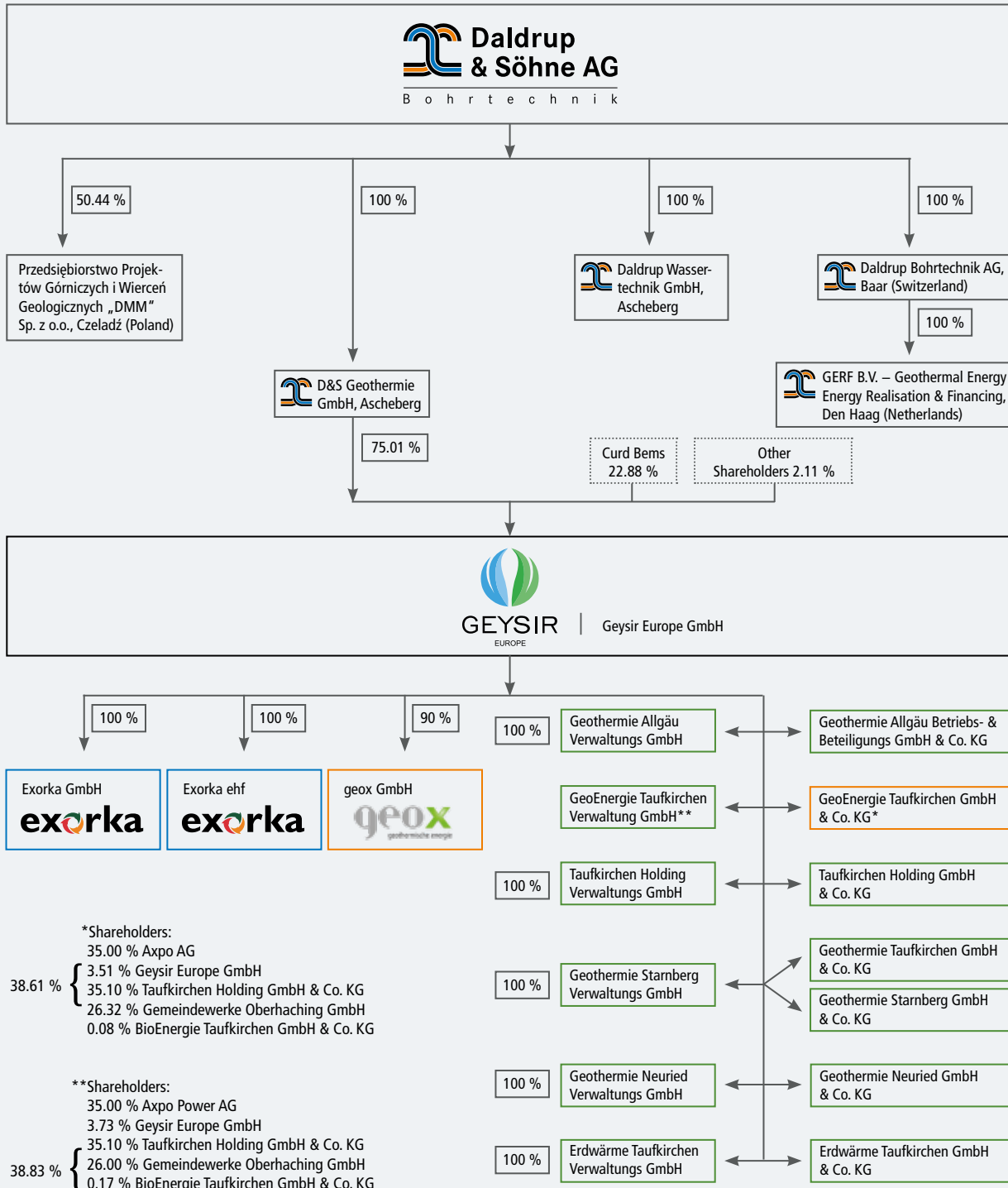


- The Company's own exploration rights (claims) for the active implementation of its own deep geothermal projects regarding electricity and heat generation
- Worldwide licence to use Kalina Power Cycle Technology and exclusive rights to use it in Germany
- The Daldrup Group combines the expertise of the entire value chain for a deep geothermal energy project

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

¹IPP = Independent Power Producer

GROUP STRUCTURE AS AT 31/12/2017





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

The services of the Daldrup Group are provided by two Group divisions. One group division comprises the activities of Daldrup & Söhne AG with its direct equity investments. The second division groups the activities of Geysir Europe GmbH and its direct subsidiaries. The Geysir-Europe Group forms a subgroup within the Daldrup Group.

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

Geothermal Energy

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 6,000 metres so that the geothermal energy that then becomes accessible can be used for electricity and/or heat generation.

Geothermics is becoming increasingly important globally in terms of 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. High enthalpy deposits are 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, however, such as Germany and its neighbouring countries, deeper wells and processes called binary power plant circulation processes are used to generate electricity from geothermal energy.



The direct use of geothermal energy for heating and cooling also offers very profitable opportunities. These include, for example, in the housing industry both new construction projects and the energy-efficient building renovation as well as commercial applications of heat consumption such as in greenhouses, fish farms, drying processes, etc. Reservoirs with thermal water temperatures that are lower than 110 °C and that generally require drilling depths of between 1,000 and 3,000 metres can be used in this manner. In addition to this, during the last few years in Germany the regulatory framework to promote the use of heat from renewable energy sources has continued to be extended and improved.

By measures which include the National Energy Efficiency Action Plan (NAPE) and the Buildings' Energy Efficiency Strategy (ESG), designed to enhance and strengthen existing laws and measures such as the Renewable Energies Heat Act (EEWärmeG), the Market Incentive Programme (MAP) and the Energy Saving Ordinance (EnEV). Further details of this can be found in Chapter 2, "Market and Competition".

The main focus of the Daldrup & Söhne AG German operations is currently in the Bavarian Molasse basin around Munich, the Upper Rhine Rift Valley, and at a later stage, in the North German Plain. During the 2017 fiscal year international activities particularly focussed on the Netherlands, Belgium, Switzerland and Poland. Daldrup & Söhne AG's activities across Europe shall focus in future on sites with especially good geothermal energy potential and corresponding sales opportunities for electricity and heat. Deep wells down to a depth of 6,000 metres represent a challenge for both employees and technology. Daldrup & Söhne AG has successfully drilled more than 10.000 wells in various geological formations during the course of the Company's history, including the sinking of over 50 wells for deep geothermal projects. The Geothermal Energy business unit achieved a 50.3 % share of the Daldrup Group revenue for 2017 (previous year: 52.7 %).

The Daldrup Group alternative risk transfer concept

Together with well-known partners of the insurance industry Daldrup & Söhne AG has recently developed a so-called Alternative Risk Transfer structure to hedge the exploration risks inherent in the preparation of deep geothermal projects. It outlines a unique, integrated insurance model which ensures that geothermal drilling and energy projects can be noticeably facilitated and financed at an early stage with a high degree of leverage. In addition to hedging exploration risks this structure comes with the added side effect of significantly reducing the equity requirements of the client at the scouting stage. For project developers and investors this therefore means that geothermal wells – including the initial well which entails the highest exploration risk – can be financed by way of bank loans right from the outset. Daldrup acts neither as a financier nor as an insurer. The exploration risks are borne by third parties. The ART concept has proven to be an important instrument of customer and project acquisition in Central Europe.

Raw Materials & Exploration

In the Raw Materials & Exploration business unit, Daldrup & Söhne AG carries out drilling operations on behalf of national and international mining companies for the 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. The share of the Daldrup Group revenue generated in 2017 by this business unit amounted to 21.5 % (previous year: 38.7 %).



Water Procurement

The Water Procurement business unit represents the entrepreneurial origins of Daldrup & Söhne AG. It includes drilling wells to obtain drinking water, process water, thermal and mineral water, boiler feedwater and cooling water as well as thermal brine. Alongside the actual drilling, Water Procurement also uses a number of special 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 therefore be of major importance in future: The water distribution networks of the industrialised nations are often dilapidated. A large proportion of the world's population has no access to supplies of drinking water and drink waste water that has been inadequately treated. The Water Procurement business unit represented 16.5 % (previous year: 1.0 %) of the Daldrup Group revenue for 2017.

EDS

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 contributed a 11.7 % (previous year: 7.6 %) share to the Group revenue generated during the 2017 fiscal year.

In addition to the planning and construction of geothermal power plant projects, the second division also handles their operation:

Taufkirchen geothermal power plant

The Group launched its first geothermal power plant project in Taufkirchen, near Munich. The thermal water well system was successfully created in 2012 with a thermal capacity of approx. 38 MW. Since the end of 2015, heat directed from the new plant has been fed into the district heating networks of the customers. First component and cycle tests were successfully completed in the first quarter of 2018, and electricity from the power plant was fed into the public grid. After successful trial operation, the transfer of the power generation unit to regular operation is planned for the second half of 2018 after delivery and installation of a second heat exchanger. The installed capacity of the geothermal cogeneration plant will total approximately 38 MW for thermal energy and about 4.3 MW for electricity under regular operation.

Landau in der Pfalz geothermal power plant

The second geothermal power plant project was opened by Daldrup in August 2013 with an initial stake of 40 % in the existing geothermal power plant Landau in the Palatinate. In 2015 and 2017 the power plant was extensively adapted to the current technical standard in terms of safety and economical operation in coordination with the authorities. In the fourth quarter of 2017, geox GmbH began trial operation of the power plant. The power plant operation runs with very satisfactory results. Daldrup is aiming for the transition of the power plant into regular operation in 2018. Following the termination of legal disputes with Pfalzwerke Aktiengesellschaft, the Daldrup Group now holds 90 % of the shares in geox GmbH as of the end of the 2017 fiscal year. At Group level, Daldrup & Söhne AG holds 67.51 % (previously: 30.0 %) of the shares in the geothermal power plant in Landau. In addition, the parties have agreed on an option for Geysir Europe to purchase the remaining 10 % of the shares in the company. The power plant, equipped with ORC technology has a capacity of max. 3.6 MW for electricity and max. 7 MW for thermal energy.

Neuried geothermal power plant

Daldrup & Söhne AG continues to stick to its plan to build the Neuried geothermal power plant. The power plant is planned to have an output of 1.95 MWe. Heat can also be provided to supply local industry or residential property if required. The Geysir Europe GmbH had already received an approval for the execution of geothermal drilling, which was countered with a law suit by the city of Kehl. In the first quarter of 2017, the Administrative Court dismissed the lawsuit against the state of Baden-Württemberg against the mining law approval of the main operating plan for the four planned geothermal wells. However, due to this lawsuit filed with the Freiburg Administrative Court, the development of the project did not make much progress until 2017. The temporary approvals granted in the course of the intervening lawsuit will be re-applied for and examined in a new procedure. The State Office for Geology, Raw Materials and Mining in the regional council of Freiburg has opened the participation process with a term until 5 June 2018. This procedure relates to the request for further granting of the exploration permit in the Neuried area. Subsequent applications for extension of the so-called operational plans will be issued. Daldrup expects to receive the decision on this at some point in 2018.

Geothermal heating plant Puchheim

Together with the city of Puchheim near Munich, the Daldrup Group plans to build a heating plant with a thermal output of around 4.5 MW, which can be ideally integrated into the existing infrastructure of the energy supply. The permitted field is geologically also in the Bavarian Molasse basin. The expected water temperatures between 80 and 85 °C are well suited for heat recovery. A supply contract was concluded with Bayernwerk Natur. The project is beneficial for the municipality of Puchheim, as alternative sources of energy such as hydroelectricity and wind power can only be expanded to a limited extent due to the natural conditions on site. At its meeting on 23 April 2018, the city council of Puchheim allowed both a referendum and a council proposal for geothermal energy.

The experience derived from the four business units have consistently resulted in refinement of drilling know-hows and the training of young and new employees. In addition, employment fluctuations in the operation of major installations can be absorbed by staff pooling. An average of 147 employees were employed by the Daldrup Group in 2017 (previous year: 143). In addition to this, other companies made up to about 40 further employees available to Daldrup & Söhne AG on a flexible basis.



2. MARKET AND COMPETITION

Daldrup & Söhne AG has an unconditionally solid market and competitive position in all its business areas due to its long-standing market presence, its extensive planning and execution expertise, as well as flexibility due to being a medium-sized company, possession of licensing areas and its high substance. The Group has numerous reference sites in continental Europe with drilling depths of up to 6,000 metres.

High technical, financial and regulatory/administrative barriers to market entry as well as the limited availability of qualified drilling capacity by companies with sufficient experience with geothermal drilling and the limited amount of drilling rights in Germany all underline the good position of Daldrup & Söhne AG. In addition, the Company has a healthy order book in all business units, which guarantees capacity utilisation and planning security well into the 2019 fiscal year.

Geothermal energy is a renewable energy source that can be used on a continual basis, compared to wind and solar energy that have fluctuating availability. Therefore, according to the Federal Ministry for Economic Affairs and Energy (BMWi) in Germany, it has an important role to play as part of a renewable energy mix in order to cover the basic requirements and gaps in energy supply. Overall, geothermal energy use has significant potential which can theoretically be used to cover the German energy needs many times over. Currently, power generation by means of deep geothermal energy is even more expensive than comparable renewable energy sources.

Through the Renewable Energy Sources Act (EEG), the German Federal Government continues to promote geothermal plants for the generation of electricity. The EEG offers a great deal of planning and investment security by offering fixed tariffs to be paid for a period of 20 years. There is an entitlement to feed-in tariffs or sponsored direct marketing for the electricity generated and with respect to the relevant grid operator (power supply company) or the direct marketing company. This is enshrined in the Renewable Energy Sources Act (EEG) 2017. Moreover, the geothermal industry remains exempt from the tendering procedure intended for wind and solar projects. The feed-in tariffs for electricity will be at 25.2 cent/kWh for the next 20 years for plants that have been approved under mining law by 31/12/2019 and put into operation by 31/12/2022. The production of deep geothermal energy units to generate electricity and/or heat also receives additional support through the German Market Incentive Programme. Research funding also plays an important part in the deep geothermal energy sector. For additional information on this, please refer to chapter 5, "Research and Development".

Electricity production from deep geothermal energy is still a relatively young niche market in Germany. The efficient supply of electricity can be generated with temperatures in excess of 110 °C. In practice, two technical power plant processes are used: the Kalina technology and the ORC technology. According to the German Federal Geothermal Association (BVG), deep geothermal power plants in Germany have an installed output of 34.8 MW. There are currently 36 deep geothermal power plants in operation, the vast majority of which are hydrothermal. In addition to the electrical output they generate a thermal capacity of 315.4 MW. A further 32 deep geothermal energy projects are currently under way or in the planning stages. Unlike deep geothermal energy, near-surface geothermal energy (drilling depth below 400 m) has already achieved greater market penetration. The BVG estimates that 370,000 units (e.g. geothermal energy probes or collectors in conjunction with heat pumps) are in operation and provide approximately 4,300 MW. In 2017, 23,000 units were installed. For Germany, the BVG anticipates an installed geothermal heat output of deep and near-surface geothermal energy of approximately 4,600 MW.



The importance of geothermal energy for heat supply and power generation is increasing worldwide. According to surveys by IRENA at the end of 2016 amounted to 12.7 GW worldwide (previous year: 11.8 GW). This represents an increase of 26 % compared to 2010. The largest increase in geothermal output was mainly due to countries in high-enthalpy regions such as Kenya (+ 485 MW), Turkey (+ 150 MW), Indonesia (+ 95 MW) and Italy (+ 55 MW). With thermal power, geothermal plants with a total of 70,270 MW are installed worldwide. Projects in the Benelux countries and Germany in particular offered the Daldrup Group a number of attractive business opportunities in the reporting year.

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

The German government is committed to the move towards alternative energy. The last nuclear power plant will be removed from the grid in Germany in 2022 and CO₂ emissions must be reduced by at least 50 % (base year 1990) by 2030. The share in renewable energy in terms of German gross electricity consumption showed a significant increase in 2017 to 36.2 % (2016: 31.7 %). At 217.9 billion kWh the generation of electricity from renewable energy sources was significantly higher compared to the previous year (189.7 billion kWh). The reason for

the increase was the strong expansion of power generation capacities, especially in wind energy, and the better wind conditions than in 2016, when wind conditions were rather poor. The number of hours of sunshine in Germany was higher than in 2016. Renewable energy has thus maintained its status as one of the most important sources of electricity. However, further dynamic growth and a conducive market environment are both necessary if the target of 40 % to 45 % of gross electricity consumption is to be met by 2025. The importance of generating electricity from geothermal energy in Germany remains low, but tends to increase as illustrated in the table of installed capacity.

INSTALLED CAPACITY FOR ELECTRICITY GENERATION FROM GEOTHERMAL ENERGY IN GERMANY

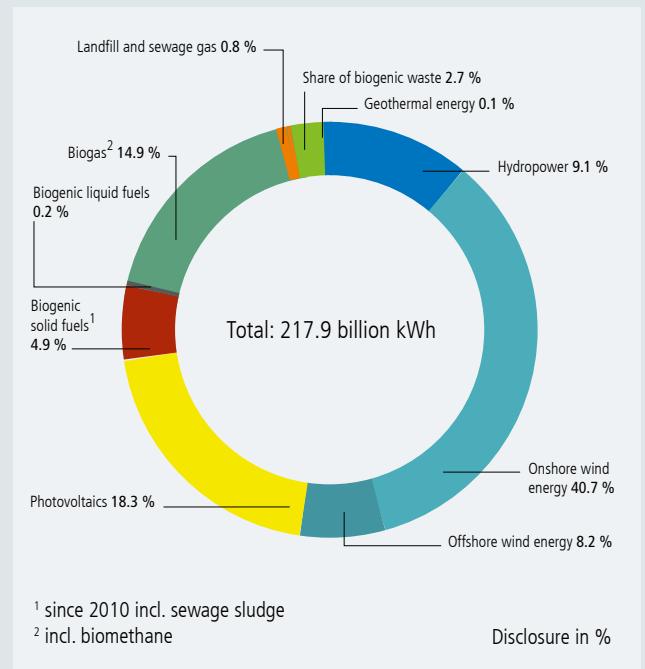
YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MW	0	3	3	8	8	8	19	30	33	34	39	39

Source: Renewable energy sources in Germany, data on the development in 2017, Federal Environment Agency, February 2018

According to the German Federal Environment Agency, however, there was a slight decline in electricity production from geothermal heat by around 10 % from 175 million kWh to 155 million kWh in 2017 compared to 2016. The share of geothermal energy in gross electricity consumption (based on total gross electricity consumption in 2016: 599.9 kWh, 2017: 602.6 kWh) of renewable energies remained unchanged at around 0.03 %.



POWER GENERATION FROM RENEWABLE ENERGIES IN GERMANY 2017

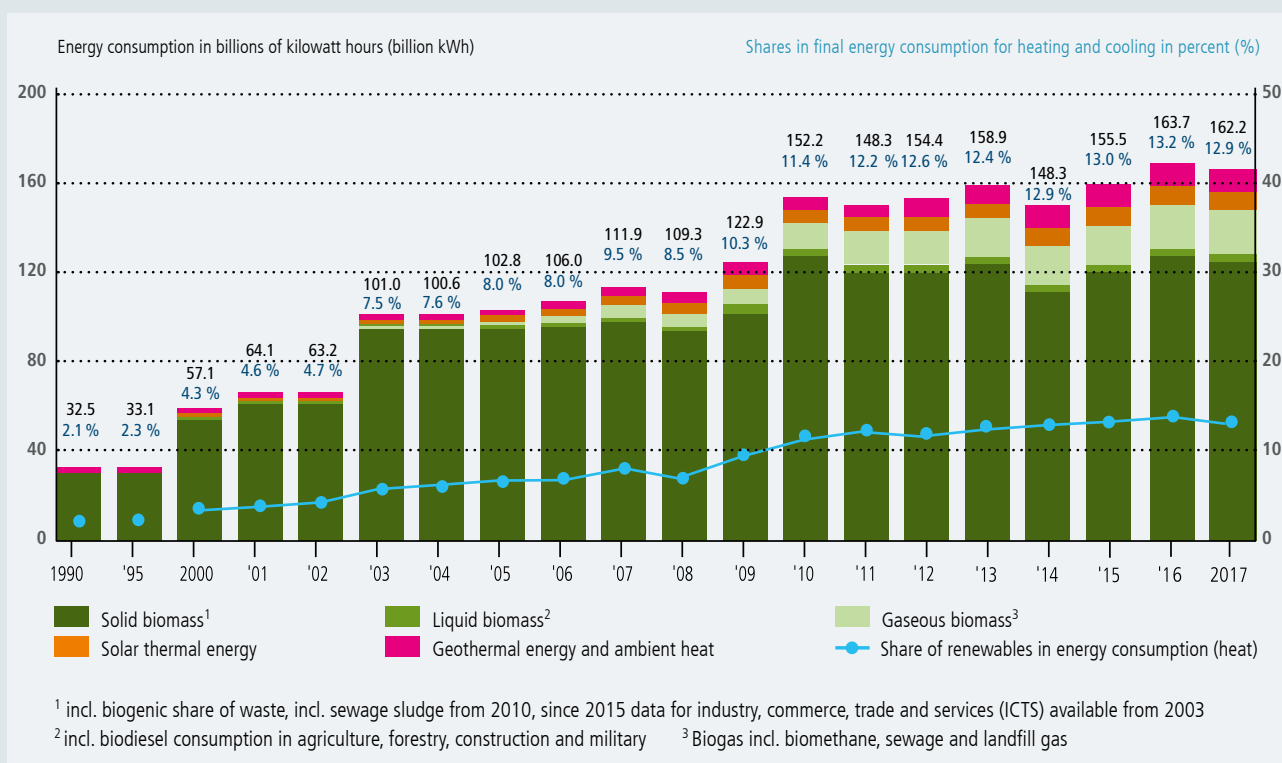


Source: Renewable energy sources in Germany, data on the development in 2017, Federal Environment Agency, February 2018

Heat has the highest impact in Germany in terms of energy consumption. According to the German Federal Environment Agency, around 50 % of the total final energy consumption (electricity, heating, mobility) is used for generating heat. It is used in many ways, for space heating/air-conditioning, for hot water and process heat/refrigeration.



ENERGY CONSUMPTION FOR HEAT FROM RENEWABLE ENERGIES 1990 - 2017 IN BILLION KWH IN GERMANY



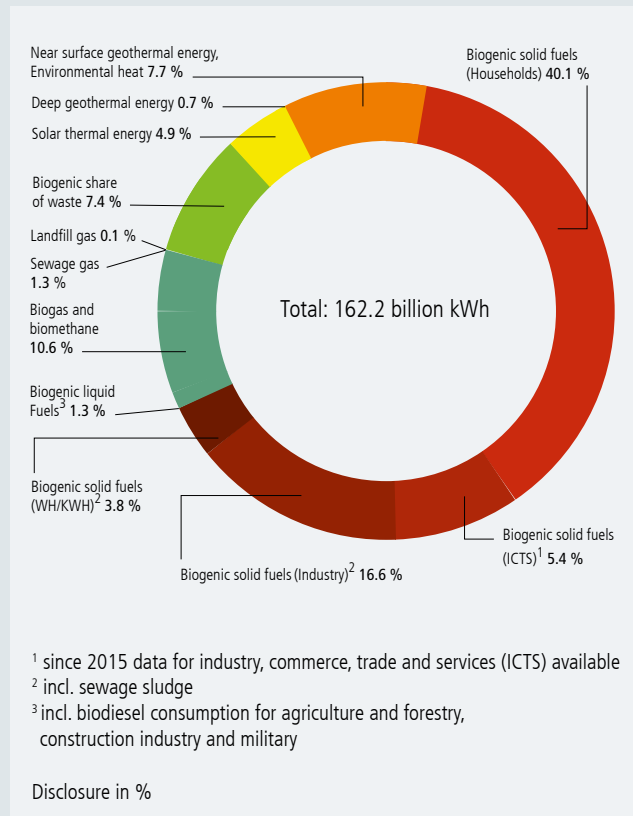
Source: Renewable energy sources in Germany, data on the development in 2017, Federal Environment Agency, February 2018

The final energy consumption for heat from renewable energies decreased by around 0.9 % to 162.2 billion kWh in 2017 (previous year: 163.7 billion kWh). On the other hand, according to initial estimates of the Working Group on Renewable Energies-Statistics (AGEE-Stat), total energy consumption for heating and cooling increased by around 2 % compared to 2016 (1,236 billion kWh) to 1,262 billion kWh due to good economic developments. As a result, the share of renewable heat fell by 0.3 percentage points to 12.9 % and has thus been stagnating at a more or less constant level for several years. 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 German Federal Government. From geothermal energy sources (deep geothermal energy, near-surface geothermal energy and ambient heat), a total of 13,613 GWh (previous year: 12,565 GWh) of heat was used in 2017, which represents an increase of 8.3 %. In terms of total heat consumption from renewable energy sources, the share of geothermal energy is slightly higher than the previous year at 8.4 % (previous year: 7.7 %).



FINAL ENERGY CONSUMPTION FOR HEAT FROM RENEWABLE ENERGY SOURCES IN GERMANY IN 2017



Source: Renewable energy sources in Germany, data on the development in 2017, Federal Environment Agency, February 2018



3. STRATEGY, OBJECTIVES AND COMPANY MANAGEMENT

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

Daldrup & Söhne AG wants to grow sustainably and intends to expand its leading market position in Germany and Europe as an experienced drilling technology specialist. In line with the current strategy, the company is now also engaged in geothermal power plant projects to generate constant revenue from supplying the grid and the sale of heat and electricity through feed-in tariffs and/or direct marketing premiums of the EEG. The two objectives are closely linked strategically. 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. Through this investment Daldrup acquired both geothermal expertise along the value chain and claims for geothermal development.

4. LONG-TERM EQUITY 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 Group 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 from the forecast growth in the market/sector.

Daldrup Bohrtechnik AG, Baar (Switzerland)

Daldrup Bohrtechnik AG operates independently within the interesting Swiss market. In addition to wells for the exploration of geothermal energy, special wells, for example, for brine production and depth storage discovery are of particular interest. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

GERF – Geothermal Energy Realisation and Financing B.V., Den Haag (NL)

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

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

Daldrup & Söhne AG holds 50.44 % 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 operates within larger exploration projects of the hard coal mining industry and has established itself in the Polish market, including for flat geothermal and exploratory 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 vast majority of company employees thus largely work for Daldrup & Söhne AG.

D&S Geothermie GmbH, Grünwald

The main investment activities of Daldrup & Söhne AG are combined together as 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 company trades under the Exorka brand. The regional geothermal projects in their different development phases and the licences are grouped together in the existing subsidiaries.

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.

BMW i supports the geothermal energy research projects through the sixth energy research programme which was renewed at the end of 2014. The development of exploration methods to facilitate the selection of suitable locations is a focus for research funding for the BMW i. In view of the high costs of the drilling, the BMW i feels that the risk of the inability to find a suitable water reservoir or rock which is sufficiently hot should be minimised. A reduction in the exploration risk would then also make the technology more attractive to investors. In 2016, the BMW i approved a total of 22 new geothermal projects with a funding volume of around EUR 19.6 million. In addition to the newly approved projects, another EUR 12.5 million went into ongoing research projects.

The Daldrup Group continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermal energy/EGS in future. Daldrup actively pursues research and development, for example in the area of modularised power plants.

Daldrup & Söhne AG received from the Leibniz Institute of Applied Geophysics (LIAG) within the context of the "Dolomitluft" research project a research-supporting assignment for almost one million euros in the fiscal year. The aim of the research project is to explore the high temperature ranges in the geological layers. This project was successfully completed in 2017.



6. OVERVIEW OF BUSINESS DEVELOPMENT

In its economic forecast published in March 2018, the Kiel Institute for World Economy (IfW) anticipated a vigorous economic recovery for the euro area in 2017. It was driven by external stimulus and the increase in value creation in the manufacturing and construction sectors. All in all the upswing is set to continue in the euro area and the economy will continue to be supported by low interest rates and a slightly expansionary fiscal policy. The economic experts assume a growth of 2.5 % in the 2017 gross domestic product (previous year: 1.8 %).

According to the economic experts of the IfW in March 2018, the economic situation in Germany has continued to improve significantly overall during the reporting period. The upswing is diverse. The upturn was driven by building investments, rising new orders in industry and private consumption. Investment gained increasing importance due to continued favourable financing conditions. German exports performed well satisfactorily thanks to the good economic situation in the European and international markets. In addition, the financing conditions remained very favourable. For 2017, the Kiel experts anticipate a GDP growth in Germany of 2.2 % (previous year: 1.9 %).

DEMAND FOR GEOTHERMAL ENERGY IS AGAIN ON THE UP

In Germany the geothermal project environment continued to improve during the reporting year. This was mainly due to the fact that economic conditions are expected to remain stable for the foreseeable following the passing of the EEG 2017. What this means for investors is that planning and legal security are guaranteed for the next few years. Particularly in respect of the typically lengthy implementation periods for geothermal projects, there must be no doubt for investors that the remuneration provided for by current law shall also apply during the commissioning of a plant. The feed-in tariffs for geothermal electricity will remain at 25.2 cent/kWh for plants that have been approved under mining law by 31/12/2019 and put into operation by 31/12/2022. The eligibility period remains unchanged at 20 years and the feed-in tariffs will start to decline from 2021 onwards. Moreover, the geothermal industry remains exempt from the usual tendering procedure intended for wind and solar projects.

This framework and generally positive experiences have also indirectly contributed to a greater willingness of banks to make financing available for projects. Also, major infrastructure investors are showing an interest in power plant projects which they can acquire on a turnkey basis from Daldrup & Söhne AG. Particularly in the region around Munich, there is increased demand from municipalities. These municipalities rely on climate-friendly, decentralised energy supply based on local resources. The usual lengthy tendering and authorisation procedures for drilling projects typical in this industry were performance-limiting factors in the drilling and project business in 2017.

In the context of this continued demand revival, the Daldrup Group managed to achieve revenues of EUR 24.8 million (previous year: EUR 31.1 million) and a gross revenue of EUR 43.0 million (previous year: EUR 39.5 million) during the 2017 fiscal year.

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

• Geothermal Energy:	EUR 12.4 million	(50.3 %)
• Raw Materials & Exploration:	EUR 5.3 million	(21.5 %)
• Water Procurement:	EUR 4.1 million	(16.5 %)
• EDS:	EUR 2.9 million	(11.7 %)

Revenues of 85 % (previous year: 45 %) were achieved in Germany in 2017, together with revenues of 15 % (previous year: 55 %) abroad (the Netherlands, Belgium, Poland, Switzerland). The order book in the area of drilling rigs for shallow and medium-depth drilling in Germany, Poland and Switzerland was well distributed over the fiscal year. Deep geothermal wells were initiated and/or drilled by Daldrup in Germany, the Netherlands and Belgium.



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	2017 EUR k	2016 EUR k
Sales	24,758	31,137
Gross revenue	43,044	39,458
Other operating income and tax refunds	2,378	8,673
Cost of materials	21,804	24,586
Personnel expenses	8,507	7,617
Amortisation of intangible fixed assets and depreciation of property, plant, and equipment	3,604	3,605
Other operating expenses	10,367	11,372
EBITDA	4,743	4,557
EBIT	1,139	951

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 after 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, so that due to the long-term project progression, only the key figure "gross revenue" provides a complete picture of the Group's performance within the year under review.

The gross revenue generated during the 2017 fiscal year consists of sales revenues amounting to EUR 24.8 million (previous year: EUR 31.1 million) and increases in inventories amounting to EUR 18.3 million (previous year: EUR 8.3 million). The stockpile of inventories results from drilling projects not yet finished and thus finally settled during the fiscal year 2017. These include in particular the drilling site construction for the six geothermal wells for the Munich municipal utilities and the third geothermal well for customer Vito in Belgium.

Other operating expenses including refunds of other taxes amount to EUR 2.4 million (previous year: EUR 8.7 million). They essentially consist of the liquidation of "Bad Will" of geox GmbH, one-off income from currency translations, income unrelated to the accounting period and income from claims against suppliers and insurance compensation.

The cost of materials with a traditionally high proportion of services purchased from third-party companies (for example, borehole measurements, directional drilling services, flush drilling services and outsourced personnel services) fell to EUR 21.8 million during the reporting period (previous year, EUR 24.6 million), since some services for major projects were already drawn in the previous year. Based on the overall performance, the gross revenue amounted to 49.3 % (previous year: 37.7 %). The cost of purchased services totalling EUR 8.4 million decreased compared to the same period of the previous year (EUR 16.7 million). Essentially, those are external services of subcontractors and services for repairs as well as construction services.

The personnel costs for the Group increased in the reporting year from EUR 7.6 million during the previous year to EUR 8.5 million. The main reason for this was a recruitment push in the context of the growing order backlog and the continuously high capacity utilisation. The average Group headcount in fiscal year 2017 rose to 147 employees (previous year: 143 employees).

Other operating expenses dropped slightly to EUR 10.4 million (previous year: EUR 11.4 million). The costs include items such as the hire of necessary drilling equipment, residue and waste disposal, insurance premiums (especially to hedge the exploration risk), consultancy costs as part of the planning for the geothermal power plant, travel expenses and logistics costs incurred as a result of the mobilisation and demobilisation of drilling rigs and bad debt losses. Please see the Notes to the Consolidated Financial Statements for further details.

Scheduled depreciation in the amount of EUR 3.6 million (previous year: EUR 3.6 million) includes depreciation on drilling rigs and the vehicle fleet. The deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

Group earnings before interest, income taxes (EBIT) for Daldrup & Söhne AG totalled EUR 1.1 million (previous year: EUR 1.0 million). This results in an EBIT margin in relation to the gross revenue (percentage of EBIT to overall performance) of 2.6 % (previous year: 2.4 %).

The financial result comes to EUR -1.1 million (previous year: EUR -0.7 million) and mainly includes income from deposits and lending, partially offset by interest expense on loans and the utilisation of overdraft facilities with banks and affiliated companies as well as expenses from the equity valuation of the associated companies.

Group earnings after tax for the fiscal year 2017 are EUR 20k (previous year: EUR 152k).

SUBGROUP EARNINGS in EUR k	2017	2016
Daldrup & Söhne AG	479	2,809
Daldrup Bohrtechnik AG, Switzerland	503	156
Daldrup Wassertechnik GmbH	7	16
"DMM" Sp. z o.o., Poland	- 50	93
D&S Geothermie GmbH	45	41
GERF BV, Netherlands	- 229	- 411
Geysir Europe GmbH (subgroup)	- 1,065	- 1,429
Consolidating Entries	330	- 1,123
Group Earnings	20	152

Due to the continuously stable order situation and the high capacity utilisation of personnel and machinery, the Daldrup Group achieved gross revenues of EUR 43.0 million, exceeding the projected target of EUR 40 million in the 2017 fiscal year. At 2.6 % the Group achieved EBIT within the targeted range of 2 % to 5 % with the EBIT result increasing by approximately 20 % compared to the previous year.



2. NET ASSETS

OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP

ASSETS	31/12/2017 EUR k	31/12/2016 EUR k
A. Fixed Assets		
I. Intangible fixed assets	692	1,347
II. Property, plant and equipment	35,845	24,580
III. Financial assets	23,021	23,387
B. Current Assets		
I. Inventories	22,583	17,001
II. Receivables and other assets	17,834	24,107
III. Liquid funds	1,464	755
C. Prepaid Expenses	44	48
D. Deferred Tax Assets	232	158
Balance Sheet Total	101,716	91,384



LIABILITIES	31/12/2017 EUR k	31/12/2016 EUR k
A. Equity	46,105	46,057
I. Subscribed capital	5,441	5,441
II. Reserves	30,792	30,792
III. Equity difference from currency translation	- 1,175	- 1,181
IV. Consolidated net retained profits	11,106	10,877
V. Minority interests	- 59	128
B. Special items for grants	121	0
C. Provisions	6,216	3,180
D. Liabilities		
I. Liabilities to banks	14,523	8,618
II. Trade payables	8,483	7,889
III. Other liabilities	25,446	25,597
E. Deferred Income	15	16
F. Deferred Tax Liabilities	807	28
Balance Sheet Total	101,716	91,384



The total assets of the Daldrup Group amounted to EUR 101.7 million as at the balance sheet date 31/12/2017. This represents a balance sheet extension of 11.3 % compared to the previous year. The change in the Group's balance sheet was mainly due to the first-time consolidation of the business activities of geox GmbH, the operating and holding company of the Landau power plant, since the Daldrup Group now indirectly holds 67.51 % of the shares in the company.

Fixed assets amounting to EUR 59.6 million (previous year: EUR 49.3 million) consist of intangible assets of EUR 0.7 million (previous year: EUR 1.3 million), which essentially represent the value of the permits for the exploration of geothermal energy (claims) in a particular area in the respective stage of development (including seismic profiling) and the Kalina licence. 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 the use of Kalina Power Cycle Technology, and the exclusive rights to its use in Germany.

Land and building structures for business purposes and directly related to drilling and power plant projects, amount to EUR 1.8 million (previous year: EUR 0.9 million) and are recognised as tangible assets. The increase in the balance sheet item "technical equipment and machinery" to EUR 22.7 million (previous year: EUR 12.3 million) is directly related to the first-time consolidation of the geothermal power plant of geox GmbH in Landau. In addition, this item includes the inventory of drilling rigs and the operational fleet. The necessary operating and office equipment which is subject to scheduled depreciation, amounts to EUR 2.8 million (previous year: EUR 3.2 million). In addition to this, payments totalling EUR 8.6 million were made for assets under construction (previous year, EUR 8.1 million).

The long-term financial assets totalling EUR 23.0 million (previous year: EUR 23.4 million) include shares in associated companies in the almost unchanged amount of EUR 21.9 million. These mainly include the indirect 38.61 % stake in GeoEnergie Taufkirchen GmbH & Co. KG. The activities of geox GmbH are fully consolidated in the consolidated financial statements. Details are explained in the notes and in the analysis of the assets. The investment in GeoEnergie Taufkirchen GmbH & Co. KG is included in the consolidated financial statements using the equity method.

In Current Assets, the value of raw materials, consumables and supplies totalling EUR 3.1 million (previous year: EUR 3.1 million) corresponds to the inventory required for the operation of a drilling business. In view of suppliers' ability and readiness to deliver, it is not necessary to hold a larger inventory. Services in progress, measured in accordance with business prudence, represent a value of EUR 81.2 million (previous year: EUR 62.9 million) on the balance sheet date. The increase primarily stems from works on the Taufkirchen power plant (EUR 51.1 million) and geothermal project construction sites/drilling rigs in Belgium, the Netherlands, Switzerland and Germany that have not yet received a final invoice. Drilling contract services in progress are measured by means of reverse costing from the order value, taking into account the degree of completion on the balance sheet date and a flat-rate deduction of 12.5 % for the share of profit not yet realised and non-capitalisable costs. Work in progress from power plant construction is the result of incurred production costs. Payments received in the amount of EUR 67.4 million (previous year: EUR 56.0 million) were thus deducted from the unfinished orders on the face of the balance sheet.

The receivables portfolio fell significantly from EUR 24.1 million in the previous year to EUR 17.8 million. While trade receivables were at EUR 1.7 million below the level of the previous year (EUR 4.9 million), receivables against companies in which an interest is held decreased by EUR 0.2 million to EUR 3.7 million. They are composed of receivables from GeoEnergie Taufkirchen GmbH & Co. KG (EUR 0.2 million). Other assets totalling EUR 14.4 million (previous year, EUR 15.6 million) mainly include tax and loan claims, repayment claims for advance payments made, as well as insurance compensation, claims against suppliers and supplements against associated companies.

Liquid funds (cash in hand/bank) are EUR 1.5 million as at the reporting date (previous year: EUR 0.8 million). The Daldrup Group companies were solvent at all times throughout the fiscal year. In addition, there were free credit lines available from well-known banks.

Equity in the Daldrup Group as at 31/12/2017 is EUR 46.1 million (previous year: EUR 46.1 million) and the equity ratio on the reporting date was 45.3 % (previous year: 50.4 %).

Obligations that are regarded as fixed, for example for warranties in accordance with the business prudence concept, have been taken into account when recognising provisions for pensions (EUR 0.9 million) and other provisions (EUR 5.3 million).



The increase in liabilities of around 14 % to EUR 48.5 million results primarily from higher trade payables brought about by an increase in business activity during the reporting year as well as higher liabilities to banks. They rose to EUR 14.5 million (previous year: EUR 8.6 million). In addition to the scheduled loan repayments for a drill rig, this item also includes existing repayment loans from geox GmbH totalling EUR 2.3 million for the first time. The loans are secured by the transfer of ownership of a drilling rig or, as is customary for these types of bank transactions, by all project-related assets of a project company. In addition, there are covenants rules for the promissory note. For the sureties and guarantees customary in the industry and as a potential liquidity reserve, there are sufficient credit lines with international insurance

companies and cash and credit lines with local and pan-European banks.

On the reporting date, the loans to the banks amount to a total of EUR 3.6 million (previous year: EUR 3.0 million). The existing overdraft facilities were utilised on the balance sheet date with EUR 10.9 million. Other liabilities totalling EUR 25.4 million (previous year: EUR 25.3 million) result from current wage and tax liabilities, social security contributions, and also exist towards other shareholders of Geysir Europe GmbH in the amount of EUR 12.8 million as well as a promissory note loan for the Taufkirchen power plant project for EUR 9.8 million from a pension fund.

3. FINANCIAL POSITION

Daldrup & Söhne AG manages the operating liquidity of the Group and, if necessary, provides the Group companies with sufficient liquidity.

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

CASH FLOW STATEMENT	2017 EUR k	2016 EUR k
Group annual net income	20	152
Depreciation, amortisation and write-downs	3,604	3,605
Other changes in cash from operating activities (balance)	6,273	- 103
Cash flow from ongoing operating activities	9,897	3,654
Cash inflows and outflows from investing activities	- 13,151	- 1,130
Net cash provided by financing activity	- 1,298	- 2,304
Change in cash and cash equivalents	- 4,552	220
Change in cash and cash equivalents due to effects of exchange rates and the consolidated entities	25	- 664
Cash and cash equivalents 01/01/2017	- 4,861	- 4,417
Cash and cash equivalents 31/12/2017	- 9,388	- 4,861

Cash and cash equivalents comprise combined liquid funds (EUR 1.5 million) less current account liabilities (EUR 10.9 million).

The cash outflow from investing activities is due to the first-time consolidation of geox activities in 2017. The cash outflow from financing activities results from the scheduled repayment of bank loans and promissory note loans and the interest paid on loans and current account claims.

Extensive, preparatory work for large-scale projects in the "Deep Geothermal Energy" business area required high monetary advance payments from the Daldrup Group in fiscal year 2017. Financing and guarantee lines at German banks and insurance companies totalling EUR 36.0 million were available as of the balance sheet date to finance this operating resources requirement, to cushion liquidity peaks and guarantee positions. For some of the lines, improvements in terms of utilisation conditions were made in the course of 2017. The financial solvency of Daldrup Group was assured at all times in the course of fiscal year 2017.

In fiscal year 2018, the Group anticipates regular sales revenues from the aforementioned orders and initial revenues from electricity production of the Taufkirchen geothermal power plant well into fiscal year 2019. The Group also expects constant liquidity inflows from the general drilling business as well as from the electricity production of the power plant in Landau. In addition, the capital increase, which was successfully implemented at the beginning of fiscal year 2018, will increase the Group's liquidity by a net EUR 6.1 million and enable further development of the Puchheim and Neuried projects. On this basis, the solvency of the Daldrup Group is guaranteed beyond the fiscal year 2018.

At the beginning of 2018, a further 35 % of the shares in GeoEnergie Taufkirchen GmbH & Co. KG were acquired from Axpo Power AG. This share purchase was financed on a long-term basis via a loan with a new financing partner at the Geothermie Taufkirchen GmbH & Co. KG level. This loan is projected to be repaid from the proceeds of the power plant operation until 2032. In addition, the Daldrup Group has a keen interest in financing requests from well-known investors who wish to participate in geothermal projects in the medium and long term.

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

Already at the beginning of the reporting period, the order book of the Daldrup Group was showing a significant improvement compared with the previous year both for deep geothermal projects in Germany, the Netherlands and Belgium, as well as for the business units Water Procurement, Raw Materials & Exploration and EDS. This trend continued during the fiscal year.

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 regulatory situation and overall economic development within the target markets of Germany, Austria, Switzerland, the Benelux countries and Poland. The company's Management Board assesses the economic development as satisfactory based on the economic environment.

C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to maintain high standards of health, safety and environmental protection. Daldrup attaches greatest importance to the fact that all employees and companies that undertake activities on behalf of Daldrup & Söhne AG are familiar with and adhere to the standards, laws and regulations of safety, health protection and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG ensures that these standards are implemented effectively.

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

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success and customer satisfaction. SCC certification (SCC: Safety Certificate for Contractors) is therefore as much a matter of course as the performance and regular revision of quality management in accordance with DIN ISO 9001.



D. RISK AND OPPORTUNITIES REPORT

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

1. STRATEGIC RISKS

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

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

In the Taufkirchen geothermal power plant project, the full commissioning of power generation may continue to be delayed due to technical problems, resulting among other things in possible penalties being incurred. The financial requirements could rise in the time up until completion. Delays occurring in projects could result in lower than planned revenues from electricity sales also.

The Landau geothermal power plant could remain in the status of trial operation for a longer time due to regulatory requirements. This could result in reduced capacity utilisation and lower sales and earnings contributions from electricity sales to the Group.

2. BUSINESS RISKS

There are basically five threat or risk areas that may be associated with deep boreholes and the project business:

A. SUBSOIL RISK

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

B. ORDINARY OPERATING RISKS

The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption can be insured. The Group is covered for personal injury, material and environmental damage 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, which Daldrup regularly uses.

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.



C. RISK OF UNSUCCESSFUL EXPLORATION ASSOCIATED WITH A DRILLING PROJECT

Special policies from insurance consortia now cover the risk of a deep borehole being unsuccessful as part of the ART concept. The parameters for successful exploration here are defined unambiguously with the quantity of fill, the temperature and the lowering of the static water level. In assessing the insurance risk, the insurability and the level of premiums for a project, the experience and references of the drilling company commissioned and the likelihood of a strike as confirmed by external reports all play a critical role. Geothermal projects planned, drilled and implemented by the Daldrup Group have regularly been commercially insurable. The ART concept reduces the exploration risk for our customers and makes it easier for Daldrup & Söhne AG to grow in the niche. Whether corresponding insurance cover has been chosen is ultimately at the discretion of the project sponsor in each case.

D. PROCUREMENT RISKS

Up to this point in time, the procurement of equipment technology, raw materials, consumables and supplies, and the procurement of external services have not had a negative impact on the Daldrup Group's performance process. There are different contractor and supplier emphases in all business units given the favourable purchasing conditions and qualities, which are subject to regular monitoring by the quality management system. Under the risk-based approach to supplier management, procurement risks are being kept low through the diversification of business partners and spreading of groups of suppliers and contractors. Daldrup has identified and implemented new challenges into its systems through the further expansion of the vertical and horizontal value chain. There continue to be no special supplier dependencies to report.

E. PERMIT RISKS

Every extraction plant and well for the exploration and extraction of natural resources, whether for geothermal energy, water extraction or raw materials exploration, is subject to comprehensive preliminary approval procedures carried out by the competent supervisory authorities. The granting of approvals for the various types of extraction wells and plants, e.g. for the construction and/or operation of a power plant, is subject to the Federal Mining Act (BBergG), the Excavation Act, the provisions of the Federal Water Act (WHG), as well as regional water laws and construction planning and building regulations. The resulting requirements imposed on the Daldrup Group are regularly updated (see section C above) and agreed on by the regional councils, federal state authorities for geology and mining and the water supply agencies. Approval procedures can be costly and lengthy and can result in project delays. With decades of experience in dealing with the authorities, the Daldrup Group is well-versed in the requirements specifications for the approval documents. Continuous dialogue with the different authorities across the entire project phase and close, solutions-oriented coordination help us to achieve a quick consensus and avoid lengthy delays.

The existing and functional insurance concepts cover the main risks.



3. GENERAL ECONOMIC RISKS

COMPETITIVE RISKS

New, lucrative and growing markets are attracting additional market players. The efforts of companies in related sectors to enter the geothermal energy market are distinctly visible in spite of high barriers to market entry. The Daldrup Group's high degree of specialisation, the numerous reference sites, the fact that it has been well known for a number of years and its market position as well as the stock market listing give it an important competitive advantage.

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

PERSONNEL RISKS

The Daldrup Group employs key personnel across all Group divisions (e.g. project managers, engineers and experienced drill operators), whose long-standing contacts and specialist knowledge are important for the success of the Company. The loss of key employees – e.g. due to being enticed away 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 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.

ECONOMIC RISKS/USE OF FINANCIAL INSTRUMENTS

Foreign currency risks are avoided as far as possible by using the EURO as the basis for contract and price negotiations. Currency/exchange rate hedging instruments such as forward exchange contracts and currency option contracts are used for planned orders and procurements in foreign currencies (mainly the Swiss franc and US dollar in 2017). The

Daldrup Group enters into these derivative transactions only with banks that have a very good credit rating. Despite the use of such financial instruments, negative effects can not be completely ruled out.

No speculative interest, currency and/or commodity transactions exist at present and none are planned. On the reporting date there were no derivative financial instruments.

If required, the Group avails itself of the practice, customary in international business, of using guarantees and letters of credit to hedge credit rating, payment and delivery risks. The clients are required to provide guarantees wherever possible in order to limit any damage due to default of payment. Therefore, Daldrup & Söhne AG holds corresponding credit lines with banks and insurance companies.

In terms of suppliers, a non-delivery can result in project delays and increased costs. The Group counters this risk with a generally broad selection of possible alternative suppliers and monitoring the critical components within the production process, such as by means of quality assurance measures and checking the production process.

As part of a project financing, a subsidiary has contractually agreed to comply with standard key financial figures and ratios. Due to the delayed commissioning of a power plant as of the balance sheet date, these were not met in parts. For the theoretical possibility of premature termination of this loan agreement by the lender, the subsidiary has taken precautionary measures in such a way that credit funds of the same amount are available as an alternative by another financing partner with comparable terms, so that the Management Board of Daldrup & Söhne AG has no concerns about the continued existence of the subsidiary.

Similar to the sovereign debt or financial crisis in the years 2007 to 2009, a renewed discussion on the creditworthiness of euro zone countries could lead to limited financial readiness of credit institutions and overall complicate the implementation of numerous geothermal drilling projects, since these then increasingly compete with higher-yielding investment forms. This could give rise to impediments to growth for the geothermal market.



4. TECHNOLOGICAL RISKS

The drilling technology used is state of the art and is not subject to rapid technological change, meaning therefore that there is no specific risk potential. The Kalina power plant technology used in particular in the geothermal 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.

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

5. 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 regularly entrusted with the task of representing the interests of the Daldrup Group. In active processes there is a risk that claims brought before the court will not be enforceable and value adjustments would thus be required.

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

Civic initiatives and requests as well as opponents to technology can influence policies significantly. This can be disadvantageous during the licensing procedure and may result in having to involve the courts which will clearly delay measures.

The Company has taken out a D&O insurance for the members of the management board and the supervisory board in order to provide a recourse where appropriate, if there are breaches of stock exchange rules or other breaches. From 2021, the feed-in regulations are expected to change for geothermal electricity (EEG 2017) and the industry-wide learning curve will be compensate for this. However, there is always the threat of disadvantages to the Company due to legal changes.

6. REGULATORY AND POLITICAL RISKS

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

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

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

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





7. OPPORTUNITIES REPORT

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

As for Germany subsidies are being awarded not only for generating electricity but also for heating and cooling superstructures, whether as new construction projects or as part of energy-efficient building renovation. During the last few years in Germany the regulatory framework to promote the use of heat from renewable energy sources has continued to be extended and improved. A central target of the German government is to achieve an almost climate-neutral building stock by 2050. As early as 2020, 14 % of end energy consumption for heating and cooling is expected to come from renewable energies.

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

8. OVERALL STATEMENT ON THE RISK AND OPPORTUNITY SITUATION

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



E. FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

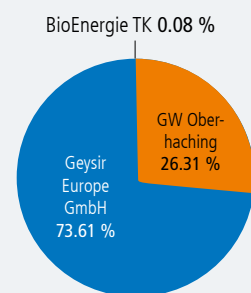
The Daldrup Group completes the strategic development from a drilling services provider to a fully integrated geothermal group with its own power plant holdings. The Group is expanding its national and European market position as a complete supplier of geothermal power plant projects as planned. This development requires the consistent realignment of the Group's internal structures as well as the control and monitoring mechanisms. The necessary personnel and organisational adjustments relate primarily to the area of finance and controlling. The identified measures were started in the fiscal year 2017 and will continue as planned in 2018.

With the completion and commissioning of the geothermal power plants Taufkirchen and Landau, which are foreseeable from today's perspective, Daldrup & Söhne AG will be able to indirectly participate in the proceeds from the sale of electricity and heat from the operating companies through its 75.01 % stake in Geysir Europe GmbH. At the end of 2017, Daldrup significantly increased the participation leverage in Landau, and at the beginning of 2018 in Taufkirchen.

Geysir Europe GmbH has taken over its 50 % stake in the power plant of Pfalzwerke AG, Ludwigshafen, after the legal dispute. Thus Geysir Europe GmbH holds 90 % of the shares in the power station and operating company geox GmbH (previously 40 %). Daldrup & Söhne AG thus indirectly increased its shareholding in the geothermal power plant in Landau to 67.51 % (previously 30.0 %).

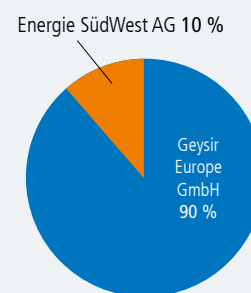
The Geysir Europe Group has also acquired 35 % of the shares of Axpo Power AG, Baden, Switzerland, in the project company of the geothermal power plant Taufkirchen, GeoEnergie Taufkirchen GmbH & Co. KG. However, the acquisition of shares will not affect the balance sheet until fiscal year 2018. Daldrup & Söhne AG thus indirectly increased its shareholding in the geothermal power plant in Landau to 55.21 % (previously 28.96 %).

PROJECT COMPANY GEOENERGIE TAUFKIRCHEN GMBH & CO. KG



Indirect share
Daldrup & Söhne AG: 55.21 %

OPERATING COMPANY GEOX GMBH



Indirect share
Daldrup & Söhne AG: 67.51 %

The two increases in indirect power plant investments are in line with the strategy and thus another milestone in the further development of the Daldrup Group into an independent, medium-sized energy supplier. Additional geothermal power plant projects in the Bavarian Molasse basin and in the Upper Rhine Rift are already being developed.

In the first quarter of 2018, the GeoEnergie Taufkirchen GmbH & Co. KG Group started producing electricity as part of the system and test operation. With the weather-related decline in district heating production, the electricity production plant is supposed to be ramped up further. Another heat exchanger is scheduled to be added from the second half of 2018, so that from today's perspective, electricity production will gradually be transferred to full-load operation. For further projection of fiscal year 2018, the Management Board assumes that corresponding feed-in revenues from electricity generation in GeoEnergie Taufkirchen GmbH & Co. KG can then be achieved.

For the Landau geothermal power plant of geox GmbH, the Management Board expects an early transition from ongoing trial operation to regular operation. The technical and economic findings gained from the previous trial operation in the fourth quarter of 2017 and the first quarter of 2018 are very satisfactory. For further projection of fiscal year 2018 for Landau, the Management Board also assumes that corresponding feed-in revenues from electricity generation can be achieved.

In the power plant project Neuried (district of Ortenau), the indirect subsidiary Geysir Europe GmbH has submitted applications for the renewal of the approval of the main operating plan at the regional council of Freiburg. For the Geothermal Power Plant Neuried, an annual production capacity of around 16,000 MWh of electricity and about 10,000 MWh of district heating is planned in the first expansion phase.



There is already a policy approval for exploration risk and installation insurance. The Daldrup subsidiary Geysir Europe GmbH expects project costs of up to EUR 40 million to pay for drilling and power plant construction. Project partners are supposed to be contractually integrated in the current fiscal year so that the drilling work can be started swiftly after approval of the main operating plan. As part of Geysir Europe GmbH's ongoing application procedure for the approval extension of the main operating plan by the regional council of Freiburg, Daldrup expects to receive corresponding decision notices in the course of 2018.

The project in Puchheim is also being promoted in line with the strategy. The goal is the construction of a heating plant, which should be optimally integrated into the local infrastructure for energy supply.

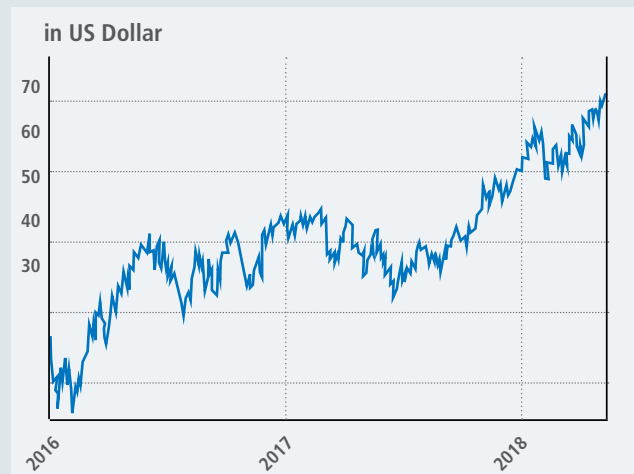
2. FUTURE ECONOMIC ENVIRONMENT

In its spring forecast during the middle of March of this year, the IfW predicts another strong upturn for 2018 and 2019 in Germany. Germany's economic upturn is entering its sixth year with full momentum. According to the IfW, the German economy is drifting noticeably into the boom with capacities that are already well above normal capacity utilisation. Capacity bottlenecks in the construction industry were particularly noticeable. The industry's order books are full. Financing conditions should remain very favourable for the foreseeable future. The new federal government also operates an expansionary fiscal policy. The above factors are expected to increase GDP by 2.5 % in 2018 and by 2.3 % in 2019. In addition to private consumption, the driving force is exports and investment. Overall this robust upward trend is set to continue across all areas according to IfW experts.

The economic development in the euro space will remain brisk, according to IfW. It will get an additional boost from the revival of the global economic environment. According to the economic experts, leading indicators point to a continuation of the strong expansion, while the economy continues to be supported by low interest rates and a slightly expansive fiscal policy in the euro space states. The IfW predicts a GDP growth of 2.4 %, and 2.1 % for next year.

The forecast presented by the IfW also points to significant risks that run alongside any such economic recovery. Downside risks arise for the current and the coming year mainly because of the still unresolved structural problems of certain countries and banks in the euro area. The IfW also states that geopolitical risks and increased political uncertainty, such as that resulting from the decision in Great Britain to leave the EU, and protectionist tendencies in the economic policies of important EU trading partners could have a negative impact on the economy in the coming months.

RIISING OIL PRICE INCREASES ATTRACTIVENESS OF GEOTHERMAL ENERGY



Source: Bloomberg, WTI Crude Oil in US Dollars, 1 January 2016 through 15 May 2018

The continuously rising oil price since the beginning of 2016 reveals both the geopolitical dependencies and the cost sensitivities, which continue to largely affect the population for the energy supply in Central Europe. Security of supply and affordability of electricity and heat can be improved through further rapid expansion of renewable energies. The base-load and storable geothermal energy is complementary to wind and solar energy with its fluctuating generation capacity. For a decentralised, regionally enshrined energy supply, cities, municipalities and energy suppliers find an ideal partner in geothermal energy. In addition, the costs of generating and distributing energy are largely constant and calculable over the long term. The Daldrup Group is already experiencing a significant increase in demand, not only from the traditional regions around Munich and in the Upper Rhine Rift Valley. There seems to be a change in thinking that is also supported by targets for reducing CO₂ emissions.



ENERGY CONSUMPTION RISING WORLDWIDE

In the energy sector the signs once again point to increased demand for energy. It is clear from the International Energy Outlook (IEO) 2017 report that global energy consumption will increase by 28 % during the period from 2015 to 2040. According to the report this is being fuelled above all by non-OECD countries particularly in Asia. The IEO forecasts a 41 % increase in energy consumption for the non-OECD countries by 2040, while the increase in OECD countries is put at 9 %. With this rise the IEO study predicts that the consumption of all primary energy sources will continue to increase until 2040. In the period under consideration renewable energies are set to experience the greatest growth in energy consumption with a CAGR of 2.3 %. This will be supported, says the report, by the progressive climate policies of an increasing number of countries geared towards reducing CO₂ emissions. Thus countries will be attempting to both meet the increasing demand for energy as well as hit their CO₂ reduction targets laid down by the Paris climate agreement.

FRAMEWORK FOR THE ENERGY REVOLUTION WILL BE FURTHER DEVELOPED

The social consensus to withdraw from nuclear power as well as the necessary change in direction to a secure, affordable and environmentally friendly energy supply based on renewable energy remains unchanged on the part of the German government and the population. The German government has also signed the Paris climate agreement of December 2015, which aims to limit global warming to below 2 °C. The EU, too, has set itself high targets for the expansion of renewable energies and the reduction of CO₂ emissions. By 2020, it wants 20 % of energy consumption in the EU Member States to come from renewable sources. By 2030 this value should increase to 27 %.

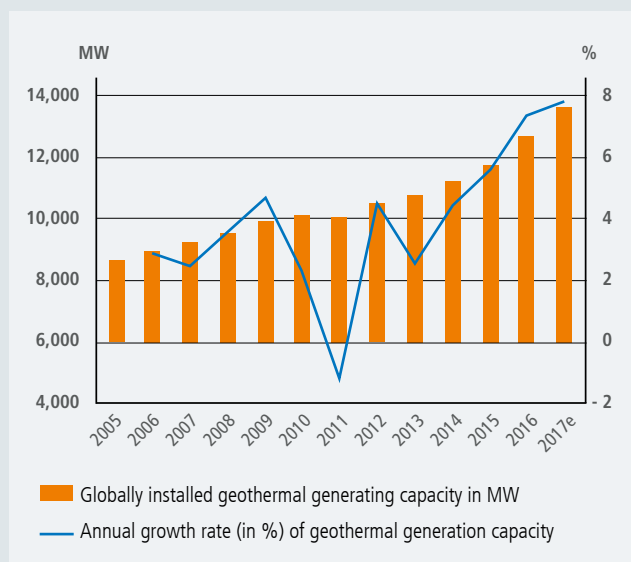
In Germany renewable energies represent almost half of its power-generating capacity and in 2017 they achieved a 36.2 % share in its gross energy consumption. They have become part of this market. Renewable energies are expected to contribute the main share to the energy supply in future. By 2025 their share in gross energy consumption is expected to increase to between 40 % and 45 %. Renewable energies must therefore continually be integrated into the energy supply system so that they increasingly replace conventional fossil fuels. Therefore, generators with an ability to supply base load, such as geothermal energy, are an important building block.

The expansion of renewable energies in the heating market is also crucial to the energy revolution. More than half of our energy is spent on heating and cooling. Through the National Energy Efficiency Action Plan (NAPE) and other planned initiatives, the German government aims to implement its central target of achieving an almost climate-neutral building stock by 2050. As early as 2020 14 % of end energy consumption for heating and cooling is expected to come from renewable energies. In 2017, however, renewable energy consumption dropped from 13.2 % to 12.9 %, meaning that the support framework could be expanded in the future. According to the German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V. - BEE), today's known resources of hydro-thermal deep geothermal energy could cover about 29 % of German heating demand and about 28 % with near-surface geothermal energy.

DEMAND FOR ELECTRICITY AND HEAT FROM GEOTHERMAL ENERGY WILL GROW

BVG experts expect significant growth in the use of geothermal energy in the future. According to predictions made by the BEE, electricity generated from geothermal energy in Germany will increase to 3,750 GWh per year by 2020. The figure in 2015 was 134 TWh according to the BVG, which corresponded to the annual electricity needs of 38,000 two-person households. The amount of heat supplied stood at 8,800 GWh, which corresponds to the annual heating needs of 630,000 two-person households. The federal government is also looking to significantly expand in this area: In its "National Action Plan for Renewable Energy" it set a target of 1,654 GWh of electricity to be generated from geothermal energy by 2020. This figure is not quite as high 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 BEE expects to achieve a capacity of 26,000 GWh by 2020. The federal government has stipulated 14,400 as a target, which is based in particular on rapid growth in deep geothermal energy.

RISING GLOBAL INSTALLED GEOTHERMAL ELECTRIC POWER



Source: IRENA (International Renewables Energy Agency), Geothermal Power Technology in Brief, page 7, equinet Bank AG

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 BBE, 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.

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, the introduction of palpable sanctions for CO₂ emissions, economic stability, a robust employment situation on the labour market and the consolidation of state and bank finances in the euro area are the cornerstones, promising opportunities for higher industry growth.

The positioning of geothermal energy for the future direction of energy supplies is very good. It is decentralised and does not require any overly expensive expansion of the grid. It is almost inexhaustible and an inexpensive resource. It can supply base load (i.e., regardless of time of the day, season and weather conditions), and makes a relatively large contribution to environmental and climate protection and provides an outstanding CO₂ footprint. The potential to reduce costs can be increased by pending projects, so 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 EEG promotion of geothermal energy is thus fulfilling its proper purpose: the granting of temporary transition/bridge financing.

The value and growth-oriented objectives of Daldrup & Söhne AG and the strategic transformation process regarding further development from providing drilling services to being an independent, medium-sized, energy supply company have continued to be pursued.

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 approval procedures, Daldrup & Söhne AG fundamentally benefits from the high market entry barriers for deep geothermal energy.



3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

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

Daldrup & Söhne AG anticipates new growth in its business and the company due to the expansion in the value-added chain in its drilling and project business.

In addition to already high number of orders booked, additional new drilling contracts are to be expected in the course of the 2018 fiscal year from municipal and private clients in Germany as well as orders from the Benelux countries. Institutional investors, private sector cooperation associations and municipalities are showing increasing interest in geothermal heating plants and power plants both as a returns-oriented investment objects and as climate-friendly, decentralised and economical supply units. Negotiations to this end will be led by Daldrup & Söhne AG with respect to pre-developed projects, in the Munich area, in northern Germany, the Netherlands and Belgium for example.

Take the municipal utilities of Munich, for example, which is aiming to become the first German city to supply 100 % of its district heating through renewable energies by 2040 under its so-called District Heating Vision. Geothermal energy from hot thermal water is expected to make the greatest contribution to heating. Munich is sitting on a vast supply of this environmentally friendly energy source tucked away in highly porous limestone layers (Malm) in the geological rock formations beneath the city. To tap into these resources and extract geothermal energy Daldrup was awarded a major contract in the double-digit million range to drill three doublets (six deep wells). This is one of the largest contracts in the company's history. The wells will be sunk to a depth of over 4,000 metres. Drilling started in April of the current year.

The power plants in Taufkirchen and Landau ensure the first major milestone in the transformation of the Company's business activities from a drilling services provider to an independent medium-sized energy supply company. Consistent cash flows from the sale of electricity and heat will stabilise the Daldrup Group's earnings and liquidity situation in the long term.

With the possibility of geothermal multiple use of an approved drilling area in the Greater Munich area and the further development of the Neuried geothermal power plant project as well as the construction of the heating plant in the municipality of Puchheim, the value creation, growth and earnings potential for the Daldrup Group as claim owners and power plant operators may significantly improve in the next two years.

Based on the current level of orders safeguarding utilisation well in 2019, the Management Board of Daldrup & Söhne AG is confident that it can achieve an overall Group gross revenue of approximately EUR 40 million for fiscal year 2018 combined with an EBIT margin of 2 % to 5 %. The above values include sales of approx. EUR 5 million and an EBIT contribution in the amount of EUR 1 million from the geothermal power plants in Landau and Taufkirchen. In the context of the dominant project business this forecast is subject to the successful completion of some major drilling contracts and their effects on revenues and results as reported in the accounts at the latest by the balance sheet date.

F. DISCLOSURES RELATING TO TREASURY SHARES PURSUANT TO SECTION 160(1) NO. 2 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

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

G. 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, 25 May 2018

Daldrup & Söhne AG
The Management Board



Josef Daldrup
(CEO)



Curd Bems
(Management Board)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)





CONSOLIDATED FINANCIAL STATEMENTS for Fiscal Year 2017

44 CONSOLIDATED INCOME STATEMENT

46 CONSOLIDATED BALANCE SHEET

48 GROUP EQUITY STATEMENT

50 CONSOLIDATED CASH FLOW STATEMENT

52 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52 General Disclosures on the Consolidated Financial Statements

52 Consolidation Methods

54 Foreign Currency Translation

55 Accounting Policies

56 Consolidated Balance Sheet and Consolidated Income Statement Disclosures

66 Other Mandatory Disclosures

AUDITOR'S OPINION



ALDRUP
Bruch-Tiefbohrung

CONSOLIDATED INCOME STATEMENT

FOR FISCAL YEAR 01 JANUARY TO 31 DECEMBER 2017

	01/01/2017 - 31/12/2017 EUR	01/01/2016 - 31/12/2016 EUR
1. Sales Revenue	24,757,769.27	31,137,030.40
2. Increase in work in progress	18,285,897.36	8,321,177.72
Gross revenue	43,043,666.63	39,458,208.12
3. Other operating income	2,332,761.45	8,292,410.47
– of which from currency translation: EUR 7,589.38 (previous year: EUR 651,173.81)		
4. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	13,405,594.15	7,899,157.99
b) Cost of purchased services	8,398,536.84	16,686,891.93
	21,804,130.99	24,586,049.92
5. Personnel expenses		
a) Wages and salaries	7,097,508.12	6,447,512.41
b) Social security, post-employment and other employee benefit costs	1,409,734.13	1,169,170.76
– including retirement benefit: EUR 55,576.53 (previous year: EUR 15,536.85)		
	8,507,242.25	7,616,683.17
6. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,604,252.48	3,605,101.69
7. Other operating expenses	10,366,868.38	11,371,518.42
– of which from currency translation: EUR 197,128.55 (previous year: EUR 4,833.33)		
8. Income from long-term investments in associates	0.00	207,198.90
9. Income from other securities and long-term loans	96,153.53	31,852.94
10. Other interest and similar income	657,421.63	386,991.95
11. Expenses from long-term investments in associates	61,609.92	0.00
12. Interest and similar expense	1,796,782.24	1,354,040.48
– of which from interest accumulation from provisions: EUR 19,201.35 (previous year: EUR 30,547.00)		
13. Taxes on income	14,239.31	71,637.50
– of which from deferred taxes: earnings, EUR 19,201.35 (previous year: earnings, EUR 7,332.52)		
14. Net earnings	- 25,122.33	- 228,368.80
15. Other taxes	44,899.77	380,169.46
16. Group annual net income	19,777.44	151,800.66
17. Loss attributable to minority shareholders	209,194.30	229,541.75
18. Retained income brought forward	10,877,441.22	10,496,098.81
19. Consolidated net retained profits	11,106,412.96	10,877,441.22



CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS	31/12/2017 EUR	31/12/2016 EUR
A. Fixed Assets		
I. Intangible fixed assets		
Acquired concessions, industrial property rights and similar rights and assets, and licences for such rights and assets	691,709.61	1,347,208.64
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	1,752,332.81	938,110.23
2. Technical equipment and machinery	22,712,262.83	12,333,981.01
3. Other equipment, operating and office equipment	2,829,372.90	3,212,740.45
4. Prepayments and assets under construction	8,551,272.01	8,095,664.34
	35,845,240.55	24,580,496.03
III. Financial assets		
1. Shares in associates	21,870,934.23	21,932,544.15
2. Long-term securities	181.00	181.00
3. Other loans	1,150,011.04	1,454,760.42
	23,021,126.27	23,387,485.57
	59,558,076.43	49,315,190.24
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	3,084,648.48	3,143,496.47
2. Work in progress	81,189,599.56	62,903,702.20
3. Prepayments	5,729,289.13	6,983,686.51
4. Payments received on account of orders	- 67,420,265.63	- 56,029,493.47
	22,583,271.54	17,001,391.71
II. Receivables and other assets		
1. Trade receivables	3,228,218.42	4,896,016.65
2. Receivables from associated companies	230,079.82	3,655,005.87
3. Other assets	14,375,948.60	15,555,655.61
– of which due after more than one year: EUR 803,453.36 (previous year: EUR 746,922.76)		
	17,834,246.84	24,106,678.13
III. Cash on hand and credit balances at banks	1,464,281.43	755,339.05
	41,881,799.81	41,863,408.89
C. Prepaid Expenses	43,886.33	47,798.81
D. Deferred Tax Assets	232,445.60	157,508.84
Balance Sheet Total	101,716,208.17	91,383,906.78



LIABILITIES	31/12/2017 EUR	31/12/2016 EUR
A. Equity		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury shares	- 4,017.00	- 4,017.00
	5,440,983.00	5,440,983.00
II. Capital reserves	30,502,500.00	30,502,500.00
III. Retained earnings		
1. Legal reserve	25,000.00	25,000.00
2. Other revenue reserves	264,013.96	264,013.96
IV. Currency translation adjustments	- 1,174,897.58	- 1,180,674.79
V. Consolidated net retained profits	11,106,412.96	10,877,441.22
VI. Minority interests	- 59,307.08	127,558.78
	46,104,705.26	46,056,822.17
B. Special items for grants and allowances	121,000.00	0.00
C. Provisions		
1. Provisions for pensions	911,378.00	811,516.00
2. Tax provisions	113,913.49	40,799.45
3. Other provisions	5,190,820.56	2,327,417.87
	6,216,112.05	3,179,733.32
D. Liabilities		
1. Liabilities to banks	14,523,324.28	8,618,077.92
– of which due within one year: EUR 12,433,904.28 (previous year: EUR 6,929,367.72)		
– of which due after more than one year: EUR 2,089,420.00 (previous year: EUR 1,669,200.00)		
2. Trade payables	8,482,994.58	7,888,993.56
– of which due within one year: EUR 8,482,994.58 (previous year: EUR 7,888,993.56)		
3. Liabilities to associated companies	50,319.52	317,039.91
– of which due within one year: EUR 50,319.52 (previous year: EUR 317,039.91)		
4. Other liabilities	25,395,917.85	25,280,028.61
– of which due within one year: EUR 3,527,282.89 (previous year: EUR 2,859,400.43)		
– of which due after more than one year: EUR 21,868,634.96 (previous year: EUR 22,420,628.18)		
– of which from taxes: EUR 164,381.97 (previous year: EUR 1,369,528.97)		
– of which from social security: EUR 47,975.79 (previous year: EUR 27,828.15)		
	48,452,556.23	42,104,140.00
E. Deferred Income	14,835.61	15,711.29
F. Deferred Tax Liabilities	806,999.02	27,500.00
Balance Sheet Total	101,716,208.17	91,383,906.78



GROUP EQUITY STATEMENT

GROUP EQUITY STATEMENT FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

	PARENT COMPANY					
	Subscribed capital EUR	Treasury shares EUR	Capital reserves EUR	Self-generated group equity EUR	Accumulated other comprehensive income EUR	Accumulated other comprehensive income EUR
					Currency translation adjustments	Other items recognised directly in equity
As at 01/01/2017	5,445,000	- 4,017	30,502,500	6,739,352	-1,180,675	4,427,103
Group annual net income	0	0	0	228,972	0	0
Other group earnings	0	0	0	0	5,777	0
As at 31/12/2017	5,445,000	- 4,017	30,502,500	6,968,324	-1,174,898	4,427,103

	MINORITY SHAREHOLDERS				GROUP EQUITY
Equity EUR	Minorities capital EUR	Accumulated other comprehensive income EUR	Accumulated other comprehensive income EUR	Equity EUR	EUR
		Currency translation adjustments	Other items recognised directly in equity		
45,929,263	396,984	- 269,425	0	127,559	46,056,822
228,972	- 209,194	0	0	- 209,194	19,777
5,777	- 18,495	40,824	0	22,328	28,106
46,164,012	169,295	- 228,602	0	- 59,307	46,104,705





CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE FISCAL YEAR 2017

	01/01/2017 - 31/12/2017 EUR	01/01/2016 - 31/12/2016 EUR
1. Cash flow from ongoing operating activities		
Result for the period including third-party shares before extraordinary items	19,777.44	151,800.66
Scheduled depreciation of fixed assets	3,604,252.48	3,605,101.69
Increase/reduction in provisions	2,933,400.69	5,221.40
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	694,463.94	- 6,894,348.73
Increase/decrease in liabilities from trade receivables and other liabilities that are not attributable to investing or financing activities	763,294.19	5,834,292.44
Profit/loss from disposal of fixed assets	61,066.90	1,066.00
Interest expenses	1,796,782.24	1,354,040.48
Interest income	- 657,421.63	- 386,991.95
Other investment income	- 96,153.53	- 31,852.94
Income tax expense/income	- 14,239.31	- 71,637.50
Income tax refunds/payments	791,915.61	87,202.25
Cash flow from ongoing operating activities	9,897,139.02	3,653,893.80
2. Cash flow from investment activities		
Outflows for investments into fixed assets	- 14,271,410.23	- 894,005.01
Inflows from disposals of financial assets	366,522.26	436,847.45
Outflows for investments into financial assets	- 162.96	- 1,091,281.34
Interest received	657,421.63	386,991.95
Dividends received	96,153.53	31,852.94
Cash flow from investment activities	- 13,151,475.77	- 1,129,594.01
3. Cash flow from financing activities		
Inflows from the issuance of bonds and raising of (financial) loans	2,338,420.00	0.00
Outflows from the repayments of bonds and (financial) loans	- 1,869,200.00	- 1,332,800.00
Interest paid	- 1,766,918.24	- 971,456.86
Cash flow from financing activities	- 1,297,698.24	- 2,304,256.86
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents with a cash effect (Sub-totals 1 - 3)	- 4,552,034.99	220,042.93
Changes in cash and cash equivalents in the fixed assets due to effects of exchange rates and valuation	- 3,154.64	- 105,671.28
Changes in cash and cash equivalents in the equity capital due to effects of exchange rates and valuation	5,777.21	- 398,927.16
Changes in cash and cash equivalents due to effects of consolidated entities	22,328.44	- 159,078.34
Cash and cash equivalents at the start of the period	- 4,860,738.87	- 4,417,105.02
Cash and cash equivalents at the end of the period	- 9,387,822.85	- 4,860,738.87
5. Composition of cash and cash equivalents		
Cash in hand and credit balances at banks	1,464,281.43	755,339.05
Liabilities to banks (current account liabilities)	- 10,852,104.28	- 5,616,077.92
Cash and cash equivalents at the end of the period	- 9,387,822.85	- 4,860,738.87



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM
1 JANUARY TO 31 DECEMBER 2017

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Daldrup & Söhne AG is entered in the Munich District Court commercial register under HRB 187005. It is a company which was set up in Germany as a public limited company and with its registered office in 82031 Grünwald, Bavariafilmplatz 7.

Where it is possible to exercise options with regard to disclosures in the consolidated balance sheet, the consolidated income statement or the notes to the consolidated financial statements, it was chosen to make comments in the balance sheet or in the income statement. Presentation of the analysis of consolidated fixed assets has taken the form of Appendix 1 to the notes to the consolidated financial statements.

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

The auditing of the consolidated financial statements is not a statutory audit as the relevant criteria of section 293 HGB have not been exceeded for two years in succession.

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

CONSOLIDATION METHODS

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

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

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

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

The accounting of the shares in those companies on which the Group has no dominant but a significant influence, is carried out using the equity method. Initially, these associated companies are recognised at cost. The Group's share of the profits and losses of these companies is recognised in the income statement from the moment of their acquisition. The cumulative changes are offset against the investment value.

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

CONSOLIDATED ENTITIES

IN ADDITION TO THE PARENT COMPANY, 18 DOMESTIC AND 4 FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017. 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	50.44	
GERF B.V., Den Haag/Netherlands		100.00
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik/Iceland		100.00
geox GmbH, Ascheberg		90.00
Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald		100.00
Geothermie Allgäu Verwaltungs GmbH, Grünwald		100.00
Geothermie Starnberg GmbH & Co. KG, Grünwald		100.00
Geothermie Taufkirchen GmbH & Co. KG, Grünwald		100.00
Geothermie Starnberg Verwaltungs GmbH, Grünwald		100.00
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald (associated company)		38.61
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald (associated company)		38.83
Taufkirchen Holding GmbH & Co. KG, Grünwald		100.00
Taufkirchen Holding Verwaltungs GmbH, Grünwald		100.00
Geothermie Neuried GmbH & Co. KG, Neuried		100.00
Geothermie Neuried Verwaltungs GmbH, Neuried		100.00

Within the context of the purchase of another 50 % of the shares in geox GmbH, Ascheberg, by Geysir Europe GmbH, Grünwald, from Pfalzwerke Aktiengesellschaft geox has increased the capital share from 40 % to 90 % compared to the previous year. For the first time, the company is fully consolidated in the consolidated financial statements.

In 2017, a comprehensive settlement was concluded with Pfalzwerke AG and its subsidiaries. It states that Daldrup & Söhne AG has to pay a settlement amount of EUR 500k to Pfalzwerke and that this payment satisfies any mutual claims. Geysir Europe GmbH now holds 90 % of the shares after the settlement.



As at 31 December 2017, geox GmbH contributes to the Group VFE position as follows:

Fixed assets	EUR 13,546k
Current Assets	EUR 1,149k
Special items	EUR 121k
Provisions	EUR 2,378k
Liabilities	EUR 15,043k
Deferred tax liabilities	EUR 807k
Sales revenues	EUR 503k
Other operating income	EUR 531k
Depreciation and amortisation	EUR -320k
Other expenses	EUR -112k
Net financial result	EUR -416k
pro-rated profit or loss 2017	EUR 186k

Geothermie Taufkirchen GmbH & Co. KG, Grünwald, was founded on 13/11/2017. The purpose of the company is the participation in companies that build and operate plants for the production of geothermal energy as well as the utilisation and marketing of all rights, substances and objects resulting from the operation or as a result of the operation of geothermal power plants. The initial consolidation does not have any significant effects on the Group's VFE situation.

FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSLATION	Exchange rate EUR 1 =	Average exchange rate for the year as at 31/12/2017	Closing rate as at 31/12/2017
Swiss francs	CHF	1.1117	1.1689
Icelandic Krona	ISK	120.48	124.38
Polish Zloty	PLN	4.2570	4.2032



ACCOUNTING POLICIES

ASSETS

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

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

Shares in associated companies were valued using the equity method.

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

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

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

Drilling contract services in progress are measured by means of reverse costing from the order value, taking into account the degree of completion on the balance sheet date and a flat-rate deduction of 12.5 % for the share of profit not yet realised and non-capitalisable costs. Project business services in progress (construction of the Taufkirchen power plant) are measured by means of attributable manufacturing costs.

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

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

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

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

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

LIABILITIES

Subscribed capital has been recognised at par value.

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

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

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 after more than one year, maturity-matched discounting was carried out using the interest rates published by the Deutsche Bundesbank.

Liabilities have been recognised at their settlement amount.

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

CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT DISCLOSURES

I. BALANCE SHEET

FIXED ASSETS

The consolidated statement of changes in fixed assets as at 31/12/2017 has been attached as Appendix 1 to the notes.

Shares in associates totalling EUR 21,871k relate to the following companies:

- a) GeoEnergie Taufkirchen GmbH & Co. KG (EUR 57,716k limited partnership contribution). The Group has a 38.61 % share in the share capital. The company was founded for the operation of a geothermal power plant. The balance sheet carrying amount on 31/12/2017 amounts to EUR 21.867k.
- b) the Group has an indirect 38.43 % share in the limited liability company GeoEnergie Taufkirchen Verwaltungs GmbH (EUR 25k of subscribed capital). The balance sheet carrying amount on 31/12/2017 amounts to EUR 4k.

CURRENT ASSETS

INVENTORIES

Payments received are openly deducted from inventories.

RECEIVABLES

The remaining term of receivables is less than one year.

RECEIVABLES FROM ASSOCIATED COMPANIES

This includes loans receivable from GeoEnergie Taufkirchen GmbH & Co. KG (EUR 229k), and others (EUR 1k).





OTHER ASSETS

OTHER ASSETS AS AT 31/12/2017 IN EUR K				
Description	Total amount	due within within 1 year	due within more than one year	Total amount in previous year
1. Loans receivable	8,614	8,614	0	8,576
2. Receivables from associated companies	670	670	0	670
3. Repayment claims from advance payments already made	1,644	1,644	0	1,605
4. Insurance compensation	1,119	1,119	0	419
5. Claims from reinsurance cover	807	3	804	747
6. Claims against suppliers	419	419	0	0
7. VAT receivables	441	441	0	1,237
8. Other	662	662	0	301
9. Receivables from reversal of purchase price of associated companies	0	0	0	1,000
10. Guarantee claim from a drilling contract	0	0	0	1,000
Total other assets	14,376	13,572	804	15,555

7. includes input tax receivables in the amount of EUR 45k which will be incurred only in 2018.

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 annual leave which has not been taken and the pension provision, liability items in the tax accounts are lower than in the financial statements, resulting in deferred tax assets (EUR 158k).

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 5,445 K. It is divided into 5,445,000 no-par bearer shares (no-par shares). Authorised capital as at 31/12/2017 amounts to EUR 2,723k.

As in the previous year the subsidiary Daldrup Bohrtechnik AG, Baar, still holds 4,017 shares in Daldrup & Söhne AG, which corresponds to EUR 4,017 of the share capital or 0.1 % of the share capital.



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 AktG amounts to EUR 25k, unchanged compared to the previous year.

OTHER REVENUE RESERVES

Other revenue reserves amount to EUR 456k.
(previous year: EUR 264k)

CONSOLIDATED NET RETAINED PROFITS

Consolidated net retained profits developed as follows:

• Retained profits brought forward 01/01/2017	EUR 10,877k
• Consolidated net income	EUR 20k
• Loss attributable to minority shareholders	EUR 209k
• Consolidated net retained profits 31/12/2017	EUR 11,106k

It is, in principle, not the consolidated net retained profits, but the net retained profits from the individual financial statement of the parent company that are available for distribution purposes. The latter amounts to EUR 10,843k as at 31/12/2017.

For the past fiscal year, the Management Board proposes not to pay any dividends to the shareholders and to carry forward the net income for the year of Daldrup & Söhne AG in the amount of EUR 479k to new account.

The total amount pursuant to section 268 (8) HGB (the payout block) is EUR 331.8k. This amount is due to the capitalisation of deferred tax receivables amounting to EUR 233.4k plus the payout block from the difference in pension provisions amounting to EUR 98.4k for the parent company.

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 3.68 % (10-year average), published by the Deutsche Bundesbank as at the balance sheet date of 31/12/2017, was used as the discount rate. A 2.0 % rate of benefit increase during the benefit period and a 0.0 % rate of benefit increase during the qualifying period were taken as a basis. The individual calculations were performed according to the PUC method (projected unit credit method).

Between the estimate derived from the average market interest rate of the past ten fiscal years (3.68 %) and the estimate derived from the average market interest rate of the past seven fiscal years (2.80 %) there is a difference in pension provisions the present fiscal year amounting to EUR 98,359.00. The difference is in principle subject to a dividend distribution block pursuant to § 253 (6) sentence 2 of the German Commercial Code (HGB) in the same amount.

TAX PROVISIONS

Tax provisions amount to EUR 114k (previous year: EUR 41k).



OTHER PROVISIONS

STATEMENT OF PROVISIONS AS AT 31/12/2017 IN EUR K					
Description	01/01/2017	Utilisation	Closing	Transfer	31/12/2017
Personnel provisions	883	821	0	1,248	1,310
Global provision for warranties	171	0	19	1	153
Other provisions	1,273	180	11	2,648	3,728
Total other provisions	2,327	1,001	30	3,997	5,191

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

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

LIABILITIES

STATEMENT OF LIABILITIES AS AT 31/12/2017 IN EUR K					
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
1. Liabilities to banks	14,523	12,434	2,089	0	8,619
2. Trade payables	8,483	8,483	0	0	7,889
3. Liabilities to associated companies	50	50	0	0	317
4. Liabilities to minority shareholders	12,751	0	12,751	0	12,620
5. Other liabilities to pension funds	10,072	954	9,118	0	10,278
6. Liabilities from rescission of contracts and subsequent repayment of purchase prices by associated companies	0	0	0	0	500
7. Other liabilities	157	157	0	0	1,370
8. Other miscellaneous liabilities	2,416	2,416	0	0	512
	48,452	24,494	23,958	0	42,104

Total amount of liabilities secured by liens and similar rights:

- to banks: EUR 4,008k
- other liabilities to pension funds: EUR 10,072k
- Total: EUR 14,080k



The **liabilities to banks** essentially include DZ BANK AG (EUR 835k) and Sparkasse Westmünsterland (EUR 835k), where a drilling rig has been used as security in accordance with standard banking practice and to Sparkasse Südliche Weinstraße (EUR 2,338k), which are secured by mortgages and other customary securities. Liabilities amounting to EUR 10,515k from the use of overdraft loans.

Liabilities to associated companies are made up of other liabilities amounting to EUR 50k.

The **other liabilities towards pension funds** are owed to the Ärzteversorgung Westfalen-Lippe and are used to finance geothermal projects. The loan has a term until 30/06/2022. The interest rate is 5 %.

Collateral security is provided by a pledge of limited partnership shares in GeoEnergie Taufkirchen GmbH & Co. KG.

The **other liabilities** comprise liabilities from wages and salaries (EUR 305), liabilities from social security (EUR 21), loan obligations to related companies (EUR 1,271) and other liabilities (EUR 819).

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

The **deferred tax liabilities** result from the disclosure of hidden reserves in the framework of initial consolidation. These fell by EUR 807k in the fiscal year.



II. INCOME STATEMENT

The total cost format was selected for the Income Statement.

The sales revenues of Daldrup & Söhne AG can be broken down as follows:

TURNOVER SPREAD BY AREA OF ACTIVITY IN EUR K				
Business Unit	2017	Share in %	2016	Share in %
Geothermal Energy	12,441	50 %	16,422	53 %
Raw Materials/Exploration	5,331	22 %	12,043	38 %
Water Procurement	4,082	16 %	308	1 %
EDS	2,904	12 %	2,364	8 %
Total	24,758	100 %	31,137	100 %

TURNOVER SPREAD BY MARKET GEOGRAPHY IN EUR K				
Business Unit	2017	Share in %	2016	Share in %
Domestic	21,134	85 %	14,071	45 %
Foreign	3,624	15 %	17,066	55 %
Total	24,758	100 %	31,137	100 %

Due to the long-term project agreements, the sales revenue only present an incomplete picture of the performance during the fiscal year. Therefore, the gross revenue is additionally stated as EUR 43.044k (corresponding to 59.32 %) at home (previous year: EUR 22,030k/55.8 %) and EUR 8,208k (24.33 %) abroad (previous year: EUR 17,428k/44.2 %)

Other operating income is broken down as follows:

• Reversal of negative goodwill	EUR 1,028k
• Insurance compensation (interruption of operation)	EUR 700k
• Income from claims against suppliers	EUR 421k
• Currency translation	EUR 8k
• Miscellaneous income	EUR 176k
Total	EUR 2,333k

Other operating expenses are broken down as follows:

• Advertising, travel, accommodation of staff	EUR 995k
• Rent for mobile assets	EUR 876k
• Legal and consultancy costs	EUR 809k
• Repairs and maintenance	EUR 737k
• Specific bad debt allowances and bad debt losses	EUR 703k
• Construction site costs	EUR 671k
• Residue and waste disposal	EUR 654k
• Premises	EUR 635k
• Licence fees	EUR 531k
• Vehicle expenses	EUR 495k
• Insurance policies and premiums	EUR 478k
• Construction site fuel	EUR 390k
• Guarantee commissions	EUR 297k
• Currency translation	EUR 197k
• Other	EUR 1,899k
Total	EUR 10,367k



III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 178k. The liabilities amount to EUR 112k for terms of up to one year and EUR 66k for terms of one to five years. Moreover there are obligations stemming from a licensing agreement amounting to EUR 5,050k, of which EUR 350k are due within one year, EUR 1,400k within one and five years and EUR 3,300k within more than five years.

In addition, there are other financial obligations for rent and leasing in the amount of EUR 63k in relation to Exorka GmbH and in the amount of EUR 144k in relation to Geothermie Allgäu Betriebs und Beteiligungs GmbH & Co. KG. Of these, EUR 10k are liabilities due within one year, EUR 40k are due within 1 to 5 years and the remaining EUR 94k have a term of more than five years.

The total amount of other group financial obligations thus amounts to EUR 5,435k, of which:

- due within one year: EUR 535k
- due between one and five years: EUR 1,506k
- due within more than five years: EUR 3,394k

TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

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

The advantage of the transaction is to strengthen the profitability of the Company.

CONTINGENT LIABILITIES

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 successfully completed and there are no indications of a call on the guarantee.

Within the context of the purchase of another 50 % of the shares in geox GmbH by Geysir Europe GmbH from Pfalzwerke Aktiengesellschaft, Daldrup & Söhne AG has acted as guarantor for the purchaser and has provided Landesbank Baden-Württemberg with an **independent guarantee** for 50 % of the amount borrowed for geox GmbH, the purchase price as well as ongoing financial futures transactions. This also included the obligation to make own funds available with regard to a third borehole in Landau which was supported by the German Federal Ministry for the Environment. The total liability for Daldrup & Söhne AG amounts to EUR 2,7 million.

It is not reasonably probable that a claim will be made against the guarantee because the geox GmbH geothermal power plant in Landau will become operational again in 2017 so that the Company will be able to finance the debt service out of its own funds.

Pursuant to section 285, sentence 1 no. 11a of the German Commercial Code (HGB), Daldrup & Söhne AG is the **personally liable partner** in the context of involvement in the following joint ventures:

- The joint venture "Arnstadt" (company under civil law), registered office in 46238 Bottrop
- The joint venture "THV Smet-Daldrup", registered office in Dessel (Belgium)

No claim is expected to be made under the personal liability, as the joint venture 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 2017 is EUR 52k. This is attributed to audit services amounting to EUR 51k and other services amounting to EUR 1k.





REPORT ON POST-BALANCE SHEET DATE EVENTS

The following events took place after the balance sheet date, 31/12/2017, which were of major importance for Daldrup & Söhne AG.

Acquisition of 35 % of the power plant shares in Taufkirchen from Axpo Power AG

On 25 January 2018, Geothermie Taufkirchen GmbH & Co. KG, a company of Geysir Europe GmbH, which was founded in December 2017 and in which Daldrup & Söhne AG holds a 75.01 % stake, acquired its 35 % stake in GeoEnergie Taufkirchen GmbH & Co. KG (operator of the geothermal power plant Taufkirchen) as part of a share purchase agreement with Axpo Power AG, Baden, Switzerland.

In addition to the previous treasury shares of 38.61 % in the project company, Geysir Europe Group will thus acquire a further 35 % and then hold a total of 73.61 % of the shares in the Taufkirchen geothermal power plant after the transfer date in 2018. The purchase leads to the full consolidation of the Taufkirchen geothermal power plant in the consolidated financial statements of Daldrup & Söhne AG. As part of the transaction, Geothermie Taufkirchen raised a loan in the lower double-digit millions to fully refinance the purchase of the shares. With the execution of the share purchase, the Daldrup & Söhne Group will hold 55.21 % of the Taufkirchen geothermal power plant in 2018; as of 31 December 2017, it was 28.96 %.

Successful capital increase, free float increases to 41 %

The capital increase carried out at the end of February 2018 (10 % of the share capital) generated gross proceeds of around EUR 6.4 million. The share capital increased by EUR 544,500 to EUR 5,989,500. The proceeds form the financial basis for the planned shareholding structure for the power plant and heating plant projects Neuried and Puchheim. The number of shares has increased from 5,445,000 shares by 544,500 shares to 5,989,500 shares. The shareholder structure changed in favour of the free float with 41.1 % (previously: 35.2 %). The Daldrup Family continues to hold the majority of shares after the capital increase with a total of 58.9 % (previously: 64.8 %).

Stadtwerke München GmbH expands major order to a total of six deep geothermal wells for a geothermal heating plant

Daldrup & Söhne AG received an additional major order from Stadtwerke München GmbH (SWM) in the first quarter of 2018 for the extraction of geothermal energy. The order value is in the upper single-digit million range. The additional commissioned drilling of a doublet is part of the drilling orders already issued by SWM in the spring of 2017. In total, SWM has commissioned six geothermal wells. In the Munich-Sendling district, a geothermal plant with a capacity of around 50 MW is being built, which is expected to produce environmentally friendly district heating for approximately 80,000 households in Munich. The plan is to commission the new geothermal plant on 31/05/2019.

Executive orders

The Management Board contract with Mr Curd Bems, CFO, was limited until 15 March 2018. At its meeting on 16 March 2018, the Supervisory Board appointed Mr Bems to the Management Board until 15 March 2019. Mr Bems will be responsible for the development and operation of geothermal power plants as well as the development of new projects. The Chairman of the Supervisory Board, Josef Daldrup, will temporarily take over Controlling, Finance, Investor Relations, and Business Development.

OTHER MANDATORY DISCLOSURES

NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

Name	Function, occupation
Josef Daldrup	CEO (responsible for the Strategy, Key Accounts, Communication, HR and Legal Affairs divisions)
Dipl.-Geologe Peter Maasewerd	Member of the Management Board (responsible for the Raw Materials & Exploration, Water Procurement, EDS and Near-Surface & Medium-Depth Geothermal Energy business units and the IT and Contract & Claims Management divisions)
Andreas Tönies	Member of the Management Board (responsible for the Deep Geothermal Energy business unit and the Logistics/Merchandise Management and Purchasing divisions)
Curd Bems	Member of the Management Board (responsible for the Controlling, Finance, IR and Business Development divisions)

In the period under review the following were members of the **Supervisory Board**:

Name, function	Administrative, Management or Supervisory Board appointments and/or partner positions
Wolfgang Clement, German Federal Minister (ret.) D. Chairman of the Supervisory Board	Member of the Supervisory Boards of the following companies: <ul style="list-style-type: none"> • Member of the Board of Trustees for the Dussmann Group and Chairman of the Supervisory Board for Dussmann Stiftung & Co. KGaA, Berlin (until 30/06/2017) • Member of the Supervisory Board for Deutsche Wohnen AG, Berlin (until 30/06/2017) • Member of the Supervisory Board for Landau Media Monitoring AG & Co. KG, Berlin • Member of the Supervisory Board for Exaring AG, Munich • Member of the Supervisory Board for Media Broadcast GmbH, Köln
Dipl.-Ing. Wolfgang Quecke Member of the Supervisory Board	Member and/or Managing Director of the following company: <ul style="list-style-type: none"> • Managing Director of "terra-concept GmbH", Marl
Joachim Rumstadt Member of the Supervisory Board	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"> • Chairman of the Management Board, STEAG GmbH, Essen • Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen • Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken • Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey • Member of the Advisory Board of Wessling Holding GmbH & Co. KG Altenberge • Member of the Supervisory Board from 01/01/2017 / Chairman of the Supervisory Board from 11/09/2017 Rheinkalk GmbH, Wülfrath







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 2017 amounted to EUR 1,230k.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2017 amounted to EUR 80k.

There is a clearing account with the Chairman of the Management Board, Josef Daldrup, which shows a receivable of EUR 22k as at 31/12/2017. 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	2017	2016
Waged employees	118	117
Salaried employees	28	25
Persons in minor employment	1	1
Total	147	143

Grünwald, 25 May 2018

Daldrup & Söhne AG
The Management Board



Josef Daldrup
(CEO)



Curd Bems
(Management Board)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)



Appendix 1 to the Notes

GROUP STATEMENT OF ASSETS

GROUP FIXED ASSETS REPORT FOR FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

	ACQUISITION COSTS					As at 31/12/2017 EUR
	As at 01/01/2017 EUR	Currency translation EUR	Accruals EUR	Outgoings EUR	Transfer EUR	
I. Intangible fixed assets						
Acquired concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	7,169,487.43	- 4,817.50	33,416.27	0.00	0.00	7,198,086.20
	7,169,487.43	- 4,817.50	33,416.27	0.00	0.00	7,198,086.20
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on third-party land	1,982,616.09	7,973.21	859,800.69	0.00	0.00	2,850,389.99
2. Technical equipment and machinery	27,370,685.30	- 0.07	12,482,378.30	0.50	0.00	39,853,063.03
3. Other equipment, operating and office equipment	13,840,848.88	0.00	394,390.92	27,452.96	11,764.48	14,219,551.32
4. Prepayments and assets under construction	14,977,792.77	0.00	489,221.11	33,613.44	0.00	15,433,400.44
	58,171,943.04	7,973.14	14,225,791.02	61,066.90	11,764.48	72,356,404.78
III. Financial assets						
1. Shares in affiliated companies	23,295,036.19	0.00	162.96	61,772.88	0.00	23,233,426.27
2. Long-term securities	95,054.80	0.00	0.00	0.00	0.00	95,054.80
3. Other loans	1,457,593.28	0.00	0.00	304,749.38	0.00	1,152,843.90
	24,847,684.27	0.00	162.96	366,522.26	0.00	24,481,324.97
	90,189,114.74	3,155.64	14,259,370.25	427,590.16	11,764,48.00	104,035,815.95



DEPRECIATION AND AMORTISATION				BOOK VALUES	
As at 01/01/2017 EUR	Accruals EUR	Outgoings EUR	As at 31/12/2017 EUR	As at 31/12/2017 EUR	As at 31/12/2016 EUR
5,822,278.79	684,096.80	0.00	6,506,375.59	691,709.61	1,347,208.64
5,822,278.79	684,096.80	0.00	6,506,375.59	691,709.61	1,347,208.64
1,044,505.86	53,551.32	0.00	1,098,057.18	1,752,332.81	938,110.23
15,036,704.29	2,104,095.91	0.00	17,140,800.20	22,712,262.83	12,333,981.01
10,628,108.43	762,508.45	438.46	11,390,178.42	2,829,372.90	3,212,740.45
6,882,128.43	0.00	0.00	6,882,128.43	8,551,272.01	8,095,664.34
33,591,447.01	2,920,155.68	438.46	36,511,164.23	35,845,240.55	24,580,496.03
1,362,492.04	0.00	0.00	1,362,492.04	21,870,934.23	21,932,544.15
94,873.80	0.00	0.00	94,873.80	181.00	181.00
2,832.86	0.00	0.00	2,832.86	1,150,011.04	1,454,760.42
1,460,198.70	0.00	0.00	1,460,198.70	23,021,126.27	23,387,485.57
40.873.924,50	3,604,252.48	438.46	44,477,738.52	59,558,077.43	49,315,190.24



Appendix 2 to the notes

SHAREHOLDINGS

LIST OF SHAREHOLDINGS PURSUANT TO SECTION 285 (11) HGB FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

NAME AND REGISTERED OFFICE OF THE COMPANY	Indirect capital share	Indirect capital share	Equity	Annual net income/ Net loss for the year	Currency	Year	Exchange rate 31/12/2017 1 EUR =
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00		1,562,403.62	170,711.76	CHF	2017	1.169 CHF
D&S Geothermie GmbH, Grünwald	100.00		713,160.98	44,775.79	EUR	2017	
Daldrup Wassertechnik GmbH, Ascheberg	100.00		48,010.38	7,466.10	EUR	2017	
Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych "DMM" Sp. z o.o., Katowice/Poland	50.44		1,255,023.77	- 213,810.30	PLN	2017	4.203 PLN
GERF B.V., Den Haag/Netherlands		100.00	- 267,094.00	- 229,348.00	EUR	2017	
Geysir Europe GmbH, Grünwald		75.01	9,312,584.21	- 202,966.49	EUR	2017	
Exorka GmbH, Grünwald		100.00	131,902.08	77,270.72	EUR	2017	
Exorka ehf, Husavik/Iceland		100.00	- 487,096,447.00	- 79,153,013.00	ISK	2017	124,378 ISK
geox GmbH, Ascheberg		90.00	- 5,537,215.83	- 2,564,093.72	EUR	2017	
Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald		100.00	- 12,521,895.48	- 288,538.38	EUR	2017	
Geothermie Allgäu Verwaltungs GmbH, Grünwald		100.00	- 2,881.68	- 2,389.54	EUR	2017	
Geothermie Starnberg GmbH & Co. KG, Grünwald		100.00	189,759.83	- 15,104.33	EUR	2017	
Geothermie Taufkirchen GmbH & Co. KG, Grünwald		100.00	- 3,387.47	- 3,387.47	EUR	2017	
Geothermie Starnberg Verwaltungs GmbH, Grünwald		100.00	- 5,557.98	- 2,337.42	EUR	2017	
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00	- 139,173.33	- 16,486.35	EUR	2017	
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00	12,961.00	- 1,523.35	EUR	2017	
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald		38.61	57,716,554.81	- 160,033.38	EUR	2017	
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald		38.83	2,816.06	369.69	EUR	2017	
Taufkirchen Holding GmbH & Co. KG, Grünwald		100.00	13,163,202.63	- 650,218.99	EUR	2017	
Taufkirchen Holding Verwaltungs GmbH, Grünwald		100.00	1,600.97	- 1,837.80	EUR	2017	
Geothermie Neuried GmbH & Co. KG, Neuried		100.00	- 39,781.72	- 24,684.24	EUR	2017	
Geothermie Neuried Verwaltungs GmbH, Neuried		100.00	9,294.14	- 2,194.94	EUR	2017	





AUDITOR'S OPINION

To Daldrup & Söhne Aktiengesellschaft, Grünwald:

We have audited the consolidated financial statements prepared by Daldrup & Söhne Aktiengesellschaft, Grünwald, comprising the consolidated financial statements, the consolidated income statement, group equity statement, the consolidated cash flow statement and the group statement of equity – together with the group management report for the fiscal year from 1 January 2017 to 31 December 2017. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the legal representative of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit so that misstatements and breaches that materially affect the presentation of the net assets, the financial position and the earnings performance in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations regarding possible errors are taken into account when determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the annual financial statements of those entities included in the consolidated financial statements, the determination of which entities are to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the fiscal year from 1 January 2017 to 31 December 2017 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 25 May 2018

Warth & Klein Grant Thornton AG
Auditors

Carsten Carstens
Public accountant

Thorsten Esser
Public accountant

FISCAL CALENDAR for Daldrup & Söhne AG

31 May 2018:	Consolidated Annual Report as at 31/12/2017
29 August 2018:	Annual General Meeting, Munich
28 September 2018:	Consolidated Interim Report as at 30/06/2018
26-27 November 2018:	Equity Forum, Frankfurt

INVESTOR RELATIONS Contact

Daldrup & Söhne AG

Lüdinghauser Straße 42-46
59387 Ascheberg
Germany

Phone +49 (0)2593 / 95 93 29

Fax +49 (0)2593 / 95 93 60

ir@daldrup.eu

www.daldrup.eu

IMPRINT

Headquarters

Daldrup & Söhne AG
Bavariafilmplatz 7
82031 Grünwald/Geiselgasteig
Germany

Phone +49 (0)2593 / 95 93 0

info@daldrup.eu

This Annual Report is also available online at
www.daldrup.eu.

Design and setting

DESIGNRAUSCH Kommunikationsdesign, Herten | Susanne Frisch-Hirse
www.designrausch.eu

Romina Quellen

Bohrschema 3

A BRIEF OVERVIEW OF DALDRUP

	31/12/2017	31/12/2016
Sales	EUR 24.76 million	EUR 31.14 million
Gross revenue	EUR 43.04 million	EUR 39.46 million
EBITDA	EUR 4.74 million	EUR 4.56 million
EBIT	EUR 1.14 million	EUR 0.95 million
Net income for the year	EUR 0.02 million	EUR 0.152 million
Equity ratio	45.3 %	50.4 %
Total assets	EUR 101.72 million	EUR 91.38 million

