



**CONSOLIDATED GROUP HALF-YEAR
FINANCIAL STATEMENTS 2017**

2017



2017

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FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,

In the first half of 2017, the business development of the Daldrup Group was characterised by the existing large-scale geothermal drilling projects in Belgium and Germany and by the forthcoming commissioning of the Landau and Taufkirchen power plants.

The total operating performance of around EUR 23 million and the operating result (EBIT) of EUR 0.5 million are correspondingly satisfactory. The slightly higher cost trend compared to the same period of the previous year is in line with the increase in operating expenses as part of the busier drilling activity. Other operating income did not play a part. In the second half of the year, the positive development of the geothermal energy business unit continues dynamically. The business units of Raw Materials & Exploration, EDS and Water Procurement also showed pleasing development and were working at very high capacity due to orders. The demand for geothermal drilling from Germany and Central Europe continues to be buoyant in the second half of the year. Our order backlog is more than EUR 75 million. This means that capacities will be fully utilised up until 2019.

The first trials of the geothermal power plant in Landau were exercised at the end of September. That is a milestone. After three and a half years, electricity is finally being generated again. During this time, we have upgraded the power plant where necessary and installed state-of-the-art safety systems. In particular, however, we have had to deal with the authorities and politics. It seemed that their overriding principles over long periods were delay and non-decision. After the test operating phase, which is scheduled until the end of November, we want to go into regular operation as soon as possible. From today's perspective, we expect regular revenue contributions from the electricity sales of the power plant for 2018.

For the geothermal power plant in Taufkirchen, too, the trial operation of the electricity generation unit also stands out. In the coming days, we expect the installation of the heat exchanger. As things stand today, we can then begin production of electricity in regular operation from Spring 2018, when the heating period in which we give priority to heat feeding expires.



Our order books in all four business units are well filled and we have promising projects for geothermal drilling and turnkey heating and cogeneration plants in the pipeline. With this in mind, we are confident that we will be able to reach our annual forecast for 2017 with a total operating performance of around 40 million euros and an EBIT margin of 2 % to 5 %.

Yours sincerely and "Glück auf"!

Grünwald in September 2017

The Management Board

Josef Daldrup
(CEO)

Curd Bems
(CFO)

Peter Maasewerd
(Board member)

Andreas Tönies
(Board member)



DALDRUP & SÖHNE AG SHARE

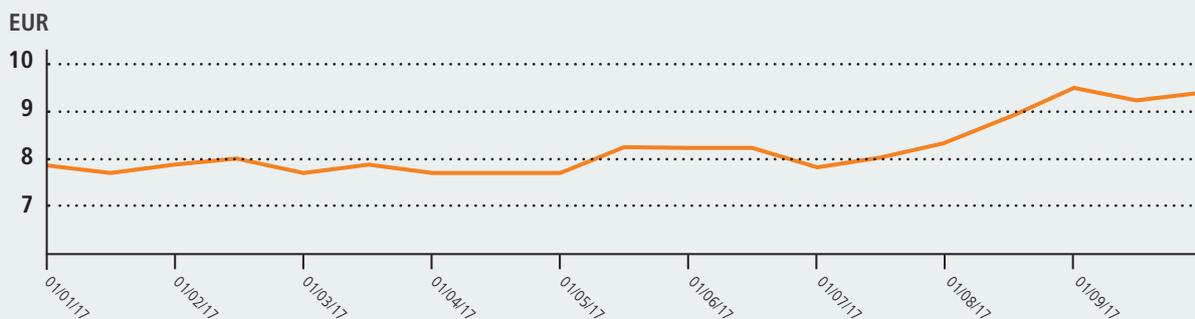
In the reporting period from 1 January to 30 June 2017, the price of the Daldrup share developed mainly sideways around the price of EUR 8. At the beginning of the year, the share went into the trading year at EUR 7.98. A few days later, the share marked its lowest point in the reporting period at EUR 7.42. As things developed, the share price did not go above EUR 8.30 and closed out on 30 June at a price of EUR 7.89. At the beginning of July this year, a sharp price increase took place, which led the share to EUR 9.45 by 19 September. This upward movement was supported by corporate news on drilling contracts and the consolidated financial statements for 2016. In the period under review, the share price fell slightly by about 1 %. By mid-September, however, the Daldrup share price rose by 18.4 %.

The DAX rose by 6.3 % in the period from January to the end of June and the industrial group index DAXsubsector All Renewable Energies, to which Daldrup & Söhne AG is also assigned, fell by 2.9 %. The Scale All Share Index (ISIN DE000A2BLGY6), which comprises the companies listed in the scale segment of Deutsche Börse AG since 10 March 2017, rose by 12.9 % up to the reporting date of 30 June. As of 1 March 2017, Daldrup moved into the new stock exchange segment of Deutsche Börse AG "Scale". It is the successor segment of the Entry Standard, in which the share has been listed since 2007, and currently comprises 48 small and medium-sized companies in the Open Market (free market). Sales in Daldrup shares on XETRA, the Frankfurt floor and the regional stock exchanges had a daily average of around 4,056 units (H1 2016: 2,832). The share of sales in XETRA trading amounted to 80.2 % (previous year: 75.7 %).

At the Annual General Meeting on 30 August 2017, the shareholders voted by a large majority on the agenda items to be agreed. The Supervisory Board members Wolfgang Clement, Wolfgang Quecke and Joachim Rumstadt standing for re-election were elected by a large majority for a new term of office – for the period up to the end of the Annual General Meeting in 2022. 72.6 % of the registered capital of Daldrup & Söhne AG was present.

In the first half of 2017 also, the Management Board spoke to various interested parties and investors, explaining the Daldrup business model and the investment case. Research on Daldrup & Söhne AG is prepared by the investment houses equinet Bank and SMC Research. After submission of the 2016 consolidated financial statements and the 2017 forecast for Daldrup & Söhne AG, equinet has set the price target at EUR 10.10 with a confirmed "Buy" recommendation. SMC Research has confirmed its "Hold" recommendation with a price target of EUR 12.15. Both analysts point out the positive conditions for geothermal energy in Daldrup's target markets, the good order situation in the geothermal drilling business and the possible commissioning of the geothermal power plants Taufkirchen and Landau.

DALDRUP & SÖHNE AG – XETRA price development January to September 2017





SHARE INFORMATION

ISIN: DE0007830572

WKN: 783057

Exchange segment: Open Market Entry Standard of the Frankfurt Stock Exchange up to 28 February 2017; from 1 March 2017 in the new segment "Scale" of the Frankfurt Stock Exchange, likewise Open Market.

Ticker Symbol: 4DS

Fiscal Year End: 31 December

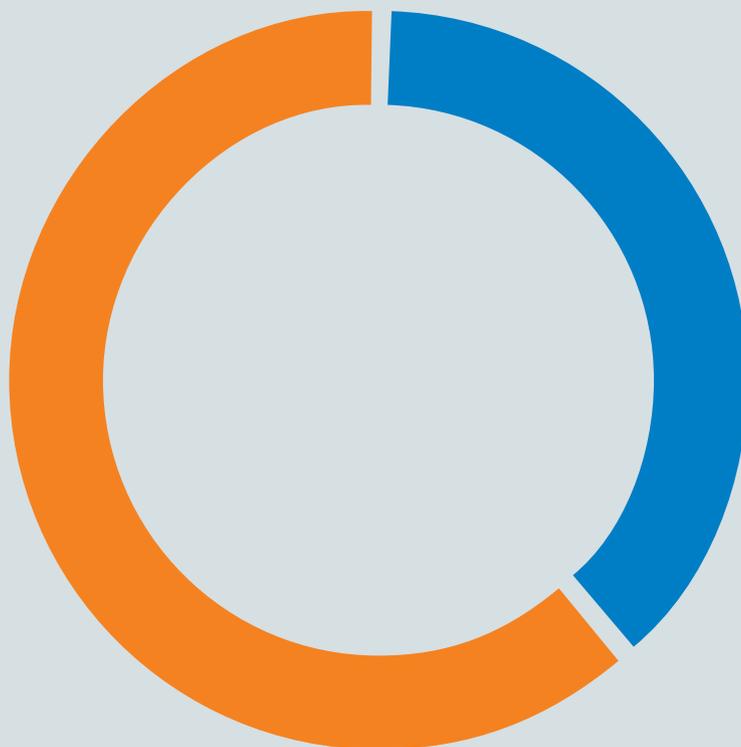
SHAREHOLDER STRUCTURE AS AT 30/06/2017

Number of Shares:	5,445,000	100.00 %
Daldrup Family:	3,563,190	64.77 %
Free Float:	1,881,810	35.23 %

Josef Daldrup	5.69 %
Karl Daldrup	17.83 %
Bernd Daldrup	17.65 %
Thomas Daldrup	17.87 %
Michaela Daldrup	5.73 %
Free Float	35.23 %

DALDRUP FAMILY: 64.77 %

FREE FLOAT: 35.23 %



CONDENSED HALF-YEAR GROUP MANAGEMENT REPORT

FOR THE FIRST HALF OF THE FISCAL YEAR
1 JANUARY TO 30 JUNE 2017

A. THE DALDRUP GROUP

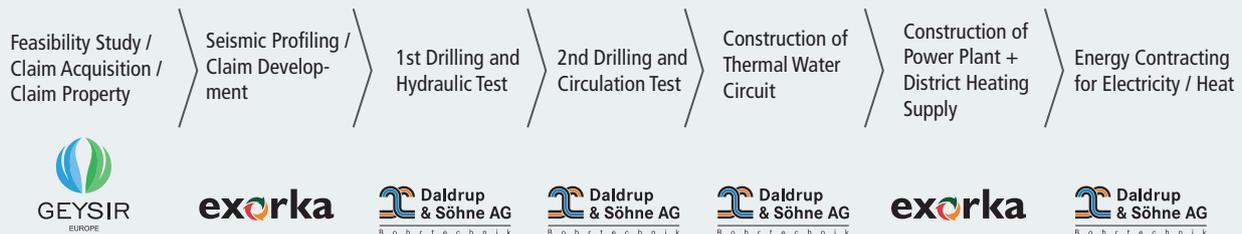
1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

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, the Daldrup Group AG now occupies all positions in the value chain for geothermal projects.

In Bavaria it holds permits for the exploration of geothermal energy in several particular area (claims), develops the claims through to drill readiness, executes the drillings, constructs the power plants and takes care of energy contracting and power plant operations.

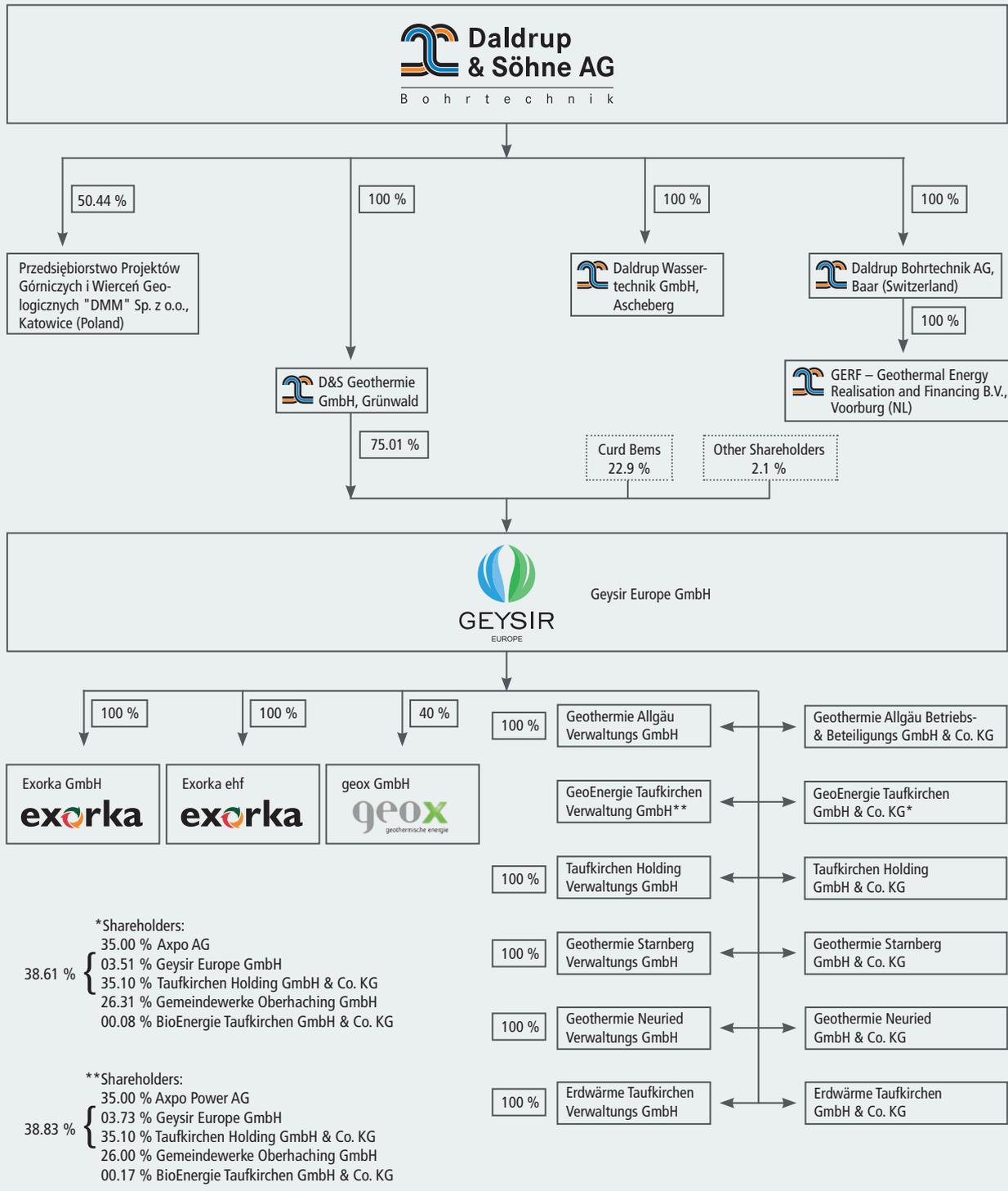
The aim of the Daldrup Group is to promote and drive forward the development of energy supplies using renewable energy sources in order to provide a competitive, climate-friendly alternative to fossil fuels, the world's primary energy source.

VALUE CHAIN OF THE DALDRUP GROUP FOR GEOTHERMAL POWER PLANT PROJECTS



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

GROUP STRUCTURE AS AT 30/06/2017



Project development

Project companies

BUSINESS ACTIVITIES

The products and services of the Daldrup Group can be summarised on two levels: One level relates to Daldrup & Söhne AG with its direct equity investments. The second level pools the activities of Geysir Europe GmbH, a subgroup within the Daldrup Group.

The company operations of Daldrup & Söhne AG include the Geothermal Energy, Raw Materials & Exploration, Water Procurement and Environment, Development & Services (EDS) business units. Information on the business units is available on pages 20 to 23 of the 2016 Annual Report.

EMPLOYEES

In the first half of 2017 the Daldrup Group employed 110 employees (31/12/2016: 108). In addition to this, other companies made up to about 30 further employees available to Daldrup & Söhne AG on a flexible basis.



2. MARKET AND COMPETITION

The competitive position of Daldrup & Söhne AG is fully consolidated by the long-standing market presence, the experienced management team, the competence, the possession of claims, the financial strength and the many existing reference sites with drilling depths of up to 6000 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 claims (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 until 2019.

Further information is presented in the 2016 Annual Report on pages 24 to 29.

3. STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

Through sustainable growth, Daldrup & Söhne AG intends to expand its leading market position in Germany and Europe as an experienced drilling technology specialist. The Company is now also engaged in geothermal power plant projects to generate additional revenue from supplying the grid and the sale of electricity and heat 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. 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 cogeneration plant has been fed into the district heating networks of the customers. The commissioning of the power generating unit is scheduled for the end of 2017 following the delivery and installation of the first of two heat exchangers. After completion of commissioning and acceptance of the geothermal power plant, the plant shall become the property of GeoEnergie Taufkirchen GmbH & Co. KG.

In July 2016 the Rhineland Palatinate state authority for geology and mining (LGB) extended the permit for the main operating plan of geox GmbH, operator of the Landau geothermal energy power plant; in August 2017, the permit was granted for the special operating plan for the "construction / overhaul and re-commissioning of the machinery of the primary circulation system of the Landau geothermal power plant for geothermal heat generation". The Office has stated that it will approve the re-commissioning of the power plant for the generation of electricity as soon as the final maintenance and modernisation work has been completed and the corresponding acceptance tests and documentation pursuant to the special operating plan have been provided. The trial operation is expected to begin at the end of September 2017. Daldrup will then strive to move quickly into regular operation.

In the first quarter of 2017, the administrative court of Freiburg rejected the complaint lodged by the City of Kehl about the geothermal power plant in Neuried. Geysir Europe has relaunched the approval process.

In conjunction with the city of Puchheim a heating plant is planned. Numerous preparations have been successfully launched. The planned schedule is to drill for thermal water for the first time in 2018. The heating plant is expected to provide a thermal output of 4.4 MW. A contract for the supply of district heating with Bayernwerk Natur is already in place.



4. 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 corporate objectives, from establishing its market position as a drilling technology specialist to the development and implementation of its own deep geothermal energy projects, right through to the marketing of electricity and / or heat. In this respect, Daldrup & Söhne AG will benefit from the forecast growth in the market / sector.

Further information on the chapters Strategy, Objectives and Corporate Management as well as Equity Investments and Strategic Partnerships can be found in the 2016 Annual Report on pages 30 and 31.

5. RESEARCH AND DEVELOPMENT

The Daldrup Group continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermal energy of 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 "Dolomitkluft" research project a research-supporting assignment for almost one million euros. The aim of the research project is to explore the high temperature ranges in the geological layers. This project has now been successfully completed.



6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

The economic dynamism of the German economy increased in the first half of 2017. According to the forecast published by the Kiel Institute for the World Economy (IfW) at the beginning of September 2017, a somewhat weaker dynamic in consumer spending has been overcompensated by brisk foreign business and more attractive investments. According to the Kiel experts, investments in construction have also increased at high rates in light of advantageous conditions such as the favourable financing conditions.

The economic researchers at the IfW are predicting a sustained economic recovery for the euro area in the first half of the year. It is supported in nearly all euro member states by a slightly expansive fiscal policy and low interest rates. After a somewhat restrained start to the year, world production has rebounded in the second quarter of 2017. According to economic experts, the economy has been on the upside for the first time in almost all major economies.

Demand for geothermal energy projects continues to be brisk in Central Europe.

The demand for projects for the use of geothermal energy for electricity and heat supply has been very brisk in Central Europe in the last quarters. In addition to a low interest rate, the conditions for financing in some countries also provide investors with important incentives and a secure framework. The EEG 2017 (German Renewable Sources Act) and the market incentive programme are examples for Germany. There is investment and legal certainty for current and planned projects for the next few years until 2021 and the subsidy remains stable at 25.2 cents per kWh. This means that the remuneration of geothermal energy will not be determined in the future by tenders. Policies have also recognised the advantages of geothermal energy for the upcoming electricity market 2.0.

Geothermal power plants provide predictable energy independent of weather and times of day and thus fulfil a stabilising system function. In addition, the high regional electricity need coincides with the regions suitable for deep geothermal systems in the Upper Rhine Valley, the North German Basin and the Bavarian Molasse. Geothermal power can be produced where it is needed and does not rely on cross-regional power lines. This system-stabilising role was confirmed by the EEG amendment.

The capacities of Daldrup & Söhne AG are utilised until the end of 2018

For Daldrup & Söhne AG, the course of business in the first half-year of 2017 was characterised by existing, large-scale drilling contracts in Belgium and Germany. The Raw Materials & Exploration, EDS and Water Procurement business units were also working at high capacity from orders. The demand situation continues to be brisk. Daldrup has also received other major orders, meaning that the order backlog rose to around EUR 65 million at the end of May 2017. The clients are both German companies as well as companies from Switzerland, Poland and the Benelux countries. These also include an order from Stadtwerke München (SWM) for the drilling of two doublets (four deep wells) for the funding of geothermal energy in the amount of a double-digit million figure. This is one of the largest contracts in the company's history. The first preparatory works have already begun. The boreholes are part of the SWM's District Heating Vision: Munich is aiming to become the first German city to supply 100 % of its district heating through renewable energy sources by 2040. Geothermal energy from hot thermal water is expected to make the greatest contribution to heating.

In this reporting period, which was characterised by a positive economic and regulatory environment, the Daldrup Group generated a total gross revenue of EUR 22.8 million in the first half-year to 30 June 2017 which was higher than the previous half-year (H1 2016: EUR 21.0 million). It reflects the good capacity utilisation and the drilling contracts in progress.

B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULTS OF OPERATIONS

THE FOLLOWING IS AN OVERVIEW OF THE RESULTS OF OPERATIONS OF THE DALDRUP GROUP AS AT 30 JUNE 2017:

INCOME STATEMENT	30/06/2017 EUR k	30/06/2016 EUR k
Sales	5,532	7,270
Gross revenue	22,844	20,950
Other operating income and tax refunds	226	279
Cost of materials	11,938	11,722
Personnel expenses	3,966	3,810
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	1,764	1,808
Other operating expenses	4,940	3,556
EBITDA	2,256	2,185
EBIT	492	378
EBT	172	24

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

In the first half-year (H1) 2017, the Daldrup Group generated a total output of EUR 22.8 million (H1 2016: EUR 21.0 million). This figure includes an increase in inventories of work in progress of EUR 17.3 million (H1 2016: EUR 13.7 million) from drilling contracts in progress, which has not yet been finalised.

Consolidated sales revenues for the first half-year amounted to EUR 5.5 million (H1 2016: EUR 7.3 million). At EUR 226k, other operating income remained almost unchanged compared to H1 2016 when it was EUR 279k.



The slightly higher cost trend in the reporting period compared to the same period of the previous year is in line with the increase in operating expenses as part of busier drilling activity. Based on the gross revenue, a material expense ratio of 52.3 % is calculated compared to the comparable prior-year period (H1 2016: 55.9 %). The cost of purchased services totalling EUR 5.5 million decreased significantly compared to the same period of the previous year (EUR 7.6 million).

Personnel expenses in the amount of EUR 4.0 million were 4.1 % higher than in the previous year due to the increase in staff by 4.1 %. Other operating expenses – mainly rental expenses, disposal costs for removal of residue / waste, construction site consumables, legal and consulting costs as well as room costs – rose to EUR 4.9 million (H1 2016: EUR 3.6 million).

The Daldrup Group's half-year results for 2017 before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 2.3 million (H1 2016: EUR 2.2 million). The almost constant depreciation at EUR 1.8 million includes depreciation on property, plant and equipment.

In the Group, Daldrup generated an operating result (EBIT, earnings before interest and taxes) of EUR 0.5 million (H1 2016: EUR 0.4 million). Before tax (EBT), Daldrup generated a profit of EUR 172k (H1 2016: EUR 24k). The half-year net profit (EAT, profit after tax) amounted as at 30 June 2017 to EUR 168k (previous year EUR 3k).



2. CAPITAL SITUATION

As of the reporting date of 30 June 2017, the consolidated balance sheet total reduced slightly compared to 31 December 2016 to a total of EUR 90.0 million. The fixed assets of EUR 47.4 million (31/12/2016: EUR 49.3 million) include intangible assets of EUR 0.9 million (31/12/2016: EUR 1.3 million), the carrying value of the four permits for exploration of geothermal heat (claims) at the respective stage of development (including seismic profiling) and the Kalina licence. Land and buildings on land in the amount of EUR 0.9 million (31/12/2016: EUR 0.9 million), which are directly related to drilling and power plant projects, are recognised as tangible assets. In the case of technical equipment and machinery valued at EUR 11.4 million (31/12/2016: EUR 12.3 million), this includes in particular the stock of drilling rigs, the vehicle fleet and the necessary operating and office equipment, which are amortised according to plan. In addition to this, payments totalling EUR 8.1 million were made for assets under construction (previous year, EUR 8.1 million).

The financial assets of EUR 23.2 million (31/12/2016: EUR 23.4 million) include shares in associated companies of EUR 21.9 million (31/12/2016: EUR 21.9 million). These mainly include the 38.61 % stake in GeoEnergie Taufkirchen GmbH & Co. KG. The 40 % stake in geox GmbH, the operator of the Landau geothermal power plant is valued at EUR 1 in the balance sheet. Both holdings have been included at equity in the consolidated financial statements. There is also a loan to a customer issued to the value of EUR 1.3 million (as at 31/12/2016: EUR 1.5 million), which shall be paid back as agreed.

In Current Assets, the value of raw materials, consumables and supplies totalling EUR 3.0 million (31/12/2016: 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 currently not necessary to hold a larger inventory. Services in progress, measured in accordance with business prudence, represent a value of EUR 77.2 million (31/12/2016: EUR 62.9 million) on the balance sheet date, and primarily stem from works on geothermal project construction sites / drilling rigs in Belgium and Germany that have not yet been finally invoiced. 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. Payments received

in the amount of EUR 65.7 million (31/12/2016: EUR 56.0 million) were deducted from the unfinished orders on the face of the balance sheet. As at the balance sheet date, receivables had decreased to EUR 21.6 million (31/12/2016: EUR 24.1 million). The receivables from the, on the whole, solvent customer base are intact. Other assets of EUR 15.2 million (31/12/2016: EUR 15.6 million) include claims for damages against clients/suppliers, claims from reinsurance cover as well as outstanding tax and loan and additional services for drilling contracts that have not yet been invoiced.

Liquid funds (cash in hand/bank) are EUR 280k as at the reporting date (31/12/2016: EUR 755k). The Daldrup Group companies were solvent at all times throughout the fiscal year. If required, banks would make sufficient credit lines available.

The equity of the Daldrup Group as at 30 June 2017 amounts to EUR 46.2 million (previous year: EUR 46.1 million); the equity ratio is 51.3 % of the balance sheet total as of the balance sheet date (31/12/2016: 50.4 %). Obligations that are regarded as fixed, and contingency risks, for example, for warranties in accordance with the business prudence concept, have been taken into account when recognising provisions for pensions (EUR 0.8 million), provisions for taxation (EUR 167k) and other provisions (EUR 2.5 million).

Compared to the balance sheet date of 31 December 2016, the liabilities decreased by around 4 % to EUR 40.3 million. Trade accounts payable declined significantly to a total of EUR 5.2 million (31/12/2016: EUR 7.9 million). Amounts owed to banks rose slightly by EUR 600k to EUR 9.2 million. This is attributable to operation-related greater use of working capital credit lines from long-standing core banks totalling EUR 7.1 million (31/12/2016: EUR 5.6 million). The credit lines at banks and insurance companies are sufficient to cover the sureties, guarantees, letters of credit customary in the industry and for forming a potential liquidity reserve. Other assets of EUR 25.6 million (31/12/2016: 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

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

CASH FLOW STATEMENT	01/01/2017 – 30/06/2017 EUR k	01/01/2016 – 30/06/2016 EUR k
Result for the year	168	3
Depreciation, amortisation and write-downs	1,764	1,808
Other changes in cash from operating activities (balance)	- 3,716	- 2,014
Cash inflows and outflows from investing activities	- 1,102	- 204
Cash flow from investment activities	- 101	- 757
Net cash provided by financing activity in 2016	612	- 1,174
Change in cash and cash equivalents	- 389	- 2,135
Change in cash and cash equivalents due to effects of exchange rates and the consolidated entities in 2016	- 86	- 191
Cash and cash equivalents 01/01/2016	755	3,165
Cash and cash equivalents 31/12/2016	280	839

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The excellent capacity utilization of all business units of Daldrup & Söhne AG, the lively demand for geothermal boring services and the progress in power plant projects for taking up electricity production place the company in a financially satisfactory position. Continued low interest rates in the eurozone give financial investors, in particular, an appetite for geothermal power plant projects with an attractive internal rate of return (IRR). During the reporting period, the order book of the Daldrup Group significantly improved for deep geothermal projects in

Germany and elsewhere in Europe to more than 70 million euros. 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 and the Benelux countries. The Management Board assesses the economic development as satisfactory based on the economic environment.

C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to comply with the highest standards of health, safety and environmental protection. The greatest importance is attached to the fact that all employees and companies that undertake activities on behalf of Daldrup & Söhne AG are familiar with and adhere to the standards, laws and regulations of safety, health protection and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG ensures that these objectives are implemented effectively. Dedicated non-financial performance indicators are presented in the 2016 annual financial statements in the Annual Report on page 40.

D. RISK REPORT

The deliberate and controlled management of opportunities and risks is a key element of corporate management within Daldrup & Söhne AG. Risks and opportunities are presented in the 2016 Annual Report on pages 42 to 47. The risk and opportunity situation of the Daldrup Group has not changed significantly compared to the current assessments.





F. FORECAST REPORT

1. FUTURE ORIENTATION OF THE COMPANY

The Daldrup Group is continuing to transform itself into an integrated geothermal energy group and is therefore building up its national and international market position as an end-to-end supplier of geothermal power plant projects.

The Management Board are working intensively to reopen the Landau geothermal energy power plant. The technical conditions set out in the permit granted for the special operating plan for the "construction / overhaul and re-commissioning of the machinery of the primary circulation system of the Landau geothermal power plant for geothermal heat generation" at the beginning of August have been carefully worked through. The company sees no obstacles in restarting the power plant soon as part of trial operations at the end of September 2017. These trial operations are expected to last until the end of November 2017. Ultimately, Daldrup is aiming for the complete recommissioning of the power plant.

Since December 2015, heat has been regularly fed into the district heating network of the communities of Oberhaching and Taufkirchen under the Taufkirchen geothermal project. The new heat exchangers ordered from Kelvion are being constructed as reported. The first heat exchangers will be delivered at the end of September 2017. According to the latest reports, it will still be possible to carry out trial operations for electricity production in the current year.

Additional geothermal power plant projects in the Bavarian Molasse basin, like in Puchheim, and in the Upper Rhine Rift, like in Neuried, are already being developed.

2. FUTURE ECONOMIC ENVIRONMENT

In its economic forecast for Germany published at the beginning of September, the IfW maintained its outlook for a further dynamic upturn. This upturn is mainly due to lively foreign trade, investments in equipment and increasing investments in construction. The IfW is raising its forecast for growth in GDP for the current year by 0.3 percentage points to 2.0 % and for 2018 by 0.2 percentage points to 2.2 %.

Economic researchers are predicting a sustained economic recovery for the euro area too. According to the Kiel-based economists, GDP is expected to rise by 2.2 % in 2017 and by a further 2.1 % in 2018. It is anticipated that the recovery will gain more momentum and be increasingly buoyed by the domestic economy and foreign trade. The economy is currently supported by low interest rates and a slightly expansive fiscal policy.

IfW is predicting risks for global economic development, particularly in issues related to the approaching normalization of monetary policy, structural issues, geopolitical tensions and increasing isolationist and protectionist trends by individual countries and economic areas.



The amended Renewable Energies Act (EEG) that entered into force on 1 January 2017 continues the positive conditions for financing the still relatively new geothermal industry in Germany. Until 2021 the basic feed-in tariff for new installations will be 25.2 ct/kWh. A quantity control as used for wind and solar power has not been proposed. The role of geothermal energy in the renewable energy mix is being increasingly acknowledged and viewed positively in the world of politics thanks to its base load capacity and controllability. Interest amongst investors is growing, particularly for larger geothermal power plant projects. Consequently, the growth in the market for deep geothermal drilling and power plant projects in Central Europe increased further throughout the course of the first half of 2017. A number of new plans and tenders have been published by municipal and private investors.

The importance attached to geothermal energy as an alternative source of heat and power production is increasing significantly outside of Germany also. Both in the context of a turnaround in energy policy as well as to reduce dependency on fossil primary energy sources such as gas.

Geothermal energy is an important source for the success of the energy transition, as it is decentralised and does not require any expansion of the grid, is an inexhaustible and free resource, has an unrestricted ability to supply base load (i.e., regardless of time of the day, seasons and weather conditions), makes a major contribution to environmental and climate protection and provides an outstanding CO₂ footprint. The cost reduction potential in project development and technology can be developed by numerous pending projects, with the result that the costs of geothermal electricity and heat generation will approach a competitive level in the next few years. As a result, geothermal energy is an important system service and in the foreseeable future will be operated economically without subsidies.

Geothermal energy has long been a reliable form of energy supply in Germany. The technology can be controlled and planned. Through the high levels of skill and expertise of the Daldrup Group, it has demonstrated in many projects that it can and will meet the high safety requirements demanded by the public and the licensing authorities. According to the Federal Association of Geothermal Energy in Germany there are (as at September 2017) 45 geothermal heat, power and heating power plants in operation with an installed heat output of 303 MW and an installed electrical capacity of around 37 MW. Two other projects are in construction and 34 are in the planning stage (incl. research projects).

Further information on the market environment and forecasts are presented in the 2016 Annual Report on pages 48 to 53.



Daldrup & Söhne AG

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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 has created a good basis for future growth in its business and the company due to the expansion in the value-added chain in its drilling and project business. The Daldrup Group will receive the first income from electricity feed-in and heat supply in the next few quarters.

The order book of Daldrup & Söhne AG has been very satisfactory in the current financial year. All business units are well utilized. High demand continues, particularly in the deep geothermal energy business unit. In recent months, Daldrup has taken on several large-volume orders. Due to many other numerous tenders and contract negotiations for deep geothermal projects, the Management Board believes that Daldrup can acquire further orders for the next two fiscal years.

With fully utilized drilling capacity and full order books stretching far into 2019, the Management Board of Daldrup & Söhne AG still expects to achieve gross revenue of approximately EUR 40 million for the 2017 fiscal year combined with an EBIT margin of 2 to 5 %.

Grünwald, 27 September 2017

Daldrup & Söhne AG

The Management Board



Josef Daldrup
(CEO)



Curd Bems
(CFO)



Peter Maasewerd
(Board member)



Andreas Tönies
(Board member)

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

FOR THE FIRST HALF OF THE FISCAL YEAR
FROM 1 JANUARY TO 30 JUNE 2017

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017

ASSETS	30/06/2017 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	930,312.98	1,347,208.64
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	928,015.97	938,110.23
2. Technical equipment and machinery	11,421,842.59	12,333,981.01
3. Other equipment, operating and office equipment	2,907,442.56	3,212,740.45
4. Prepayments and assets under construction	8,062,050.90	8,095,664.34
	23,319,352.02	24,580,496.03
III. Financial assets		
1. Shares in associates	21,891,591.06	21,932,544.15
2. Long-term securities	182.00	181.00
3. Loans	1,293,267.85	1,454,760.42
	23,185,040.91	23,387,485.57
	47,434,705.91	49,315,190.24
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	3,049,168.97	3,143,496.47
2. Work in progress	77,245,647.31	62,903,702.20
3. Prepayments on orders	5,910,259.92	6,983,686.51
4. Payments received on account of orders	- 65,704,700.48	- 56,029,493.47
	20,500,375.72	17,001,391.71
II. Receivables and other assets		
1. Trade receivables	2,388,727.08	4,896,016.65
2. Receivables from associated companies	3,989,717.37	3,655,005.87
3. Other assets – of which due after more than one year: EUR 771,097.75 (previous year: EUR 746,922.76)	15,245,457.11	15,555,655.61
	21,623,901.56	24,106,678.13
III. Cash on hand and credit balances at banks	280,026.78	755,339.05
	42,404,304.06	41,863,408.89
C. Prepaid Expenses	28,495.99	47,798.81
D. Deferred Tax Assets	162,215.97	157,508.84
Balance Sheet Total	90,029,721.93	91,383,906.78



LIABILITIES	30/06/2017 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	567,934.48	264,013.96
IV. Currency translation	- 1,500,236.36	- 1,180,674.79
V. Net retained profits	11,389,497.32	10,877,441.22
	40,984,695.44	40,488,280.39
VI. Minority interests	- 269,131.60	127,558.78
	46,156,546.84	46,056,822.17
B. Provisions		
1. Provisions for pensions	836,391.50	811,516.00
2. Tax provisions	167,020.77	40,799.45
3. Other provisions	2,483,520.53	2,327,417.87
	3,486,932.80	3,179,733.32
C. Liabilities		
1. Liabilities to banks	9,230,283.68	8,618,077.92
– of which due within one year: EUR 8,227,483.68 (previous year: EUR 6,929,367.72)		
– of which due between one and five years: EUR 1,002,800.00 (previous year: EUR 1,669,200.00)		
2. Trade payables	5,222,715.44	7,888,993.56
– of which due within one year: EUR 5,222,715.44 (previous year: EUR 7,888,993.56)		
3. Liabilities to associated companies	252,962.77	317,039.91
– of which due within one year: EUR 252,962.77 (previous year: EUR 317,039.91)		
4. Other liabilities	25,626,398.21	25,280,028.61
– of which due within one year: EUR 3,757,763.25 (previous year: EUR 2,859,400.43)		
– of which due between one and five years: EUR 21,868,634.96 (previous year: EUR 18,512,628.18)		
– of which due after more than five years: EUR 0.00 (previous year: EUR 3,908,000.00)		
– of which from taxes: EUR 181,049.97 (previous year: EUR 1,369,528.97)		
– of which from social security: EUR 29,057.03 (previous year: EUR 27,828.15)		
	40,332,360.10	42,104,140.00
D. Deferred Income	40,132.19	15,711.29
E. Deferred Tax Liabilities	13,750.00	27,500.00
Balance Sheet Total	90,029,721.93	91,383,906.78

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2017

	01/01/2017 - 30/06/2017 EUR	01/01/2016 - 30/06/2016 EUR	01/01/2016 - 31/12/2016 EUR
1. Sales revenue	5,531,778.31	7,269,794.42	31,137,030.40
2. Increase/decrease in work in progress	17,312,016.76	13,680,464.56	8,321,177.72
3. Gross revenue	22,843,795.07	20,950,258.98	39,458,208.12
4. Other operating income	226,344.28	279,001.99	8,292,410.47
5. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	6,420,305.16	4,071,650.79	7,899,157.99
b) Cost of purchased services	5,517,227.08	7,649,967.55	16,686,891.93
	11,937,532.24	11,721,618.34	24,586,049.92
6. Personnel expenses			
a) Wages and salaries	3,358,249.81	3,169,696.05	6,447,512.41
b) Social security, post-employment and other employee benefit costs	607,436.86	640,477.58	1,169,170.76
– including retirement benefit: EUR 4,570.57 (previous year: EUR 35,873.77)			
	3,965,686.67	3,810,173.63	7,616,683.17
7. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	1,764,259.57	1,807,558.02	3,605,101.69
8. Other operating expenses	4,939,565.91	3,555,948.78	11,371,518.42
– of which from currency translation: EUR 213.36 (previous year: EUR 4,811.32)			
9. Income from investments in associates	-	154,019.87	207,198.90
10. Income from securities and long-term loans	57,526.40	28,577.89	31,852.94
11. Other interest and similar income	264,875.11	76,293.34	386,991.95
– including the discounting of provisions: EUR 22,005.78 (previous year: EUR 29,762.00)			
– of which from currency translation: EUR 88,593.84 (previous year: EUR 133,239.09)			
12. Expenses from long-term investments in associates	40,953.09	-	-
13. Interest and similar expense	601,205.98	612,730.69	1,354,040.48
– including interest accumulation from provisions: EUR 15,273.50 (previous year: EUR 45,937.50)			
14. Taxes on income and revenue	4,105.22	21,440.92	71,637.50
15. Net earnings	139,232.18	- 41,318.31	- 228,368.80
16. Other taxes (yield)	28,681.85	43,920.53	380,169.46
17. Consolidated net income	167,914.03	2,602.22	151,800.66
18. Minority interests	344,142.07	206,415.49	229,541.75
19. Retained income	10,877,441.22	10,496,098.81	10,496,098.81
20. Consolidated net retained profits	11,389,497.32	10,705,116.52	10,877,441.22



CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT AS AT 30 JUNE 2017

	01/01/2017 - 30/06/2017 EUR	01/01/2016 - 30/06/2016 EUR
1. Cash flow from ongoing operating activities		
Result for the year	167,914	2,602
Depreciation of fixed assets	1,764,260	1,807,558
Increase/reduction (-) in provisions	307,199	109,953
Profit (-) / loss from asset disposals	33,613	1,066
Non-cash revenue (-) and expenditure	- 18,457	- 28,793
Increase (-) / reduction in inventories, accounts receivable and other assets	- 996,905	- 3,566,367
Increase / reduction (-) in trade payables and other liabilities	- 2,359,565	1,469,493
Cash flow from ongoing operating activities	- 1.101.940	- 204.488
2. Cash flow from investment activities		
Outflows (-) for investments into intangible and tangible fixed assets	- 101,836	- 246,767
Outflows (-) for investments into financial assets	0	- 684,465
Inflows from disposals of financial assets	202,445	174,278
Cash flow from investment activities	100,609	- 756,954
3. Cash flow from financing activities		
Inflows from disposals of securities classified as current assets	0	0
Inflows from share issues	0	0
Outflows from the repayments of financial loans	0	- 1,173,784
Inflows from borrowing	612,206	0
Cash flow from financing activities	612,206	- 1,173,784
4. Cash and cash equivalents at the end of the period		
Changes of the financial fund with a cash effect (Sub-totals 1 - 3)	- 389,125	- 2,135,226
Changes of the financial fund in the fixed assets due to effects of exchange rate and valuation	- 86,187	- 191,038
Cash and cash equivalents at the start of the period	755,339	3,165,185
Cash and cash equivalents at the end of the period	280,027	838,921
5. Composition of cash and cash equivalents		
Liquid funds	280,027	838,921

GROUP EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT AS AT 30 JUNE 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	5,445,000.00	- 4,017.00	30,502,500.00	6,739,352.00	- 1,180,675.00	4,427,103.00
Group annual net income	0.00	0.00	0.00	167,914.00	0.00	0.00
Other group earnings	0.00	0.00	0.00	648,063.00	- 319,562	0.00
As at 30/06/2017	5,445,000.00	- 4,017.00	30,502,500.00	7,555,329.00	- 1,500,237.00	4,427,103.00

	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		
45,929,263.00	396,984.00	- 269,425.00	0.00	127,559.00	46,056,822.00
167,914.00	0.00	0.00	0.00	0.00	167,914.00
328,501.00	- 396,690.00	0.00	0.00	- 396,690.00	- 68,189.00
46,425,678.00	294.00	- 269,425.00	0.00	- 269,131.00	46,156,547.00



GROUP STATEMENT OF ASSETS

CONSOLIDATED STATEMENT OF ASSETS AS AT 30 JUNE 2017

	ACQUISITION COSTS					As at 30/06/2017 EUR
	As at 01/01/2017 EUR	Exchange rate differences EUR	Accruals EUR	Outgoings EUR	Transfer EUR	
I. Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	7,169,487.43	10,282.75	0.00	0.00	0.00	7,179,770.18
	7,169,487.43	10,282.75	0.00	0.00	0.00	7,179,770.18
II. Property, plant and equipment						
1. Land and buildings	1,982,616.09	7,714.73	0.00	0.00	0.00	1,990,330.82
2. Technical equipment and machinery	27,370,685.30	0.00	1,070.84	0.00	0.00	27,371,756.14
3. Other equipment, operating and office equipment	13,840,848.88	0.00	100,765.02	0.00	0.00	13,941,613.90
4. Prepayments and assets under construction	14,977,792.77	0.00	0.00	33,613.44	0.00	14,944,179.33
	58,171,943.04	7,714.73	101,835.86	33,613.44	0.00	58,247,880.19
III. Financial assets						
1. Shares in associates	23,295,036.19	0.00	0.00	40,953.09	0.00	23,254,083.10
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	161,491.57	0.00	1,296,101.71
	24,847,684.27	0.00	0.00	202,444.66	0.00	24,645,239.61
	90,189,114.74	17,997.48	101,835.86	236,058.10	0.00	90,072,889.98



DEPRECIATION AND AMORTISATION				
As at 01/01/2017 EUR	Exchange rate differences EUR	Accruals EUR	Outgoings EUR	As at 30/06/2017 EUR
5,822,278.79	0.00	427,178.41	0.00	6,249,457.20
5,822,278.79	0.00	427,178.41	0.00	6,249,457.20
1,044,505.86	0.00	17,808.99	0.00	1,062,314.85
15,036,704.29	0.00	913,209.25	0.00	15,949,913.54
10,628,108.43	0.00	406,062.92	0.00	11,034,171.35
6,882,128.43	0.00	0.00	0.00	6,882,128.43
33,591,447.01	0.00	1,337,081.16	0.00	34,928,528.17
1,362,492.04	0.00	0.00	0.00	1,362,492.04
94,873.80	0.00	0.00	0.00	94,873.80
2,832.86	0.00	0.00	0.00	2,832.86
1,460,198.70	0.00	0.00	0.00	1,460,198.70
40,873,924.50	0.00	1,764,259.57	0.00	42,638,184.07

BOOK VALUES	
As at 30/06/2017 EUR	As at 31/12/2016 EUR
930,312.98	1,347,208.64
930,312.98	1,347,208.64
928,015.97	938,110.23
11,421,842.60	12,333,981.01
2,907,442.55	3,212,740.45
8,062,050.90	8,095,664.34
23,319,352.02	24,580,496.03
21,891,591.06	21,932,544.15
181.00	181.00
1,293,268.85	1,454,760.42
23,185,040.91	23,387,485.57
47,434,705.91	49,315,190.24

NOTES

TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS FOR THE FIRST HALF OF THE FISCAL YEAR 1 JANUARY TO 30 JUNE 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 commercial register of Munich District Court under HRB 187005. It is a company which was set up in Germany, with limited liability and with its registered office in 82031 Grünwald, Bavariafilmplatz 7.

Where it is possible to exercise options with regard to disclosures in the balance sheet, the income statement or the notes, 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.

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 contract is awarded as a voluntary audit of the consolidated financial statements.

The consolidated financial statements are prepared on the basis of the accounting standards of the German Commercial Code and the German Stock Corporation Act. These were prepared in accordance with the same accounting methods as those used in the consolidated financial statements for the fiscal year 2016.

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, 17 DOMESTIC AND 4 FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct capital share	Indirect capital share
Daldrup Bohrtechnik AG, Baar / Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
Daldrup Wassertechnik GmbH, Ascheberg	100.00	
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" Sp. z o.o., Katowice / Poland	50.44	
GERF B.V., Voorburg / Netherlands		100.00
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik / Iceland		100.00
geox GmbH, Landau i. d. Pfalz (associated company)		40.00
Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald		100.00
Geothermie Allgäu Verwaltungs GmbH, Grünwald		100.00
Geothermie Starnberg GmbH & Co. KG, Grünwald		100.00
Geothermie Starnberg Verwaltungs GmbH, Grünwald		100.00
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald (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

There has been no change in the consolidated entities compared to the previous year.



FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSLATION	Exchange rate EUR 1 =	Average exchange rate for the year as at 30/06/2017	Closing rate as at 30/06/2017
Swiss francs	CHF	1.08	1.09
Icelandic Krona	ISK	133.87	116.41
Polish Zloty	PLN	4.27	4.21

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 and EUR 1,000 are entered in a collective item and amortised linearly over a period of 5 years. Assets under EUR 150 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 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 %, the solidarity surcharge of 5.5 % and an average trade tax rate of 14.2 %, is used.

LIABILITIES

Subscribed capital has been recognised at par value.

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

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

Other provisions have been recognised for any other uncertain liabilities at the settlement amount dictated by prudent business judgement. All identifiable risks have been taken into account here. If the liabilities were due 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.

CURRENCY TRANSLATION

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

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

I. BALANCE SHEET

FIXED ASSETS

The statement of changes in fixed assets as at 30/06/2017 has been attached as Appendix 1 to the notes.

Shares in associates totalling EUR 21,892k relate to the following companies:

- a) **GeoEnergie Taufkirchen GmbH & Co. KG** (EUR 57,523k limited partnership contribution). The Group has a 38.61 % share in the share capital. The company was founded for the construction of a geothermal energy power plant. The carrying amount as at 30/06/2017 is EUR 21,888k. The Group has an indirect 38.43 % share in the limited liability company GeoEnergy Taufkirchen Verwaltungs GmbH (EUR 25k of subscribed capital). The carrying amount as at 30/06/2017 is EUR 4k.
- b) **geoX GmbH** (EUR 1,200k share capital). The Group has a 40 % share in the share capital. geoX GmbH operates a geothermal power plant in Landau i. d. Pfalz. The carrying amount as at 30/06/2017 is EUR 1.

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 107k) and geoX GmbH, Landau (EUR 3,881k), and others (EUR 2k).

OTHER ASSETS

OTHER ASSETS AS AT 30/06/2017 IN EUR K				
Description	Total amount 30/06/2017	due within one year	due after more than one year	Total amount 31/12/2016
1. Loans receivable	8,894	8,894	0	8,576
2. Repayment claims from advance payments already made	1,663	1,663	0	1,605
3. VAT receivables	926	926	0	1,237
4. Receivables from reversal of purchase price of associated companies	1,000	1,000	0	1,000
5. Guarantee claim from a drilling contract	0	0	0	1,000
6. Claims from reinsurance cover	771	0	771	747
7. Receivables from associated companies	670	670	0	670
8. Insurance compensation	419	419	0	419
9. Other	902	902	0	301
Total of other assets	15,245	14,474	771	15,555

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 162k).

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 30/06/2017 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 264k, unchanged compared to the previous year.

CONSOLIDATED NET RETAINED PROFITS

Consolidated net retained profits developed as follows:

• Retained profits brought forward 01/01	EUR 10,877k
• Consolidated net income	EUR 168k
• Minority interests	EUR 344k
• Net retained profits	EUR 11,389k

PENSION PROVISIONS

The pension provision for the CEO, Josef Daldrup, is calculated according to actuarial principles. The calculations are performed on the basis of the 2005 G actuarial tables for pension insurance by Prof. Klaus Heubeck. This is a generation table that reflects transition probabilities in the Company pension scheme, such as mortality rate, invalidity or frequency of marriage, according to age, gender and year of birth. The interest rate of 4.01 % p.a. (10-year average), published by the Deutsche Bundesbank as on the balance sheet date of 31/12/2016, 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 of 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 (4.01 %) and the estimate derived from the average market interest rate of the past seven fiscal years (3.24 %) there is a difference in pension provisions the present fiscal year amounting to EUR 81k. The difference in pension provisions excluded from distribution is the result of the calculation laid down in the German Commercial Code (HGB) in the version of 16/03/2016 and pursuant to the Accounting Law Modernisation Act (BilMoG).

TAX PROVISIONS

Tax provisions amount to EUR 167k (previous year: EUR 41k).

**OTHER PROVISIONS**

STATEMENT OF PROVISIONS AS AT 30/06/2017 IN EUR K					
Description	01/01/2017	Utilisation	Closing	Transfer	30/06/2017
Personnel provisions	883	529	0	695	1,049
Global provision for warranties	171	0	22	1	150
Other provisions	1,273	228	0	239	1,284
Total other provisions	2,327	757	22	935	2,483

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

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

LIABILITIES

STATEMENT OF LIABILITIES AS AT 30/06/2017 IN EUR K					
Type of liability	Total amount 30/06/2017	due within one year	due within one to five years	due after more than five years	Total amount 31/12/2016
1. Liabilities to banks	9,230	8,227	1,003	0	8,619
2. Trade payables	5,223	5,223	0	0	7,889
3. Liabilities to associated companies	253	253	0	0	317
4. Other liabilities to minority shareholders	12,751	0	12,751	0	12,620
5. Other liabilities to pension funds	9,800	682	9,118	0	10,278
6. Liabilities from rescission of contracts and subsequent repayment of purchase prices by associated companies	500	500	0	0	500
7. Tax liabilities	181	181	0	0	1,370
8. Other liabilities – Remaining	2,394	2,394	0	0	512
	40,332	17,460	22,872	0	42,104



Liabilities to banks amount to EUR 7.1 million (as at 31/12/2016: EUR 5.6 million) use of working capital credit lines from long-standing core banks. Loan obligations to DZ BANK AG (EUR 584k) and Sparkasse Westmünsterland (EUR 584k), have been secured by a drilling rig in accordance with standard banking practice and continue to be reduced as agreed.

The **liabilities to associated companies** amount to EUR 253k.

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 266k), liabilities from social security (EUR 28k), loan obligations to related companies (EUR 46k) and other liabilities (EUR 159k).

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 had fallen by EUR 28k as at 30/06/2017.

II. INCOME STATEMENT

The total cost format was selected for the income statement.

Other operating expenses are broken down as follows:

• Income from currency conversion	EUR 81k
• Other	EUR 145k
Total	EUR 226k

Other operating expenses are broken down as follows:

• Bad debts	EUR 700k
• Rent for mobile assets	EUR 457k
• Advertising and travel	EUR 347k
• Legal and consultancy costs	EUR 525k
• Premises	EUR 309k
• Residue and waste disposal	EUR 166k
• Repairs and maintenance	EUR 387k
• Vehicle costs	EUR 262k
• Construction site costs	EUR 256k
• Insurance policies and premiums	EUR 333k
• Guarantee commissions	EUR 115k
• Licence fees	EUR 175k
• Other	EUR 908k
Total	EUR 4,940k

III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 88k. The obligations have a remaining term of up to one year. Moreover there are obligations stemming from a licensing agreement amounting to EUR 5,775k, of which EUR 350k are due within one year, EUR 1,400k within one and five years and EUR 4,025k within more than five years.

In addition, there are other financial obligations for rent and leasing in the amount of EUR 70k in relation to Exorka GmbH and in the amount of EUR 154k in relation to Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG.

CONTINGENT LIABILITIES

Daldrup & Söhne AG has an obligation, as a joint debtor of a **fixed liability guarantee** in the amount of EUR 1,000k, to the Thuringian Ministry for Agriculture, Nature Conservation and Environment. The purpose of this guarantee, which expires on 31.12.2017, 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 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 the LBBW 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 2,700k.

Geysir Europe GmbH has not increased its stake in geox GmbH by an additional 50 %, to 90 % because the share purchase agreement was rescinded on 2 December 2013. The rescission means it is as if the contract had never existed. There are various judicial proceedings in process against the party that sold the shares and the former geox GmbH service providers. Furthermore, Daldrup & Söhne AG has appealed against the guarantee provided in connection with this.

Currently 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 313(2) no. 6 HGB, Daldrup & Söhne AG is the **personally liable partner** in the context of involvement in the following joint ventures:

- "Arnstadt" consortium (company under civil law), registered office in 46238 Bottrop

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.

REPORT ON POST-BALANCE SHEET DATE EVENTS

The following events took place after the balance sheet date, 30/06/2017, which were of major importance for Daldrup & Söhne AG.

As part of the special operating plan approved at the beginning of August 2017 for the "construction / overhaul and re-commissioning of the machinery of the primary circulation system of the Landau geothermal power plant for geothermal heat generation", geox GmbH, operator of the Landau geothermal power plant, is planning further expert inspections at the end of September 2017. For these and other inspections, the plant will be put into full operation / trial operation. This is carried out in coordination with the authorities. Trial operations are expected to last until the end of November. With the approval of the authorities, the plant can then be converted to regular operation.

The Supervisory Board of Daldrup & Söhne AG renewed the contracts expiring on 31 July 2017 with Chairman of the Management Board, Josef Daldrup, and both members of the Management Board, Andreas Tönies and Peter Maasewerd, for a further five years until 31 July 2022. This ensures the continuity of group management and existing customer relationships, and continues the company's long-standing expertise of the drilling business and power plant projects.

The Annual General Meeting of Daldrup & Söhne AG on 30 August 2017 re-elected Supervisory Board members Wolfgang Clement, Wolfgang Quecke and Joachim Rumstadt to the end of the Annual General Meeting, which gave formal approval for the fourth fiscal year from the start of the term of office. The fiscal year in which the election takes place does not count; the election is thus carried out for the period to the end of the Annual General Meeting in 2022. In the inaugural meeting of the Supervisory Board following the Annual General Meeting Wolfgang Clement was elected Chairman of the Supervisory Board and Wolfgang Quecke was elected Deputy Chairman of the Supervisory Board.



OTHER MANDATORY DISCLOSURES

NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

During the reporting period, 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 and Qualified Geologist (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)

The following were members of the **Supervisory Board** as at 30 June 2017:

Name, function	Administrative, Management or Supervisory Board appointments or partner positions
Wolfgang Clement, German Federal Minister (ret.)	Details of memberships of other supervisory boards to be formed by law, chairman of the supervisory board and in similar domestic and foreign supervisory bodies: <ul style="list-style-type: none"> • Member of the Board of Trustees for the Dussmann Group • Chairman of the Supervisory Board for Dussmann Stiftung & Co. KGaA, Berlin • Member of the Supervisory Board for Landau Media Monitoring AG & Co. KG, Berlin
Dipl.-Ing. Wolfgang Quecke	Details of memberships of other supervisory boards to be formed by law, member of the supervisory board and in similar domestic and foreign supervisory bodies: <ul style="list-style-type: none"> • none
Joachim Rumstadt	Details of memberships of other supervisory boards to be formed by law, member of the supervisory board and in similar domestic and foreign supervisory bodies: <ul style="list-style-type: none"> • 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 of 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 of Rheinkalk GmbH, Wülfrath

Grünwald, 19 September 2017
 Daldrup & Söhne AG
 The Management Board



Josef Daldrup
(CEO)



Peter Maasewerd
(Board member)



Andreas Tönies
(Board member)



Curd Bems
(CFO)



FISCAL CALENDAR for Daldrup & Söhne AG

27 - 28 November 2017: Equity Forum 2017, Frankfurt

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