ANNUAL REPORT 2023

2023

Daldrup & Söhne AG

Bohrtechnik

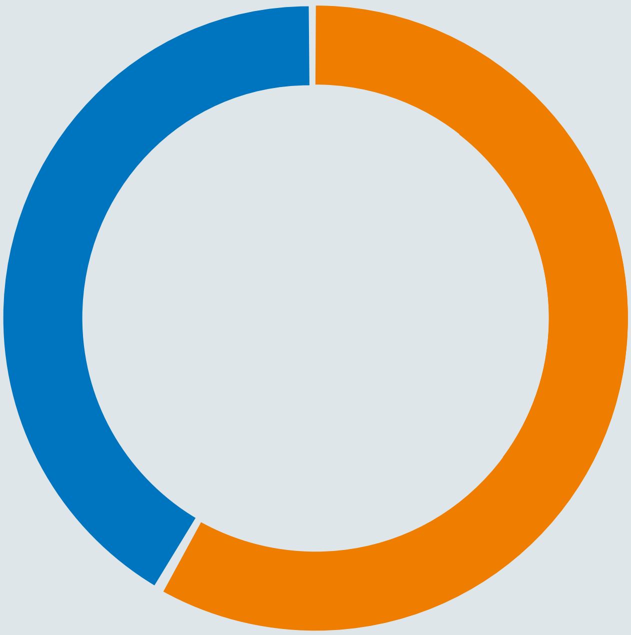
SHARE INFORMATION

ISIN: DE0007830572
WKN: 783057
Exchange segment: Open Market, Scale of the Frankfurt Stock Exchange
Indices: Scale All Share, DAXsector All Industrial, DAXsubsector All Renewable Energies
Selection index: Scale30
Number of shares: 5,989,500
Ticker Symbol: 4DS
Fiscal Year End: 31 December

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2023

DALDRUP FAMILY: 58.4 %

FREE FLOAT: 41.6 %



DALDRUP GROUP AT A GLANCE IN KEUR	2023	2022	Δ
Total operating output	48,407	36,870	31.3 %
EBITDA	4,939	4,224	16.9 %
EBIT	2,586	1,814	42.6 %
Group annual net income	890	852	4.5 %
Total assets	41,549	40,158	5.2 %
Group equity ratio	50.6 %	49.7 %	1.8 %
Employees	139	125	11.2 %
Order backlog (groupwide) in EUR million	38.5 (March 2024)	33.2 (May 2023)	
Relevant market volume in EUR million	approx. 260 (March 2024)	203 (May 2023)	

Please note that rounding differences may occur if rounded amounts or percentages are used due to commercial rounding practices.

FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,
dear Ladies and Gentlemen,

In fiscal year 2023, we recorded solid capacity utilisation of our drilling teams and our equipment fleet in all business segments. Based on this good operational starting position and in conjunction with other efficiency measures, we achieved an all-round solid operating result. The total gross revenue of EUR 48.4 million was almost EUR 7 million higher than the forecast. Group operating EBIT increased by EUR 42.6 % to EUR 2.6 million compared to the previous year. The EBIT margin of approximately 5.3 % of total gross revenue is thus above the forecast corridor at that time. At approximately EUR 0.9 million, consolidated net profit for the past fiscal year 2023 was on par with the previous year. The equity ratio in the group is a comfortable 50.6 % of the balance sheet total.

We carried out two major drilling projects in Switzerland in the reporting period: exploratory drilling for the Swiss company Salinen AG and drilling for the Vinzel geothermal project in western Switzerland to develop a hydrogeothermal reservoir. In Germany, we also successfully drilled a number of wells for the development and exploration of geothermal heat energy: For Stadtwerke Neustadt-Glewe (municipal utility company), we completed a sidetrack from an existing borehole. We also drilled a research well for the city of Frankfurt am Main to determine the geothermal potential and gather scientific insights into the geological site conditions. We are currently drilling in Munich for MTU Aero Engines AG as part of a general contractor order to construct a geothermal doublet. In shallow geothermal energy, sales contributions increasingly came from the construction of borehole fields for geothermal heat pumps in the commercial new construction sector, whereas drilling for private households declined significantly due to the sharp slowdown in construction activity for detached and semi-detached houses. In the post-mining sector, we carried out contracts for the construction of monitoring wells and water level boreholes.

With our broad range of services and well-founded drilling and geothermal expertise, we are well positioned in the market. Overall, the ongoing geopolitical and energy policy challenges as well as the progression of climate change are reinforcing the significance of geothermal energy as a solution component for independent, decentralised and climate-friendly energy supply. Consequently, our business model is attracting more attention from the public and our customers. As a result, interest from potential new customers from the private sector and local authorities remains lively and broad-based. The order backlog across all Group divisions totalled roughly EUR 38.5 million at the end of March 2024. The 'relevant market' as a key figure for the prospective order volume of around EUR 260 million impressively reflects the vital interest in our services. We are a sought-after expert and highly regarded drilling service provider.

This is helped by the fact that politicians are beginning to create a regulatory framework that facilitates more attractive development, investment and operating conditions for drilling companies as well as for heating and power plant and heating network operators. In Germany, three milestones on this path are the Building Energy Act, the Municipal Heat Planning Act and the Federal Fund for Efficient Heating Networks. Starting in 2024, new heating networks are expected to be filled with 65 % renewable energy, while existing networks must achieve a share of 30 % by 2030. It is now known that these targets can only be achieved through the use of geothermal energy as a secure and economical resource capable of meeting base load requirements. Other renewable heat sources such as biomass or solar thermal energy are not scalable to the necessary extent. The German Federal Ministry of Economics and Climate Protection (BMWK) has set the target of generating half of all heat in a carbon-neutral manner by 2030, which is only five years away. The current figure is just under 19 %. Without medium and deep geothermal energy, this target is not even remotely achievable.

We are optimistic that politicians have recognised that the heat transition with geothermal energy cannot be implemented without accelerating approval procedures, authorising subsidies and state-supported risk insurance for geothermal drilling. Offering exploration insurance would enable local authorities and private investors to invest in geothermal projects with significantly reduced risk. It would also improve their negotiating position with financing banks. Substantial progress in these three areas will give the market real momentum. And this is necessary, because it is worth remembering that over 50 % of end user energy consumption is attributable to heat and only just over 20 % to electricity! The leverage for saving greenhouse gases is therefore much greater in heat generation!

In the reporting period, we continued our strategy of reinforcing our core business through technical upgrades and investments in our equipment fleet. This also included components built in-house and services provided by affiliated companies. In order to maintain and gradually expand our skilled workforce, we are countering the latent shortage of personnel in Germany with good contacts in neighbouring Eastern European countries and by offering attractive conditions. We want to ensure two things with further efficiency measures: 1. the Group's earnings level should continue to rise gradually, 2. through efficiency and availability of capacities, we want to participate disproportionately higher in the structural growth of geothermal energy.

The outlook for the coming quarters is promising. In Germany, this mainly pertains to exploratory drilling for storage of radioactive waste, renovation of shafts and areas, and further orders for geothermal heat exploitation. Around Munich and in the Bavarian Ostmolasse basin as well as in the North German Plain, interest in larger projects for heat supply remains high. Furthermore, the markets in the Netherlands and Switzerland continue to offer exciting order potential. Many of these projects serve public services and are commissioned by local authorities, municipal utilities and private investors as part of long-term secured budgets. The order backlog and order pipeline are at a high level, which is very gratifying. By our calculations, the order backlog thus carries the utilisation of crews and drilling equipment into the year 2025. The long-term order environment for a decarbonised heat supply, for aftercare of old mines and for exploration for the final storage of radioactive waste, which is largely independent of economic developments, is conducive to the business success of Daldrup & Söhne AG. The Management Board of Daldrup & Söhne AG is therefore confident that it will be able to generate total Group revenues of approximately EUR 47 million and an operating EBIT margin of 5 % to 7 % for the Daldrup Group in the current year of 2024, if business continues to unfold as planned.

We would like to thank our employees, our customers and our partners for their continued constructive cooperation and the success we have achieved together. We would also like to thank our shareholders for the trust they place in us!

Best regards and good luck!

Oberhaching, 29 May 2024

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Spokesman of the Board)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)

SUPERVISORY BOARD REPORT FOR THE 2023 FISCAL YEAR

The supervisory board of Daldrup & Söhne AG carried out the control and advisory tasks that it is required to complete by law and in accordance with the articles of association and internal regulations in the 2023 fiscal year. They advised the Management Board concerning the management and strategic alignment of the company and monitored them with regard to their conduct of the company's business on the basis of all information made available to it.

To this end, the Supervisory Board regularly and promptly received updates about the course of business in the four business areas, the economic and regulatory situation, and especially the development of the financial and liquidity situation and the risk situation of Daldrup & Söhne AG and the Group as well as current market and corporate topics.

This was done during and outside of Supervisory Board meetings by means of written or verbal reports, within the framework of in-person meetings at the company, video conferences or in telephone calls. For this purpose, the Supervisory Board received information or documents concerning plans, key strategic decisions and the net assets, financial position and earnings situation. The Management Board has fulfilled its duty to provide information in all aspects. Scheduling and departures from specified plans were intensively discussed by the Supervisory Board and with the Management Board.

Opportunities and risks related to the course of business were regular topics of the Supervisory Board's deliberations. According to the Management Board's and Supervisory Board's internal regulations, the Supervisory Board was included in important decisions and was able to support the Management Board in its work.

The Chairman of the Supervisory Board was also in contact with the Management Board outside of meetings and was frequently updated in in-person meetings about significant developments that were material for the assessment of the given situation as well as for the operational and strategic management of the company and the group.

In accordance with Section 90 (1) nos. 1 to 4 of the German Stock Corporation Act (AktG), the key aspects of the Supervisory Board's deliberations at all meetings during the reporting period included: the operating business development, the company's financial position, in particular the current liquidity situation, the organisational and personnel structures of the Daldrup Group, and prospects for the continuous development of the Daldrup business model. The Supervisory Board regularly received reports and other information, in particular on current company performance and the planned development of liquidity. The Supervisory Board also frequently inquired and reviewed the development of the order situation in the individual divisions, the details and progress of the main deep geothermal and special drilling projects as well as internal projects.

MEETINGS AND KEY TOPICS

In the 2023 fiscal year, five ordinary Supervisory Board meetings were held on 31 March, 25 May, 11 August, 21 September and 13 October. In addition to the Supervisory Board meetings, information was also exchanged in person or by telephone. With the exception of the Supervisory Board meetings on 11 August and 21 September, all Supervisory Board members attended all meetings. Mr Wolfgang Bosbach did not attend the meetings on 11 August and 21 September. Dr Michaela Daldrup-Arnold and Mr Wolfgang Bosbach joined the meeting on 25 May via video call. The members of the Supervisory Board attended all other meetings in person. The supervisory board has clarified, reviewed and always unanimously approved the transactions which required its approval by law and according to the articles of association.

At the Supervisory Board meeting on 31 March, the Supervisory Board discussed the unaudited, preliminary annual financial statements and the group management report for fiscal year 2022 with the Management Board. The Supervisory Board took note of the preliminary annual financial statements that were presented. The Supervisory Board and the Management Board also discussed the competitive situation on the German and European markets as well as the future strategic alignment of the Group.

At the Supervisory Board meeting on 25 May, the Management Board provided the Supervisory Board with a status report on the audit of the annual and consolidated financial statements as at 31 December 2022. This also included the subordinate status report based on the documents that were previously submitted by the Management Board. This meeting was attended by the Management Board and the auditors. Amongst other things, they explained the main content of the audit of the annual financial statement, the consolidated financial statements and the management reports as at 31 December 2022 as well as the audit procedures. Questions about the audit status from Supervisory Board members and individual issues were discussed in detail.

After receiving the final results of the audit of the annual financial statements and management reports of Daldrup & Söhne AG and the dependency report of the Management Board as at 31 December 2022, the Supervisory Board completed its own detailed examination.

Having duly and thoroughly reviewed the above-mentioned documents submitted to it, the Supervisory Board determined by way of resolution dated 31 May 2023 that there were no objections to the financial statements and management reports. The Supervisory Board unanimously approved the financial statements and management reports for the 2022 fiscal year submitted by the Management Board for the company and the group as well as the Management Board's dependency report. The company's annual financial statement was thus certified (Section 172 of the German Stock Corporation Act).

At the third Supervisory Board meeting on 11 August 2023, the Supervisory Board discussed the general cost situation. Among other things, the Management Board was then asked to prepare a presentation for the Supervisory Board with further details about the overheads. Based on this presentation, the Management Board was asked to identify potential cost reductions in the Group that could be implemented in the short to medium term.

At the fourth Supervisory Board meeting on 21 September 2023, the Supervisory Board discussed Management Board matters and topics relating to the company organisation. Resolutions were passed to enact closer, regularly schedule coordination and involvement in discussions with financiers.

On 13 October 2023, the Supervisory Board discussed the business performance in the first eight months of the fiscal year with the Management Board. They also scrutinised the half-year consolidated financial statements as at 30 June 2023, which were approved by circular resolution on 30 September 2023. The Management Board thoroughly explained the status and details of individual drilling projects in the business divisions in Germany, Benelux and Switzerland, individual operational key figures as well as the financial, liquidity and personnel situation. Based on the presented documents, the Supervisory Board was also informed about the expected liquidity development in the coming months and the order situation in the next few quarters as well as upcoming discussions with financing banks and the Group's liquidity situation. It also discussed potential cost savings with the Management Board based on the information prepared by the Management Board with involvement of the subsidiaries and decided on a cost reduction programme.

ORGANISATION OF THE SUPERVISORY BOARD

Unchanged from the previous year, the Supervisory Board consisted of the following four members in the reporting period: Josef Daldrup (Chairman of the Supervisory Board), Wolfgang Bosbach (Vice Chairman), Dr Michaela Daldrup-Arnold and Heinz Goßheger. All members of the Supervisory Board have been elected as members of the Supervisory Board until the end of the Annual General Meeting in 2027.

The Supervisory Board did not form any committees for reasons of efficiency. This also applies to an audit committee, the tasks of which remain unchanged from those of the overall supervisory board. There were no conflicts of interest among members of the Supervisory Board during the reporting period.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2023 FISCAL YEAR

The Management Board drew up the annual financial statement, the Consolidated Annual Financial Statement and the Consolidated Management Report for the 2023 fiscal year for Daldrup & Söhne AG according to the provisions of the German Commercial Code (Handelsgesetzbuch) under a going concern premise. Grant Thornton AG, auditors, Düsseldorf, selected as auditor in the annual general meeting on 31 August 2023, audited the annual financial statement as well as the Consolidated Annual Financial Statement and the Consolidated Management Report for the 2023 fiscal year of Daldrup & Söhne AG, with reference to bookkeeping, and confirmed each of them without reservation. The Supervisory Board satisfied itself of the independence of the auditor and of the persons acting on behalf of the auditor. At the Supervisory Board meeting on 24 May 2024, the auditor reported on the main results of the audit and was available to provide information and explanations.

The focus of the audit for the 2023 fiscal year was on the existence and valuation of trade receivables, the existence and valuation of unfinished services, the occurrence and accuracy of sales revenues, the appropriateness of confirming the company's ability to continue as a going concern, as well as the completeness and accuracy of the consolidation entries. Further attention was paid to the correctness of the individual financial statements of the companies included in the scope of consolidation as well as the incorporation of the individual financial statements into the consolidated financial statements, the completeness of the information in the notes to the consolidated financial statements as well as the presentation of the business development and forecast information in the group management report.

The annual financial statements and the consolidated financial statements together with the management reports for the past fiscal year 2023 were submitted to all members of the Supervisory Board. By means of a resolution dated 29 May 2024, the supervisory board acknowledged the results of the audit and the annual financial statement and management report for Daldrup & Söhne AG as at 31/12/2023 and unanimously approved the group financial statement and group management report as at 31/12/2023. The annual financial statements for Daldrup & Söhne AG for the 2023 fiscal year have thus been adopted in accordance with Section 172 of the German Stock Corporation Act. After a brief discussion, the Supervisory Board approved the Management Board's proposal for appropriation of profits for the Annual General Meeting.

DEPENDENCY REPORT

According to the auditor, the Dependency Report of 31/12/2023 produced by the Management Board includes the prescribed information according to Section 312 (1) of the German Stock Corporation Act and concludes that Daldrup & Söhne AG was not disadvantaged by the legal transactions and measures described, and received reasonable consideration.

The auditors therefore issued the following confirmation without reservation: "According to our dutiful audit and appraisal, we confirm that 1. the actual details in the report are correct, 2. the company did not overpay in the transactions listed in the report, or disadvantages were settled, 3. there is no reason to appraise the measures listed in the report significantly differently to how the Management Board did." The Supervisory Board assessed the dependent company report provided by the Management Board and the audit report provided by the financial statement auditor. According to the final finding of the Supervisory Board's own audit of the Dependency Report, no objections were raised to the Management Board's declaration.

We would like to thank the Management Board and all employees of Daldrup & Söhne AG and its affiliates for their energetic commitment.

Oberhaching, 29 May 2024

Josef Daldrup
Chairman of the Supervisory Board

THE DALDRUP SHARE PRICE INCREASED BY DOUBLE DIGITS AGAIN IN 2023: SHARE PRICE UP 23.2 %

The 2023 stock market year went significantly better in many markets than experts had predicted in advance: Germany's leading index, the Dax, exceeded the 17,000 point mark for the first time and left the market with an annual gain of 19 %. In the USA, the well-known indices impressed with strong share price increases and climbed to new record levels. Despite ongoing geopolitical uncertainties and new trouble spots in the Middle East, hopes of interest rate cuts by the central banks predominated and drove stock prices from autumn onwards. This sentiment was supported by resilient economic growth in parts of the world and better-than-expected corporate profits.

In this tense market environment, the Daldrup & Söhne AG share performed very well in the reporting period and closed the stock market year up 23.2 % (previous year: 43.7 %). The share started in 2023 at a price of EUR 7.42 and rose continuously to its high of EUR 14.55 on 10 May. Despite another interim high of EUR 13.50 in July, the share price gradually dropped over the course of the year to its low for the year of EUR 6.72 in mid-December. The shares then rebounded by the end of the year, jumping 33.6 % to EUR 9.14. Daldrup shares thus closed the year on a significantly high note for the third year in a row and, although at times very volatile, outperformed the relevant benchmark indices.

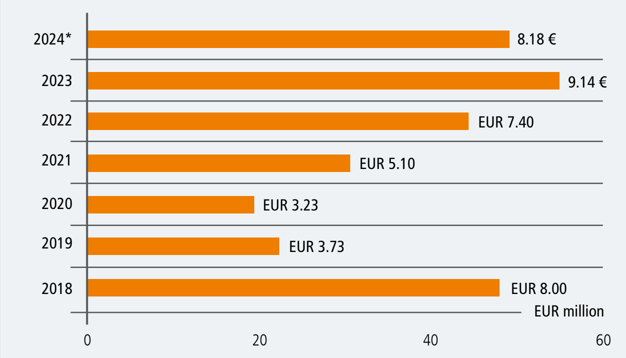
The capital markets presented a mixed picture in the reporting period due to the geopolitical and economic conditions outlined above. The majority of the indices for highly capitalised stocks rose, while the small-cap indices recorded significantly lower growth or buckled in some cases. The Nasdaq 100 recorded a gain of 53.8 % (previous year: - 33.0 %), while the MSCI World Index climbed by 21.6 % (previous year: - 17.7 %). In Germany, the DAX40 rose by 19.1 % (previous year: - 13.8 %) and the SDAX was up 15.5 % (previous year: - 28.8 %), whereas the Scale30, to which the Daldrup share belongs, once again dropped significantly by 15.7 %, as in the previous year - 31.9 %). The sector-specific index for Daldrup & Söhne AG, the DAXsector 'All Industrial', rose by 19.8 % (previous year: - 14.6 %), while the DAXsubsector 'All Renewable Energies' dropped by 25.3 % (previous year: 12.7 %).

The positive share price performance of Daldrup & Söhne AG was supported by company reports on major orders acquired for geothermal energy projects in Germany and Switzerland. The share price probably also benefited from the geopolitical and energy policy effects triggered by wars and geopolitical crises, including strong price fluctuations for primary fossil fuels and political pressure to make the energy supply less dependent on individual supplier countries and types of energy. Geothermal energy is an environmentally friendly domestic resource that is available in lots of places, primarily for consistent heat supply.

Following the key issues paper on geothermal energy presented in November 2022, the Federal Ministry for Economic Affairs and Climate Action (BMWK) launched additional initiatives such as the privileging of geothermal energy and an insurance concept for exploration via KfW to facilitate the potential development of this technology.

Sales of the Daldrup share on the trading platforms XETRA and tradegate as well as the regional stock exchanges were 10,600 shares on average in the reporting period (2022: around 8,100 shares). With an unchanged share capital of EUR 5,989,500.00, the company's market capitalisation rose to approximately EUR 54.7 million (previous year: EUR 44.3 million) as a result of the positive share price performance at year-end 2023. Daldrup & Söhne AG did not undertake any resolutions for capital measures in the reporting year. The expiry date for the 'Conditional and Authorised Capital 2018/I' (resolved by the Annual General Meeting in 2018) was reached in 2023. Therefore, the 2023 Annual General Meeting of Daldrup & Söhne AG authorised the Management Board once again by a large majority to increase the Conditional and Authorised Capital until 30/08/2028 in accordance with the resolution of the aforementioned Annual General Meeting.

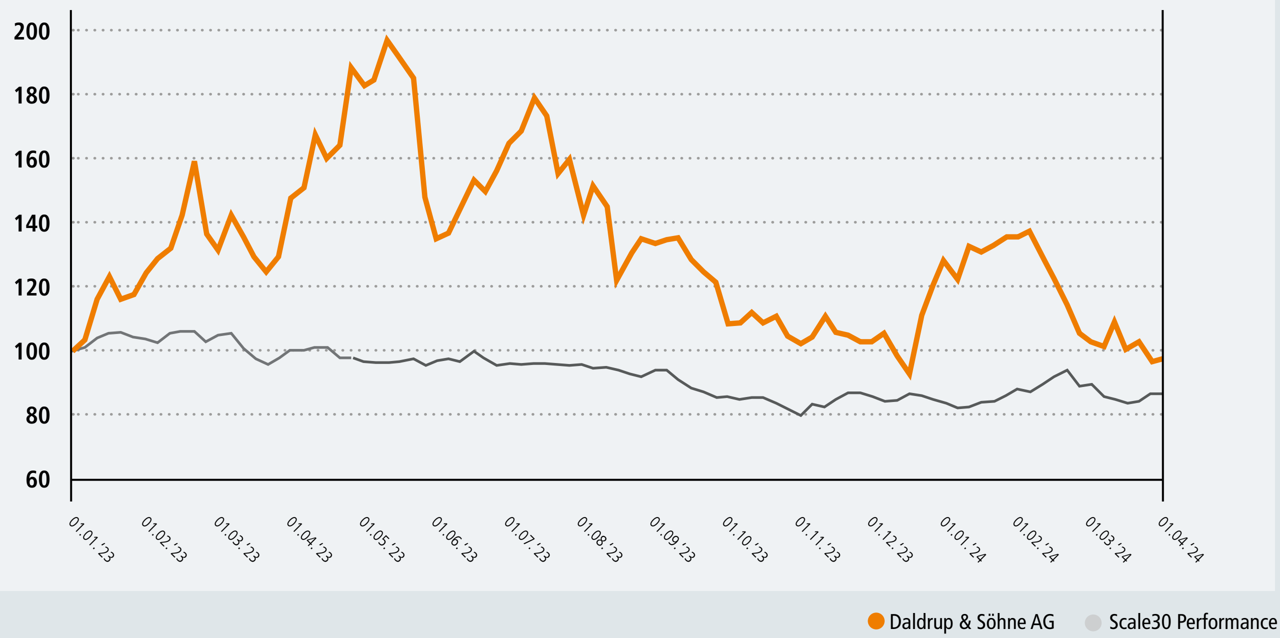
The valuations and price targets of the analyst firms Pareto Securities and SMC Research were EUR 14.00 and EUR 11.40 respectively after the presentation of the group's half-year figures at the end of September 2023. Both analysts rated the share 'buy'. Investor relations work in the year under review focused in particular on discussions with investors and analysts on business operations and profitability, on the development of the geothermal market in Germany and Europe and the technology for acquiring geothermal energy. The board of directors of Daldrup & Söhne AG participated in the equity capital forum by Deutsche Börse AG in Frankfurt.



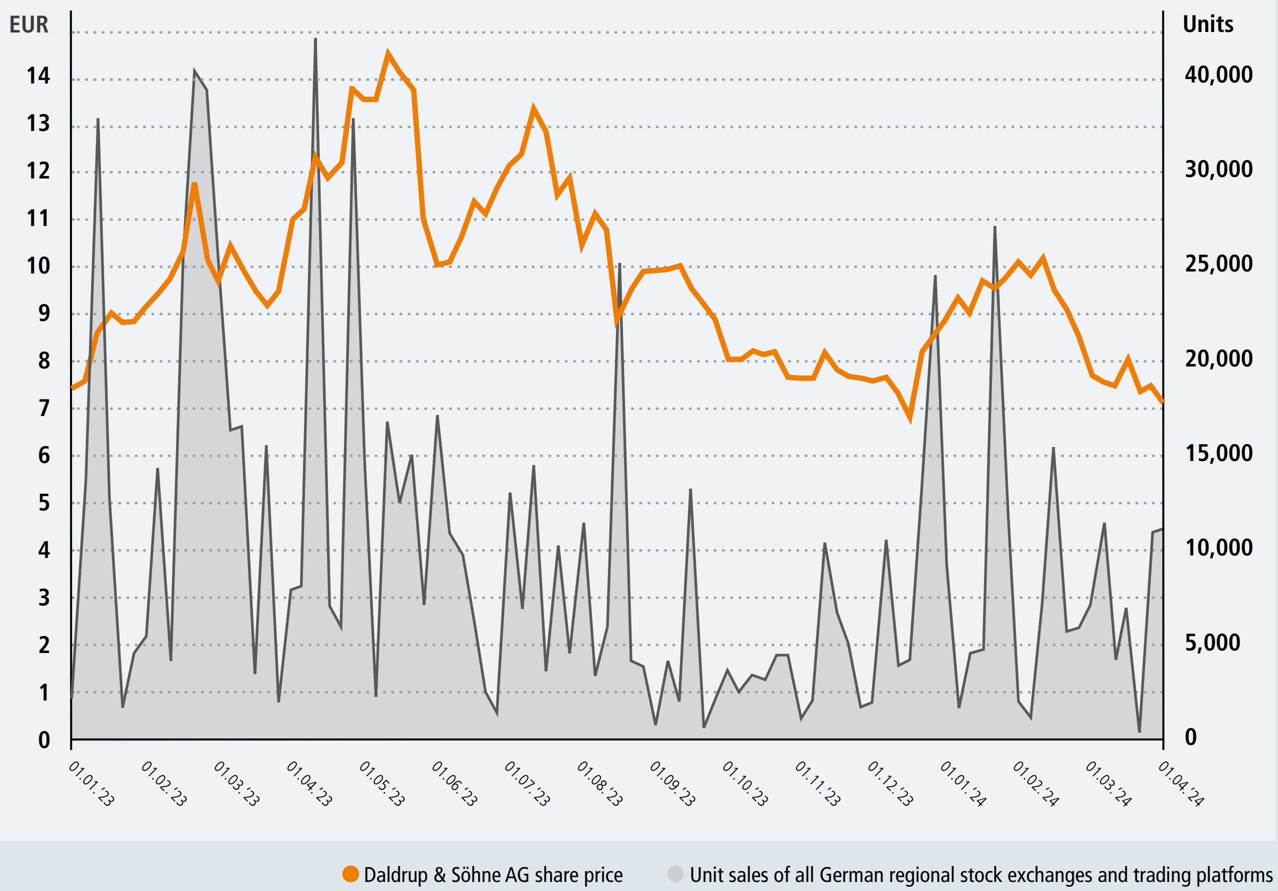
Graphic: Development of market capitalisation 2018 to 2023 in EUR million and XETRA closing prices as at 30 December

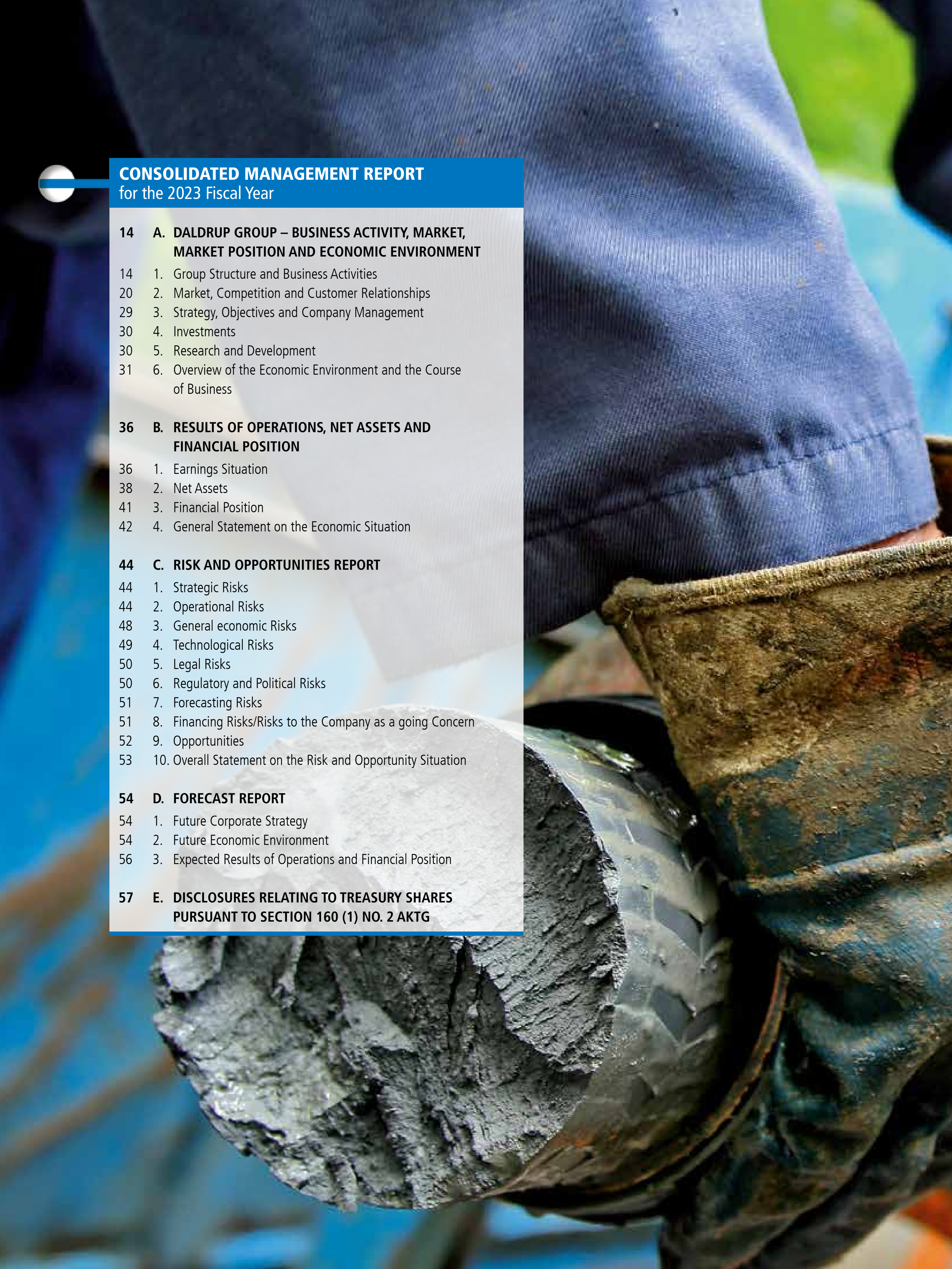
*2024 based on the XETRA closing price on 26 March 2024

DALDRUP & SÖHNE AG – Indexed price development Daldrup & Söhne AG versus Scale30 2023 to April 2024



DALDRUP & SÖHNE AG – Share and unit sales development 2023 to April 2024





CONSOLIDATED MANAGEMENT REPORT
for the 2023 Fiscal Year

GROUP INCOME STATEMENT
FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2023
OF DALDRUP & SÖHNE AG, OBERHACHING

A. DALDRUP GROUP – BUSINESS ACTIVITY, MARKET, MARKET POSITION AND ECONOMIC ENVIRONMENT

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

As the parent company of the Daldrup Group, which contributes around 96 % to the Group's gross revenue, Daldrup & Söhne AG is a sought-after and leading provider of drilling and environmental services in Central Europe. The group is active in the business areas of renewable energies, drinking water and raw materials. The Daldrup Group is thus involved with business areas which are of great relevance for future generations.

The group's business model is being positively supported within the framework of the energy transformation by specific requirements imposed by legislators to reduce greenhouse gas emissions. The replacement of fossil primary energy sources is also becoming even more urgent due to the geopolitical effects, in particular for non-fossil alternatives for heat generation. Moreover, the state-driven search for suitable repositories for the disposal of nuclear waste is evolving into an interesting line of business. Daldrup & Söhne AG has successfully gained extensive experience and prestigious references in this segment.

Daldrup & Söhne AG's market position as a drilling services company and geothermal energy specialist is consolidated in all business areas in the relevant target markets. The Daldrup Group is still moving in a generally attractive environment characterised by high levels of demand. Within the framework of these geothermal energy projects, the company combines its drilling equipment and drilling know-how to provide fundamental service elements for the exploitation of geothermal energy in heat and power projects. The group seeks minority investments in geothermal heat or electricity power plants, only in individual cases, as long as they correspond to Daldrup Group's medium-sized orientation and size.

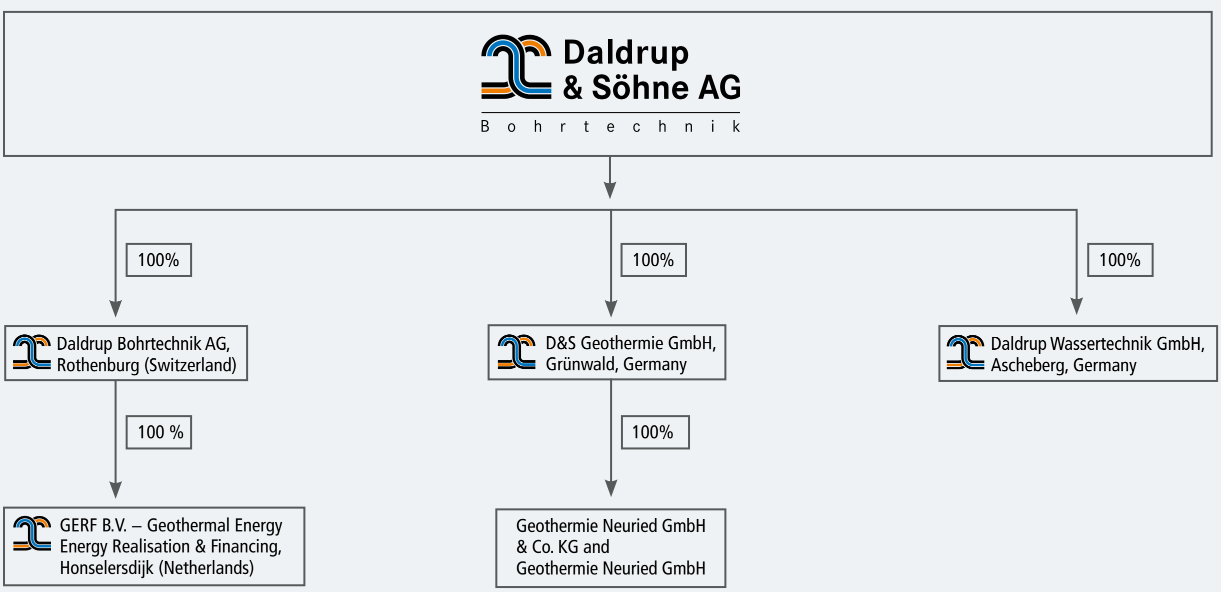
PROVIDER OF DRILLING SERVICES

Daldrup & Söhne AG
Bohrtechnik

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

Geothermal energy Deep | Medium-depth | Shallow	Water procurement	Raw Materials & Exploration	EDS

GROUP STRUCTURE AS AT 31/12/2023



GEOTHERMAL ENERGY: A RENEWABLE, INEXHAUSTIBLE ENERGY SOURCE

In the business area of geothermal energy, drilling services are provided both for near-surface geothermal energy (drilling depths of up to 400 metres), medium-depth geothermal energy, and deep geothermal energy (drilling depths of up to 6,000 metres), to make the geothermal energy accessible for electricity and/or heat generation through drilling. As the smallest component of renewable energies in the overall energy mix to date, this business area has in electricity, but also especially in heat generation, an intact capacity path with very good growth prospects in our opinion.

The focus of the Daldrup Group's domestic activity is still on the geological priority regions for geothermal energy acquisition: in the Bavarian Molasse basin around the city of Munich, at the Upper Rhine Rift and in the North German lowlands. In Europe, activities in the 2023 fiscal year are still mainly concentrated on Germany and Switzerland. In general, the group orients its activities in Central Europe by locations with geothermal potential and corresponding market potential for electricity and heat. In addition to the DACH region (Germany, Austria, and Switzerland), this includes the Benelux countries and prospectively Italy and Scandinavia.

The economic potential of geothermal energy for heating and cooling are of particular interest for the housing industry, both in new construction projects and in energy-related building refurbishment, local and district heating supply as well as commercial applications of heat utilisation such as aquifer storage, in greenhouses, fish farms, drying processes, etc. Heating-led usage is particularly attractive at storage facilities with thermal water temperatures below 110 °C, which generally require drilling depths of 1,000 to 3,000 metres. During the last few years, the German regulatory framework to promote the use of heat from renewable energy sources has also continued to be extended and improved. Neighbouring countries, such as the Netherlands or Switzerland, are pursuing similar paths in order to decrease existing dependencies on fossil fuels and to reduce greenhouse gas emissions (GHG emissions).

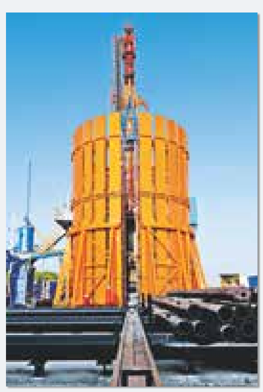
Deep drilling to a depth of 6,000 metres always places great demands on advance planning and, during the drilling phase, on the employees, the technology and the suppliers. Daldrup has drilled much more than 50 such boreholes for deep geothermal projects. In the course of its company history, employees of the Daldrup Group have successfully carried out more than 10,000 drilling operations in various geological formations. The Geothermal Energy business unit achieved a 53.2 % share of the Daldrup Group revenue for 2023 (previous year: 38 %).

Deep and medium-depth geothermal energy

1 Bentec 350-t-AC for deep wells up to 6,000m

4 plants for drilling depths of between 2,000m and 4,000m

8 plants for drilling depths of 400m to 2,000m



Shallow geothermal energy

27 drilling rigs up to max. 400m drilling depth or for special wells

EXPLORATION RISK PROTECTION – ALTERNATIVE RISK TRANSFER CONCEPT OF THE DALDRUP GROUP/INITIATIVE OF THE BMWK

Alongside reputable partners from the insurance industry, Daldrup & Söhne AG has developed a concept years ago to secure deposit discovery risks when drawing up deep geothermal energy projects, which has since been successfully implemented several times. This hedging concept, which is exclusively available to Daldrup & Söhne AG customers, often makes geothermal drilling and energy projects possible for medium-sized customers, as the hedging concept can be used to support the financing of geothermal projects with a high proportion of debt capital from banks. This means that geothermal drilling operations can be financed by banks right from the start for project developers and investors. Daldrup acts neither as a financier nor as an insurer in this context. The exploration risks are borne by third parties. The ART Concept is a key tool for acquiring customers and projects in Central Europe. Daldrup expressly welcomes the initiative of the German Federal Ministry for Economic Affairs and Climate Action (BMWK) and the KfW (German government-owned development bank) to establish a state-supported insurance solution for the exploration risk involved in deep geothermal drilling. A state-supported insurance solution would remove a major hurdle for municipal and private clients of deep geothermal projects and promote rapid development of domestic geothermal energy.

RAW MATERIALS & EXPLORATION

In the Raw Materials & Exploration business area, the aforementioned drilling projects serve exploratory purposes and to expose depositories of fossil fuels as well as mineral raw materials and ores. Another major area comprises activities in respect of the exploration and securing of the substratum in mining areas.

Examples for this business segment in the 2023 fiscal year included our drilling activities for NAGRA, the National Cooperative for the Storage of Radioactive Waste in Switzerland. The share of Daldrup Group revenue generated in 2023 by this business unit amounts to 41.6 % (previous year: 47 %).

WATER PROCUREMENT

The Water Procurement business area forms the Daldrup Group’s business origin. 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 specialised expertise: 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 the reporting period, the Water Extraction business unit represented 1.8 % (previous year: 9 %) of group revenue generated.

ENVIRONMENT, DEVELOPMENT, SERVICE

The business area of Environment, Development, Service (EDS) includes special environmental technology services such as hydraulic decontamination of contaminated sites, the erection of gas extraction wells to extract landfill gas, the creation of groundwater quality measuring sites or the erection of water treatment plants. The EDS business area contributed a share of 3.4 % to Daldrup & Söhne AG’s revenue in the 2023 fiscal year (previous year: 6 %).

The experience derived from the four business units enhances and ensures refinement of drilling know-hows on a daily basis. On the other hand, the group’s growth path is limited by the worsening shortage of well-trained, agile employees. We are now trying to recruit qualified workers across Europe through targeted acquisition measures. With an attractive work environment and incentives, we tried to especially attract and retain key employees. An average of 139 employees were employed within the Daldrup Group in 2023 (previous year: 125). Depending on the project, whenever additional employees may be needed, they are made available to Daldrup & Söhne AG and its subsidiaries flexibly and upon request by external personnel service providers.

2. MARKET, COMPETITION AND CUSTOMER RELATIONSHIPS

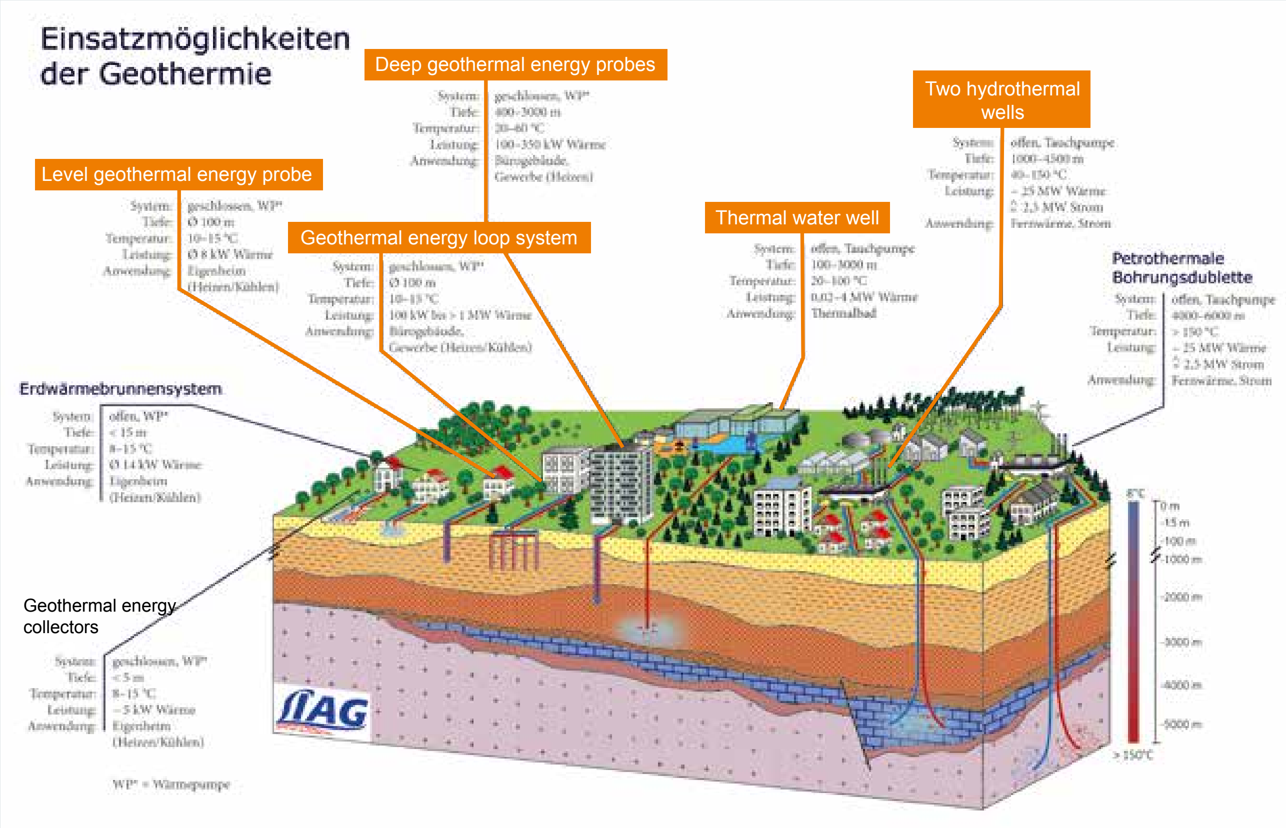
GEOTHERMAL ENERGY IS INEXHAUSTIBLE

Geothermal energy is the heat energy stored under the Earth's solid crust. It is now well known that this energy source is inexhaustible. It generally increases with increased drilling depth. This 'geothermal gradient' is 3 °C per 100 metres in Germany on average. Geologists estimate that temperatures in the Earth's core reach 5,000 °C to 7,000 °C. This heat stored in the Earth is inexhaustible by human standards, as a constant stream of energy rises to the surface from our planet's core, a process known as the 'terrestrial heat flow'. As a result, geothermal energy is a regenerative energy source. The depth range between 400 metres and 1,500 metres with temperatures of between 20 °C and 60 °C is referred to as medium-depth geothermal energy. This range is particularly of interest for energy storage. From temperatures of 60 °C, i.e. from depths of 1,000 metres to 1,500 metres, it is possible to use geothermal heat directly without increasing the temperature (using heat pumps, heat transformation), especially for local and district heating.

Deep geothermal energy extraction generally provides energy via a process called 'fluid delivery'. A thermal water cycle is generally realised using a geothermal doublet created using deep drilled holes, consisting of a delivery drilled hole and an injection drilled hole. The thermal water cycle is driven by a feed pump and (if necessary) by additional injection pumps. In addition to heat, electricity can be produced by a thermal power plant, which may operate in parallel, with deep geothermal energy from a temperature level of approx. 120 °C. In contrast to the fluctuating availability of wind and solar energy, geothermal energy can be extracted on a continuous and regulated basis, and is therefore base load capable and independent of daily and annual variation.

The advantages of geothermal energy include the environmentally friendly, low-carbon production of electricity and heat,

- readily calculable fixed and variable costs of plants, even in the long term
- energy provision at the point of consumption (decentralised)
- and landscape-friendly and environmentally friendly development, as well as
- independence from (imported) raw materials and their fluctuations in price and availability



Daldrup & Söhne AG provides its customers with these usage options for geothermal energy in the form of tailor-made solutions. There are numerous reference projects.

Source: Leibniz Institute for Applied Geophysics, The Heating Transition with Geothermal Energy (Wärmewende mit Geothermie), June 2019

Overall, geothermal energy in Germany is a niche market with good prospects. In Germany, according to information from the German Geothermal Association (BVG), deep geothermal power plants produced 46 MW in 2023 (previous year: 46 MW). There are currently 43 (previous year: 38) 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 407 MW (previous year: 417 MW). The average depth is about 2,500 metres.

Unlike deep geothermal energy, near-surface geothermal energy has already achieved greater market penetration. The BVG estimates that over 470,000 plants (previous year: 470,000) (e.g. in the form of geothermal energy probes or collectors in connection with heat pumps) are in operation, providing around 4,700 MW.

Currently, power generation by means of deep geothermal energy is even more expensive than comparable renewable energy sources. The production of geothermal heat, by contrast, is already economically viable and attractive without subsidies for local and district heating supply and for heating building complexes or residential neighbourhoods on a broad scale.

The geothermal heat extracted can be used to provide reliable heating for residential buildings, district heating supply networks, public buildings or process heat for industry and commerce over a large part of the year (more than 8,000 hours = >90 %). According to a study by the Fraunhofer Institute and the Helmholtz Association, the BVG believes that deep geothermal energy could meet more than one quarter of the annual German heat requirement (over 300 TWh).

From a financial point of view, pure heating projects are largely local and/or district heating projects, because the investment costs for drilling operations and plant technology (heating plant) are relatively low due to the lower drilling depth, in contrast to electrical energy from geothermal energy. The district and local heating systems, which already exist in many places, lie mostly in the hands of municipalities or large infrastructure companies. The potential both for expanded use of geothermal energy to supply heat and for reduction of greenhouse gas emissions is enormous. According to the Germany Federal Environment Agency, geothermal plants currently save just over 1 million tonnes of CO_2 per year.

AMBITIOUS TARGETS FOR CLIMATE ACTION – DECARBONISATION MEASURES LIMITING GLOBAL WARMING ARE INCREASINGLY GUIDING ECONOMIC ACTION

Germany and the EU have committed to ambitious climate targets. In order to contribute to achieving the Paris Agreement target of keeping the increase in global temperature to well below 2 °C, the German government presented a climate protection programme in October 2023 as part of the Climate Protection Act and confirmed the goal of greenhouse gas neutrality by 2045. As early as by 2030, emissions should decrease by 65 % compared to 1990. At the EU level, the European Climate Law finalised the goal of achieving a carbon-neutral EU by 2050 within the framework of the Green Deal.

The Climate Protection Act in the building sector primarily aims to reduce greenhouse gas emissions from fossil heat supply by improving funding in the area of energy efficiency and renewable heating. Space heating and hot water supply in residential buildings, with a share of more than two thirds, offer the highest potential for reduction.

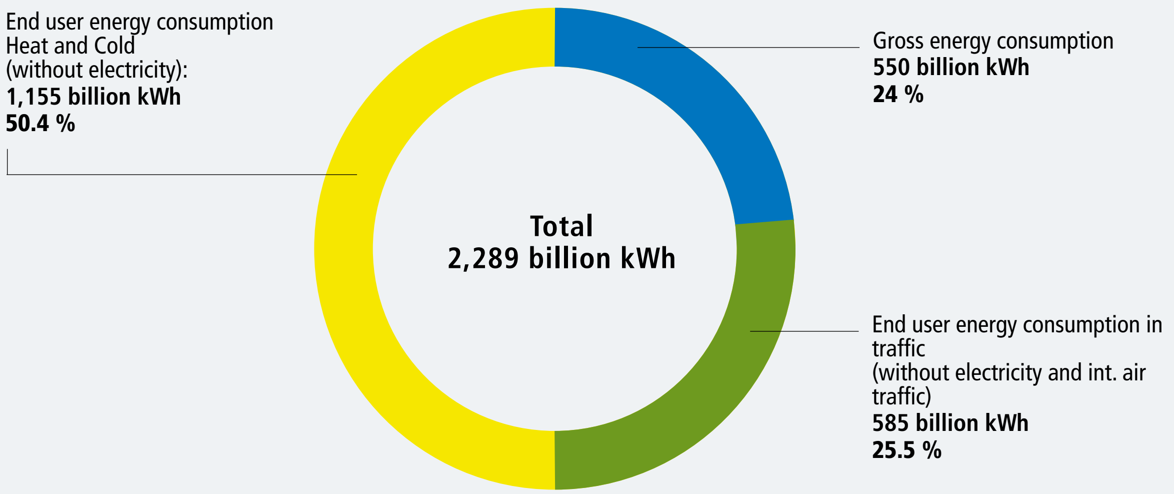
The expansion of geothermal heating networks represents one option, which can be implemented more quickly than the energy renovation of old buildings and the achievement of new buildings, whereby lower heating use is achieved by greater energy efficiency. Daldrup & Söhne AG is regularly involved in such heating projects with its drilling services, for example for the municipal utilities of Munich, Schwerin and Neuruppin.

GEOTHERMAL ENERGY IS FIRST CHOICE FOR THE HEATING BASE LOAD

Without a heating transition, that is an increase in renewable energy sources in the heating sector, the energy transition will remain incomplete. This is because the proportion of heat and cold in overall energy consumption in Germany in 2022 was 50.4 % whilst gross electricity usage only accounted for 24.0 %.

END ENERGY USE IN GERMANY IN 2022 BY ELECTRICITY, HEATING AND TRANSPORTATION

The electricity consumption for heating, cooling and traffic is included in the gross electricity consumption.

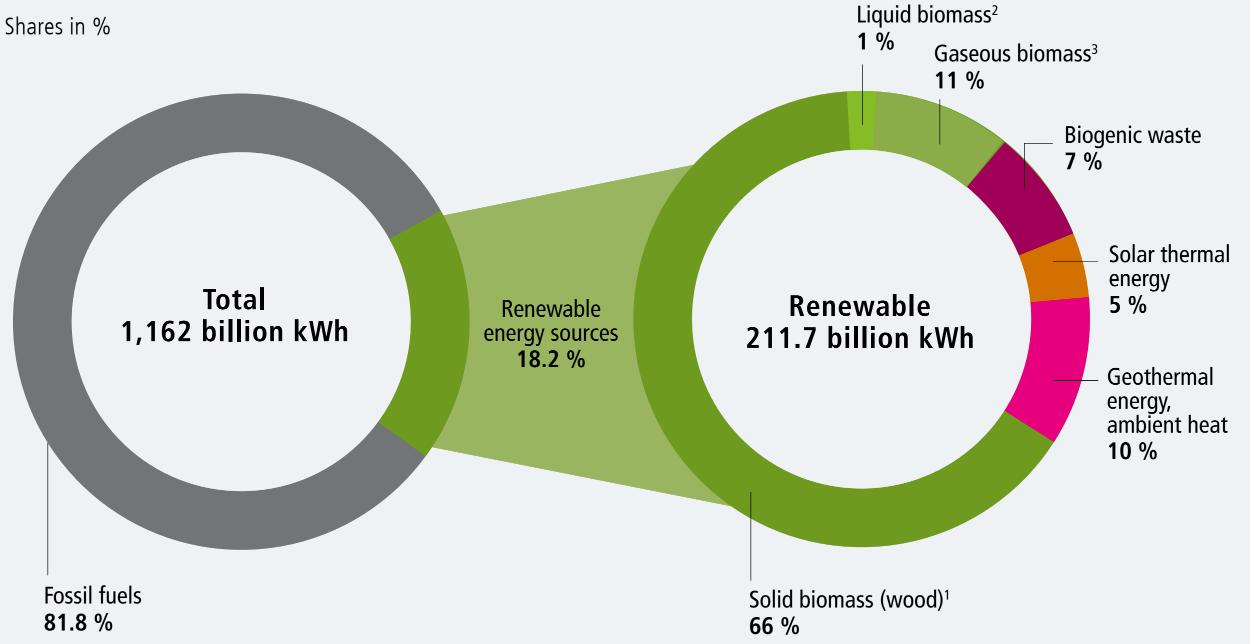


Sources: German Federal Environment Agency, Arbeitsgemeinschaft Energiebilanzen e.V., as at 4/2023

Therefore, around twice as much energy is required for heating as for electricity. This consumption structure is predominant in Central Europe. Decarbonising heating and cooling production is the biggest challenge of the energy transformation for the community of nations. Especially since the share of renewable energy in the heat supply in Germany is only about 18.2 %. The energy sources making up the latter are shown in the figure 'Renewable energy for heating and cooling 2022'. In contrast to electricity production from geothermal energy (2022: 0.2 billion kWh, corresponding to about 0.1 % of the amount of electricity generated from renewable sources), the provision of heat from environmental heat and geothermal energy gained in importance in 2022 and, at 22.0 billion kWh, was 13 % above the level of the previous year (19.5 billion kWh). Overall, about 10 % of renewable heat is generated from geothermal and environmental heat. In 2000, the share was still less than 4 %. Once again, the provision of heat from environmental heat and geothermal energy gained significantly in importance in 2023 and, at 25.7 billion kWh, was 18 % above the level of the previous year (21.7 billion kWh). It reflects the strong growth in the heat pump market. Overall, about 12.5 % of renewable heat today is generated from geothermal and environmental heat. In 2000, the share was still less than 4 %.

In electricity consumption, the share of renewable energy is 46.0 % (41.5 %) after more than 20 years under the Renewable Energy Sources Act. Overall, the renewable share of end user energy consumption in 2022 is 20.8 %, which is just one-fifth of consumption.

END USER ENERGY CONSUMPTION OF RENEWABLE ENERGY SOURCES FOR HEATING AND COOLING IN 2023



[1] incl. sewage sludge and charcoal
[2] incl. biodiesel for agriculture, forestry, construction and the military
[3] Biogas, biomethane, sewage gas, landfill gas

Source: German Federal Environment Agency (Umweltbundesamt, UBA) based on AGEE Stats, as at 09/2023

GEOTHERMAL ENERGY IS ONE OF THE MOST CLIMATE-FRIENDLY AND ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Up to now, renewable heating has been mostly generated in Germany from wood, biogenic waste and biogas. Just like the burning of fossil fuels, this generates emissions that are harmful to health (mainly particulates and nitrogen oxide) as well as greenhouse gas emissions.

An expansion of the use of these input fuels is unlikely, owing as well to the large areas of land required and competition over land use. Solar thermal energy cannot be used to supply the basic thermal load all year round due to the weather-related dependency involved. We have shown here several times that geothermal energy is one of the most climate and environmentally friendly technologies for heat supply with potential for expansion.

Fossil fuels, such as coal, oil and natural gas, can be substituted by geothermal energy in many areas of the heat generation process. Examples include the cities of Munich, Hamburg and Schwerin, which want to achieve climate neutrality between 2035 and 2050 and where the demand for heat from renewable energies plays a pivotal role due to favourable geological underground conditions.

THE FUNDING FRAMEWORK IS BEING EXPANDED AND MADE MORE ATTRACTIVE

The comprehensive programme of measures in the Climate Protection Programme 2030 creates incentives to reduce greenhouse gas emissions. The individual measures are being implemented step by step with laws and funding programmes focusing on the building sector, among others. In addition to the Renewable Energy Sources Act (EEG), this includes funding for the production of deep geothermal systems to generate electricity and/or heat, among other things through the German Building Energy Act (GEG), the Federal Promotion of Efficient Buildings (BEG) and the Federal Fund for Efficient Heating Networks (BEW). Further programmes within the framework of the Renewable Energy Directive (RED II) of the European Commission aim to fund renewable energy as a key to the accelerated decarbonisation of the energy system. 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".

EXPLORATORY DRILLING FOR THE SEARCH FOR A REPOSITORY – AN IMPORTANT MARKET

The search for suitable sites for a deep geological repository for radioactive waste has been initiated in many Central European countries. In this context, scientifically monitored exploratory drillings were used to complete the overall geological picture of potential site regions, allowing a safe location to be chosen for deep storage. Between 2018 and 2022, Daldrup performed this type of drilling for Nagra, the Swiss National Cooperative for the Disposal of Radioactive Waste. Nagra was the first prestigious reference for these exploratory drillings. Daldrup has already carried out exploratory drilling as a drilling service provider for the German Bundesgesellschaft für Endlagerung mbH (BGE), which is facing a similar task. In general, these drillings are characterised by their complexity and high scientific standards, which are used as decision-making tools to obtain state-of-the-art scientific and technical data.

Daldrup & Söhne AG has exactly the knowledge and experience that this market requires. Daldrup is one of the few groups in Europe that can combine high-quality deep drilling and coring technology. A new and attractive market segment is opening up for us in the business area of Raw Materials & Exploration with special drilling around the end storage search.

THE HIGHLY COMPETITIVE GEOTHERMAL ENERGY MARKET

The geothermal market is characterised by the limited availability of qualified drilling capacities from companies with sufficient experience in the drilling of geothermal wells. This includes the technical drilling capacities and the trained drilling teams. Therefore, the expansion options for geothermal exploitation of aquifers are limited, at least in the short to medium term. The limited number of drilling rights in Germany also limits the market. This results in stable drilling prices and sometimes intense competition. The competition in deep geothermal drilling is mostly characterised by medium-sized company structures and nationally defined focus points for activity. Along with the few specialised geothermal drilling companies, other drilling companies that are primarily active in the oil and gas industry also sometimes participate in tenders for geothermal energy projects. However, in times of high oil prices, this competition is not active on the market.

Market access is characterised by high technical, financial and increasingly official and administrative barriers to market access. Daldrup confronts this competitive environment with its long years of know-how, market-ready prices, experienced drilling teams and high-quality service for planning and execution of the projects it is entrusted with by customers.

The group’s strong competitive position is derived from:

- decades of experience in deep geothermal operations with much more than 50 reference projects,
- successful activity in several Central European countries (Benelux, Switzerland, Austria, Germany),
- an extensive array of drilling devices, including three plants with drilling depths of between 2,500 metres and 6,000 metres,
- experienced drilling teams.

Good relationships with our customer network in the corporate and municipal segments have been in place for decades. Like last year, in the last twelve months we have built up relationships to new customers from the aforementioned industries, as well as investors for larger geothermal projects.

Deep and medium-depth geothermal energy projects are subject to high technical and qualitative requirements and sometimes highly competitive pricing. Business with private and commercial customers has increased in 2023. In the opinion of the Daldrup & Söhne AG Management Board, an expanded government funding framework, local energy initiatives in a predominantly urban environment, and the already subsidy-free operation of heat generation plants, as well as sophisticated exploratory drilling, mark a fundamentally intact industry environment for the Daldrup Group, which is also reflected in the doubled sales volume of orders under negotiation compared to previous years. Moreover, the stock exchange listing ensures a high degree of transparency and continuity in reporting for our customers, suppliers, financial institutions and shareholders.

3. STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

The purpose of Daldrup & Söhne AG as the parent company of the Daldrup Group particularly involves the planning and drilling of boreholes for the aforementioned business segments as well as providing support for our customers in their sometimes demanding drilling and project plans. Considering the energy and geopolitical situation and, in some cases, significantly higher prices for fossil fuels than in previous years, the company sees high market potential overall. Therefore, the company intends to expand its leading market position in Germany and Europe as an experienced drilling technology and geothermal specialist. In the market environment described above, the company intends to continue to grow organically. With that in mind, it is conceivable that the company might collaborate with competitors or take them over.

Sometimes complex and highly demanding customer orders at great depths require a high level of technical expertise. Daldrup & Söhne AG maintains an extensive fleet of drilling equipment for this purpose, which was expanded in fiscal year 2023. Other extensive investments in the equipment fleet are also planned for 2024. Another important cornerstone of our performance is the drilling teams we employ and the support provided by external specialists and workers. Despite the existing shortage of skilled labour, we have succeeded in expanding the number of employees in line with the number of drilling rigs. We see our gradual attraction of younger, well-trained employees and specialists as a sign that our business model and company are appealing.

Additionally, the company wants to invest as a minority shareholder in economically expedient geothermal heating projects with a regional, decentralised character. In particular, geothermal heating plants and medium-sized power plants in countries with a stable economic and political environment could be considered for such investments. This could generate a more constant stream of income from the sale of heat and electricity in addition to the more volatile income from the project-driven drilling business.

The continued advancement of the Group requires frequent adjustments to the strategy process in terms of sales, project organisation and finance. In particular, the key financial and earnings performance indicators of Daldrup & Söhne AG improved in fiscal year 2023. Daldrup & Söhne AG also pressed ahead with the Management Information System project and completed a project for digital, location-based time and cost recording and order planning, which will be implemented in fiscal year 2024.

4. LONG-TERM EQUITY INVESTMENTS

The holdings are operating in the regions of Switzerland and Austria as well as Benelux. They scour the regional markets and sometimes run the operational drilling business in the aforementioned regions. Beyond this, it is conceivable that the group will engage in strategic collaborations to target market niches.

As at 31/12/2023, the Daldrup Group included the following direct and indirect, operationally active, significant group companies:

Daldrup Bohrtechnik AG, 6023 Rothenburg (Switzerland)
Daldrup Bohrtechnik AG is developing market potential in an interesting Swiss market. The focus of our market exploration is on the Swiss market, which is of particular interest to us where business relationships and contacts with important customers go back many years.
In addition to wells for the exploration of geothermal energy, special and exploratory wells, for example, for brine production and depth storage discovery, are in high demand. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

GERF – Geothermal Energy Realisation and Financing B.V., 2675 BR Honselersdijk (Netherlands)
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. Therefore, Daldrup has been represented with this office in the Netherlands since 2011.

Daldrup Wassertechnik GmbH, 59387 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.

D&S Geothermie GmbH, 82041 Oberhaching
After the disposal of the Geysir subgroup in 2019/2020, the company is prepared to assume the function of an intermediate holding company for project companies with medium-sized geothermal projects.

5. RESEARCH AND DEVELOPMENT

Daldrup & Söhne AG continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermal energy of Enhanced Geothermal Systems in future. According to information from the German Geothermal Association, the use of heating and cooling should be expanded in the future, and seasonal heat reservoirs deployed. Research projects are primarily intended to contribute to promoting innovative approaches, reducing risks and costs, creating storage options and increasing the recognition and acceptance of this form of renewable energy. The German government's energy research programme, the Renewable Energies Act (EEG), The Building Energy Act (GEG), the Federal Fund for Efficient Buildings (BEG) and the Federal Fund for Efficient Heating Networks (BEW) form the political framework for this.

The further development of the technology field of geothermal energy is not limited to the national market, but rather offers a broad field of action in the international context as well. 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:
  Cracks and fissures are created or expanded in the dry subsurface using hydraulic stimulation measures, through which artificially introduced or injected water can 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.

6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND THE COURSE OF BUSINESS

ECONOMISTS EXPECT ECONOMIC OUTPUT TO STAGNATE IN THE EUROZONE AND GERMANY

In the Kiel Economic Reports presented in early March 2024, the Kiel Institute for the World Economy (IfW Kiel) assumed slower growth of 3.0 % for the reporting year (previous year: 3.3 %). The main reason for this was a slower increase in production in the emerging markets, especially in China, while production in the advanced economies as a whole increased at a slightly different, albeit very moderate, rate.

For the eurozone, the economic experts at the Kiel Institute for the World Economy (IfW) published their economic reports in mid-December 2023, in which they stated that the economy is currently in the doldrums following a strong recovery in the wake of the pandemic. The economic upswing has slowed down for several reasons: the steep rise in the cost of living has put the brakes on private consumption, financing conditions have become less favourable in the wake of the rapid tightening of monetary policy, and the external economic environment has also provided little support recently. According to the economic experts, the continuing stagnation of economic output is attributable to the low level of business confidence, particularly in industry. The IfW anticipates an increase in gross domestic product (GDP) of just 0.5 % (previous year: 3.4 %) in the reporting period.

According to the IfW, economic output in Germany essentially moved sideways, although the slight growth in the first half of the year is likely to have been cancelled out by the downward trend in the second half of the year. Declining capacity utilisation and weak new business in many industrial sectors have affected the development. High energy prices also had a particularly negative impact on industrial production. Exports to China decreased significantly, while trade in goods with the eurozone, which is important for Germany, was equally weak. In its economic forecast updated at the beginning of March 2024, the IfW lowered its GDP growth forecast for the reporting period from 0.9 % (winter forecast) to 0.1 % and summarised the situation as follows: 'With the lack of recovery to date, there are increasing signs that the German economy is primarily impacted by structural problems and that the scope for expansion is correspondingly smaller.'

DEMAND FOR GEOTHERMAL PROJECTS ROBUST THROUGHOUT EUROPE

The demand for projects using geothermal energy for electricity and heating supply was solid in Central Europe – in line with Daldrup & Söhne AG's expectations in the last few quarters. In Germany, however, there was noticeable uncertainty and a reluctance of public and private clients to invest over the course of the reporting period due to heated debates surrounding the Building Energy Act and the expected law on municipal heat planning. The budget crisis following the Federal Constitutional Court's ruling on the balanced-budget amendment also had a negative impact on the planning and willingness to invest of many stakeholders, because the government had to cut billions in funding from the Climate and Transformation Fund (KTF), which is the government's primary instrument for financing the climate transition.

However, from the company's perspective, the key incentives remain in place to decarbonise the energy supply, particularly in the heating sector, and to significantly reduce Germany's and other EU countries' dependence on pipeline-based natural gas. The cuts in the KTF in particular are likely to delay development by one to two years. Nonetheless, the existing incentives have two positive effects: Firstly, the demand for base-load-capable, climate-friendly energy sources of domestic origin such as geothermal energy is increasing significantly. Secondly, the profitability calculations of geothermal projects are improving with the significantly increased energy price level of fossil fuel, both for electricity and for heat. Governments and the EU Commission are also making efforts to improve the funding conditions for geothermal energy by providing important incentives and secure framework conditions for municipalities and investors.

In the long term, we believe that the increasingly ambitious climate policy, which focuses on the significant reduction of greenhouse gas emissions and massive subsidy programmes, remains crucial for structural growth in the geothermal market. The EU aims to reduce greenhouse gases by at least 55 % below 1990 levels by 2030. Through the EU Emissions Trading System (EU ETS), CO_2 will be tradable and priced via a decreasing number of emission allowances. The EU Commission wants to promote carbon-neutral technologies more vigorously: the EU Green Deal, the REPowerEU programme and the EU's reaction to the US IRA (Inflation Reduction Act) with relaxed subsidy rules, which allow EU states to subsidise private investments in green technology up to 100 %, should lead to massive investments in green energy production. For Daldrup & Söhne AG, the willingness to implement and invest is substantiated by the vast amount of exploratory talks and requests for proposals. It fundamentally bolsters the Daldrup Group's business purpose.

The companies in the Daldrup Group often operate within secure budgets. This is because the investment decisions for ongoing and pending drilling projects are made months or years earlier by our customers. Investment decisions in energy supply are also led by municipalities and private investors based on long-term considerations, and are often counted among public services.

Our clients are German industrial and commercial companies, private individuals and municipalities as well as companies and public-sector enterprises from Switzerland and the Benelux countries. In the reporting period, we completed the exploratory drilling for Schweizer Salinen AG in Switzerland based on a contract to drill ten point wells for salt extraction. We also completed the drilling for the Vinzel geothermal project in western Switzerland to develop a hydrogeothermal reservoir.

In Germany, we are drilling for MTU Aero Engines AG in Munich as part of a general contractor order to construct a geothermal doublet. MTU will use the geothermal energy as process and space heat in the company buildings. MTU expects to be able to save up to 88 % of the current fossil energy with this concept. For Stadtwerke Neustadt-Glewe (municipal utility company), we completed an order to create a sidetrack from an existing borehole. The borehole will expand the available capacity of the geothermal heating plant, which has been in operation since 1995. We also drilled a research borehole for the city of Frankfurt am Main on the site of the Rebstockbad. The borehole was used to determine the geothermal potential and to gather scientific insights into the details of the geological site conditions down to a depth of roughly 800 metres. In shallow geothermal energy, sales contributions increasingly came from the construction of borehole fields for geothermal heat pumps in the commercial new construction sector, whereas drilling for private households declined significantly due to the sharp slowdown in construction activity for detached and semi-detached houses. In the post-mining sector, we carried out contracts for the construction of monitoring wells and water level boreholes, which focussed on the use of mine gas and mine water to generate heat.

Institutional and public pressure to decarbonise energy production will further increase the need for investments in climate-friendly heat and power generation. In addition, it is possible that the energy demand in the course of the energy transition will rise as a result of the electrification of lots of areas and the replacement of former fossil generation methods. Examples include the following: Electricity for heat pumps, replacement for heat extraction from coal-fired power plants, expansion of e-mobility, provision of hydrogen generation through electrolysers, etc. for the electricity-intensive industry. In its study 'Climate Neutral Electricity System 2035', Agora Energiewende assumes an increase in gross electricity consumption in Germany to 894 TWh by 2035, which corresponds to an increase of roughly 50 % compared to the year under review.

Geothermal power plants provide plannable 'green' energy regardless of weather and time of day, and therefore perform a stabilising system function for the network. In addition, the high regional electricity need coincides with the regions suitable for deep geothermal systems in the Upper Rhine Valley, the North German Basin and the Bavarian Molasse Basin. Electricity from geothermal sources and geothermal heat can be produced where they are consumed, and are not dependant on new national power lines or new district heating supply networks. They can use existing infrastructure and can easily be integrated in terms of sector coupling as well.

In this market environment, Daldrup Group raised the revenue in the 2023 fiscal year to EUR 49.1 million (previous year: EUR 38.2 million) and achieved gross revenues of approximately EUR 48.4 million (previous year: EUR 36.9 million).

The following revenue contributions were made by the individual Daldrup Group business units:
- Geothermal Energy: 26.1 Mio. € (53.2 %)
- Raw Materials & Exploration: 20.4 Mio. € (41.6 %)
- Water Procurement: 0.9 Mio. € (1.8 %)
- EDS: 1.7 Mio. € (3.4 %)

The sales revenue in the 2023 fiscal year were 81 % in Germany (previous year: 42 %) and 19 % in the neighbouring European countries (previous year: 58 %). The order situation was good at the end of the fiscal year in terms of drilling rigs for medium-depth and deep geothermal wells. The same applies to drilling rigs for shallower depths. For example, they were utilised at full capacity for well drilling, in old mining activities or shallow geothermal energy for real estate. Daldrup carried out deep geothermal drilling in Germany and Switzerland in the reporting year.

CAPACITIES UTILISED IN FISCAL YEAR 2023

Daldrup group's business development in the reporting year was distinguished by existing, large drilling contracts, primarily in Germany and Switzerland, most recently very often in the context of day-rate contracts for deep geothermal energy. This type of contract features lower risks. However, it also tends to decrease the possibility of selling supplementary services or even necessary drilling equipment or services from subcontractors, as these purchases are frequently made by the clients.

The business areas of Raw Materials & Exploration and Water Procurement were well supplied with orders. The demand situation continues to be brisk. Daldrup has also received further large drilling orders for geothermal use or for special contracts. In the shallow geothermal energy segment, we benefited from the boom in demand for heat pump systems.

All business areas have a generally comfortable backlog of orders. As at the end of March 2024, it amounts to roughly EUR 38.5 million in the group and arithmetically utilises the production capacities until far into the first quarter of 2025. Moreover, the total relevant market (assessed with probabilities of occurrence based on orders under negotiation as at March 2024) amounts to around EUR 260 million. Once again, this is an unprecedented order of magnitude, which continues to reflect an enormous vital interest in the services of the Daldrup Group.

B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. EARNINGS SITUATION

The volatile course of projects inevitably leads to occasionally strong fluctuations in value in the consolidated income statement. At EUR 49.1 million (previous year: EUR 38.2 million), sales are at a significantly higher level than in the previous year. However, considering only the revenues from completed and invoiced orders would give an incomplete picture of the total work completed in the fiscal year due to the partly medium-term project progress. Therefore, under consideration of German accounting standards, the changes in work in progress and work commissioned by the customer must be reflected in the assessment of the earnings position. In accordance with the principle of prudence, these changes in inventories are initially adjusted by a 12.5 % standard deduction from the value of the work performed. For example, this is done to account for construction or acceptance risks. This deduction is only realised after completion, acceptance and final invoicing of a project. The project and operating costs must, by contrast, be recorded straight away when they arrive.

The inventories of partially completed work decreased by around EUR 1.6 million (EUR - 1.4 million). Work in progress includes projects in Switzerland that have not been finalised as well as projects in Germany. At almost EUR 0.9 million (previous year: EUR 0.1 million), significantly more systems were constructed in-house than in the previous year. These systems could be produced more cost-effectively in the company's own plant engineering department. The overall revenue calculated in this manner for the previous fiscal year of 2023 rose to EUR 48.4 million (previous year: EUR 36.9 million). As a result, it exceeded the forecast issued in May 2023 by around EUR 7 million, with a large part of this budget overrun resulting from supplements for larger orders.

Other operating income increased significantly to EUR 1.8 million (previous year: EUR 1.1 million). Amongst other things, this item also includes income from currency translations with Swiss customers of EUR 0.2 million (previous year: EUR 0.2 million). It is offset by almost the same amount of expenses from currency translations of EUR 0.2 million (previous year: EUR 0.2 million), since significant orders or currency positions are hedged in accordance with the strict risk policy of the company. This item also includes income of approximately EUR 0.5 million from a debt waiver by a creditor. Further details can be found in the notes.

The cost of materials rose significantly compared to the previous year to EUR 21.3 million (previous year: EUR 13.4 million). The increase in the cost of materials is in line with the increase in total gross revenue in 2023.

This development is almost exclusively attributable to the significant increase in procurement of services, which amounted to EUR 15.4 million (previous year: EUR 9.9 million) or 31.9 % (previous year: 26.8 %) of the gross revenue from specialised third-party companies and purchased personnel services for the provision of services.

Gross profit as the sum of gross revenue, other operating income and cost of materials increased outright to EUR 28.9 million (previous year: EUR 24.6 million). The percentage development of gross profit in relation to the company's total gross revenue dropped by roughly 7 percentage points to 59.7 % (previous year: 66.7 %).

New hires, an increase in the time commitment of our employees and wage increases were the main reasons for an increase in personnel expenses in the amount of EUR 0.3 million, raising it to a total of EUR 10.3 million (previous year: EUR 10.0 million). In relation to total gross revenue, the personnel expenses ratio was reduced significantly to 21.3 % (previous year: 27.0 %) of total gross revenue despite the absolute increase in personnel expenses.

*Figures in () indicate the previous year's value.

At EUR 2.4 million (previous year: EUR 2.4 million) or 4.9 % (previous year: 6.5 %) of the gross revenue, scheduled depreciation of non-current assets was at the same level as the previous year in absolute terms. Depreciation mainly relates to the large drilling rigs and results from investments in the fixed assets of the company. The deep drilling sites are still written off on the basis of standard business service life of 15 years. The scheduled depreciation of the drilling rig from the manufacturer (Bentec) expired as planned in 11/2023. The Drillmec rig will continue to be depreciated up to and including mid-2024. This means that a positive effect on earnings of around EUR 1 million is likely to be recorded in the coming years compared to previous fiscal years solely from the elimination of scheduled depreciation on the two large drilling rigs, Bentec and Drillmec (expansion investment following the IPO). At the end of fiscal year 2023, extensive investments totalling approximately EUR 3.0 million (previous year: EUR 0.9 million) were made in property, plant and equipment. The investments mainly replace previously rented equipment or they were allocated to the general overhaul of existing drilling equipment, including by partly affiliated companies.

Depreciation of current assets amounting to roughly EUR 0.4 million (previous year: EUR 0.0 million) were recognised for merchandise (technology components) at the subsidiary D&S Geothermie GmbH.

Other operating expenses increased in absolute terms to EUR 13.2 million (previous year: EUR 10.4 million); however, as a percentage of the work performed in fiscal year 2023, they dropped from 28.2 % to 27.2 %. Among other things, the absolute increase results from higher transport costs for one of our large drilling rigs, which increased by around EUR 0.4 million compared to the previous year to around EUR 0.7 million. Expenses for diesel and fuel increased by around EUR 0.3 million compared to the previous year. Repair and maintenance costs also increased to EUR 1.4 million (previous year: EUR 1.0 million). Rent for movable fixed assets increased significantly by approximately EUR 0.5 million to EUR 1.4 million (previous year: EUR 0.9 million). The increase in the aforementioned cost items is largely related to the higher total gross revenue in 2023. Since currency risks are predominantly supposed to be hedged in accordance with the risk policy, other operating income from currency hedging of EUR 0.2 million (previous year: EUR 0.2 million) is offset by expenses of almost the same amount.

The financial result amounts to EUR - 1.7 million (previous year: EUR - 1.0 million). At EUR 0.9 million (previous year: EUR 0.3 million), the depreciation of financial assets and securities held as current assets are the main items in this partial result. Of this amount, impairments of EUR - 0.8 million (previous year: EUR - 0.3 million) were recognised on the subordinated receivables from the sold Geysir Europe Group. At EUR 0.9 million (previous year: EUR 0.8 million), interest expenses were almost on par with the previous year despite a significant rise in interest rates.

At roughly EUR 0.9 million, consolidated net profit for the year was on par with the previous year (previous year: EUR 0.9 million).

Based on earnings before taxes of EUR 0.9 million (previous year: EUR 0.9 million) and with the standard elimination of the financial result, this results in an operating EBIT[1] of EUR 2.6 million after EUR 1.8 million in the 2022 fiscal year, or 5.3 % (previous year: 4.9 %) of gross revenue. Based on this ratio, EBITDA[2] of EUR 4.9 million (previous year: EUR 4.2 million) or 10.2 % (previous year: 11.5 %) of the group's gross revenue was achieved in the reporting year.

The Daldrup Group significantly exceeded the forecast target gross revenue figure from May 2023 for fiscal year 2023 of approximately EUR 41 million in the reporting period with a total of EUR 48.4 million. The Group EBIT was projected in May 2023 to be between EUR 1.2 million and EUR 2.1 million or between 3 % and 5 % of the Group's total gross revenue. This forecast was significantly exceeded in absolute and percentage terms at EUR 2.6 million or 5.3 % of the Group's total gross revenue.

[1] EBIT = net income for the year – taxes on income & earnings + interest & similar expenses + depreciation of financial assets – other interest and similar income – income from other securities and long-term loans

[2] EBITDA = EBIT + amortisation of intangible assets and depreciation of property, plant and equipment

2. NET ASSETS

The balance sheet total of the group as at the balance sheet date of 31/12/2023 reached EUR 41.5 million (previous year: EUR 40.2 million) and increased by around EUR 1.3 million compared to the balance sheet date of the previous year.

The tangible fixed assets were depreciated as planned, amounting to EUR 6.2 million (previous year: EUR 5.7 million). It especially includes the inventory of drilling rigs as well as the vehicle fleet and the required factory and office equipment. The change results from additions to fixed assets amounting to around EUR 3.0 million, of which roughly EUR 0.9 million is attributable to capitalised personal contributions. Scheduled depreciation amounted to approximately EUR 2.4 million. The additions primarily include operationally essential investments, in particular the acquisition of new equipment for drilling operations. They also replace previously rented equipment.

Financial assets totalled EUR 4.0 million (previous year: EUR 5.0 million). Subordinated receivables from the companies of the former Geysir sub-group are recognised at around EUR 3.5 million (previous year: EUR 4.4 million), after another EUR 0.9 million of this item was written off in fiscal year 2023 due to permanent impairment (financial result).

Raw materials, supplies and consumables as a sub-item of inventories amounted to EUR 6.8 million (previous year: EUR 5.5 million) on the balance sheet date and clearly exceeded previous year's value. While we were able to maintain significantly higher inventory levels, the price of purchased goods also increased.

The unfinished services and advance payments, valued according to commercial prudence, reached a total value of EUR 26.9 million (previous year: EUR 28.7 million) on the balance sheet date, which was offset by advance payments received totalling EUR 26.9 million (previous year: EUR 28.2 million), which were deducted from the unfinished services. This mainly relates to advance payments for services provided within the framework of the contractual agreements with customers. Finished goods and merchandise totalled EUR 3.7 million after depreciation of roughly EUR 0.3 million. This relates to merchandise from the subsidiary D&S Geothermie GmbH.

As a result of the positive business expansion, receivables from contractually agreed goods and services increased significantly and totalled around EUR 9.3 million (previous year: EUR 7.0 million) as at the reporting date. The Management Board regards the overall default risk on these customer receivables as very low, because they are distributed across numerous creditworthy customers. Where necessary from a commercial due diligence perspective, value adjustments were made appropriately.

Other assets once again declined significantly to EUR 7.3 million (previous year: EUR 8.1 million). This balance sheet item includes a loan to a company of the Daldrup Group amounting to EUR 4.8 million (previous year: EUR 5.6 million), which was repaid as agreed upon in 2023.

Liquid funds increased slightly to EUR 3.6 million (previous year: EUR 3.1 million) and exceeded previous year's figure by approximately EUR 0.5 million.

On the liabilities side of the balance sheet, Daldrup & Söhne AG's equity increased to a total of EUR 21.0 million as at 31/12/2023 (previous year: EUR 20.0 million). The equity ratio on the balance sheet date of 31/12/2023 amounts to a comfortable 50.6 % (previous year: 49.7 %) of the balance sheet total. In accordance with a resolution passed by the Management Board and Supervisory Board, around EUR 20.4 million was withdrawn from the free capital reserves to offset the accumulated loss of Daldrup & Söhne AG to date.

Other provisions increased to EUR 2.7 million (previous year: EUR 1.1 million), especially because provisions of roughly EUR 1.2 million were recognised for outstanding invoices. Further details can be found in the provisions notes in the annex.

There was a significant decline in liabilities totalling EUR 17.7 million (previous year: EUR 19.1 million). Despite active investments, liabilities to banks decreased slightly to EUR 7.7 million (previous year: EUR 7.8 million). Medium-term financing in connection with the acquisition of necessary operating and office equipment was utilised in fiscal year 2023 and reached a volume of roughly EUR 0.9 million as at the reporting date. By contrast, trade payables increased slightly to EUR 5.6 million (previous year: EUR 5.5 million). Other liabilities fell significantly to EUR 4.5 million (previous year: EUR 5.8 million).

3. FINANCIAL POSITION

The cash flow statement can be found in the appendices to this Group management report. Extensive preparatory work for large drilling projects in the deep geothermal energy business segment regularly require high upfront monetary advance payments from the Daldrup & Söhne AG. In order to finance these requirements for operating equipment, to absorb liquidity peaks and guarantee items, on the balance sheet date, operating equipment, project financing lines and medium-term financing from German banks and insurance companies totalling EUR 21.5 million was available. In some cases, the Daldrup Group also receives advance payments from its customers. Furthermore, as at the balance sheet date, there is an unsecured block financing of around EUR 0.5 million (previous year: EUR 1.2 million) that is supposed to be gradually repaid.

The group's solvency was monitored on an ongoing basis, updated and secured taking into consideration the forecasts provided during the 2023 fiscal year. The main focus here was on the liquidity of Daldrup & Söhne AG. Overall, the liquidity-related balance sheet items as at the balance sheet date on 31/12/2023 – consisting of contractually agreed trade receivables of EUR 9.3 million (previous year: EUR 7.0 million) and liquid funds of EUR 3.6 million (previous year: EUR 3.1 million) – amounted to EUR 12.9 million (previous year: EUR 10.1 million) as at the reporting date. They were offset by trade liabilities of EUR 5.6 million (previous year: EUR 5.5 million), which have short-term due dates. The total aforementioned assets amounting to EUR 12.9 million (previous year: EUR 10.1 million), which are close to liquidity, and the trade liabilities of EUR - 5.6 million (previous year: EUR - 5.5 million), which generally have short-term due dates, was clearly positive at EUR 7.3 million (previous year: EUR 4.6 million) as at the reporting date on 31/12/2023.

The Daldrup Group will process the acquired orders as planned in the 2024 fiscal year. The group-wide order backlog of approximately EUR 38.5 million (previous year: EUR 33 million) as at the end of March 2024 will utilise capacities arithmetically until the first quarter of 2025. Considering these orders and the forecasts, the company expects regular sales revenues and easily plannable cash inflows from the deep geothermal energy segment and the general drilling business if they are processed according to plan. Based on this expectation and the explanations in 'Financing risks – Risks to the company as a going concern', the solvency of the group is also secured beyond the 2024 fiscal year.

There are also challenging plans for the 2024 fiscal year, which so far do not seem to be at risk. Since rising prices cannot always be passed on to customers, there is a risk of margin losses. Further risks cannot be ruled out according to the risk/opportunity profile. However, despite higher interest rates, we currently do not anticipate higher interest expenses for the company. The value of subordinated loans to Geysir Europe Group companies is reassessed in the event of relevant changes in circumstances, with a further risk (for example, based on changes in strategy on the part of the investor) not affecting liquidity. The ongoing IT projects in the areas of project control and cost management will be completed as planned in fiscal year 2024 and will go live at the beginning of fiscal year 2025 or earlier. Despite making good progress recruiting new skilled workers in 2023, we must continue to apply suitable measures to overcome the shortage of skilled workers.

4. GENERAL STATEMENT ON THE ECONOMIC SITUATION

Several factors put the company in an overall satisfactory economic position as at the reporting date: the strong capacity utilisation of all of Daldrup group's business segments, the discussions with domestic and foreign private, public and institutional clients, which indicate a high level of interest with regard to geothermal and special drilling, as well as the wells drilled during the reporting period. The group's core business was gradually reinforced by investing in technical innovations and expansions in the equipment fleet. The debt was reduced as planned. The high equity ratio and the slightly improved cash flow situation enable targeted investments in operating and office equipment to boost the core business and to further reduce rented equipment.

However, the higher energy price level and inflation kept the costs on the construction sites for materials (such as steel and cement) and operating supplies (such as electricity and diesel) at a high level over the course of the reporting year, even if the situation eased somewhat in the second half of the year due to falling energy costs. Accordingly, logistics expenses also remained at a high level. Fortunately, we were able to pass on some of these costs to clients.

The framework conditions for the renewable energy market in the electricity and heat sectors are being gradually improved by the German government and the EU. However, in Germany, the public debate surrounding the Building Energy Act and the budget crisis with billions in savings in the KTF have left a clear mark on the willingness to invest and a considerable degree of uncertainty, at least in the short term.

Nevertheless, the Management Board is convinced that the heating transformation in particular, which still needs to be realised, continues to offer a promising market environment with good growth prospects for the Daldrup Group. Under this condition, the unchanged high interest of municipalities, companies and financial investors in geothermal heating and power plant projects should continue. Consequently, Daldrup & Söhne AG is planning to seize the growth potential with a debt-financed investment programme that will significantly exceed the level of previous fiscal years.

As at March 2024, the group's order backlog for geothermal projects in Germany and other European countries remains at a satisfactory level of around EUR 38.5 million. The Management Board also remains confident about the market volume of around EUR 260 million relevant for Daldrup, which is assessed with probabilities of occurrence.

In summary, the business development and the result of the group continued to be positively impacted by the good capacity utilisation, the regulatory environment and the partly high energy price level in the target markets of Germany, Switzerland and the Benelux countries as well as the social environment – despite the significant rise in interest rates and the savings in the KTF. Therefore, the Management Board continues to assess the economic development as overall satisfactory based on the economic environment.


DALDRUP

C. RISK AND OPPORTUNITIES REPORT

The deliberate and controlled management of opportunities and risks is a key element of corporate management within the Daldrup Group. In addition, we regularly validate the opportunities and risk system with an increase in the complexity and volatility of the world economy and adapt it to the changed economic environment.

As at the reporting date and at the creation time of the group management report, the following risks were identified, under consideration of the existing management and control measures. They are presented in descending order of importance. In contrast to the previous year, the impact of Russia's war against Ukraine is no longer described separately. Instead, it is implicitly taken into account in the 'political risks' section of the report.

The risk system, the risk environment and potential threats to the Daldrup Group are currently, but not conclusively, as follows:

1. STRATEGIC RISKS

Rapidly changing, more volatile markets, price risks depending on the economic development of the oil and gas industry, material and supply bottlenecks and increasing shortages of qualified specialist workers are leading to a trend of the risks of the Daldrup Group's business model increasing in the previous fiscal years.

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 earnings situation of Daldrup & Söhne AG or its subsidiaries. Careful and detailed audits in advance of such commitments are designed to minimise these commercial risks. Although the sale of the Geysir Europe Group significantly reduced these risks overall in 2019 and 2020 and balance sheet impairments were recognised, residual risks still remain in the form of balanced subordinated loans and purchase price receivables.

The company's Management Board and the local management teams are working on the completion of the drilling contracts and the turnkey projects, partly with the support of consultants and suppliers with experience in geothermal energy.

2. BUSINESS RISKS

Integration measures, ongoing optimisation and rolling planning of bottleneck factors are an integral part of day-to-day business operations.

The occurrence of operational risks sometimes leads to significant delays in order processing and in individual cases may lead to abrupt but contractually induced termination of the order. The risks that occur will then also lead directly to a significant change in payment flows and fiscal performance parameters. There are essentially five threat or risk areas that may be associated with deep boreholes of the reporting company and the Group's project business:

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 well as its subsidiaries 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 framework of independent supervision with trained/certified personnel, the use of modern drilling technology and close cooperation with the relevant specialist authorities and third-party monitors, the Daldrup group takes active risk prevention measures in practice.

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.

INDICATOR
MARTIN-DECKER CO.
FOR EIGHT LINES USE REVERSE SIDE
OF KILOGRAMS
SIX LINES
WEIGHT ON BIT
THOUSAND KILOGRAMS

ORDINARY OPERATING RISKS

The operational and environmental liability risk and the machine breakage and operational disruption risk can be insured within the framework of careful evaluation of cost/benefit analyses. The group is covered for personal injury, material and environmental damage through the business and product liability insurance taken out with a reputable insurance company.

Separate machine insurance (including lost-in-hole) secures potential damage to deep drilling plants as well as to all peripheral machines and devices on a first-loss basis. 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 blowouts is the use of modern and functional blowout preventers, which are regularly used by Daldrup. In the view of the Management Board, and based on annual strategic discussions with our industrial insurance partner, 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. The existing insurance policies and their cover are reviewed during the course of annual strategic discussions and adjusted where necessary.

UNSUCCESSFUL EXPLORATION

Within the framework of the ART concept, special policies from insurance consortia cover the downtime risk in the event of unsuccessful deep drilling. The discovery factors here are clearly defined by the fill quantity, temperature and reduction of rest 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 and remain at the present time commercially insurable. Although the ART concept is unable to eliminate time delays in the event of unsuccessful exploration and their financial impact for the group, it nevertheless ensures a reduction in the exploration risk for our customers and improved ability to execute deep geothermal energy projects and, in doing so, provides key support in acquiring customers in the niche market. Whether corresponding insurance cover has been chosen is at the discretion of the project sponsor in each case.

PROCUREMENT RISKS

The varying procurement of plant technology, raw materials, consumables and supplies depending on the commissioned scope of drilling and the sometimes extensive procurement of third-party services have thus far not negatively affected Daldrup Group's service process. Despite the current level of consolidation observed in the oil and gas segment, there are sufficient contractor and supplier structures with satisfactory purchasing conditions and qualities in all business units, which are subject to regular monitoring by the quality management system. Risk-oriented supplier management attempts to reduce procurement risks or stabilise them at the lowest possible level by diversifying our business partners and exploring new suppliers and service providers. However, some parts of the service chain are dependent on suppliers.

APPROVAL 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 approval of the various boreholes and extraction plants, such as building and operating a heating plant, is subject to the provisions of the German Federal Mining Act (Bundesberggesetz, BBergG), the German Federal Excavation Act (Abgrabungsgesetz), the requirements of the German Federal Water Act (Wasserhaushaltsgesetz, WHG) and state water laws and building regulations. The requirements imposed on Daldrup Group are increasing, and must therefore be updated, and regular consultations held with the regional authorities, state offices of geology and mining, and the water authorities.

Corresponding approval processes may be more complex and long-winded than expected and significantly delay projects, thus leading to downtime costs for the group. With decades of work undertaken in these known segments in dealing with the approval procedures and 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 and acceptable consensus and avoid lengthy delays.

3. GENERAL ECONOMIC RISKS

COMPETITIVE RISKS

New, lucrative and growing markets may attract additional market actors, for example from the oil and gas industry. 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 numerous testimonials, the long-term reputation of the Daldrup & Söhne AG brand and its market position are key competitive advantages of the group.

The potential future utilisation of the Daldrup Group is evaluated and published via the key figure 'relevant market' (formerly: 'order pipeline'). When evaluating this key figure, it must be taken into account that by definition it is not based on concluded contracts with customers, but rather on weighted – albeit subjective – probabilities of occurrence with regard to potential order placement. These probabilities of occurrence can fluctuate greatly depending on the development of current discussions or may not apply at all if, for example, an order is awarded to a competitor.

Further risks exist due to inspection of the demand following market changes or lost tenders and in the event that changes in the law lead to project changes for our customers and project delays may occur.

PERSONNEL RISKS

The Daldrup Group employs key personnel across all divisions (project managers, engineers, experienced drilling rig operators, accounting staff) whose long-standing contacts or expertise are essential to the company's success. The loss of key employees (e.g. through poaching, illness, accident) could promptly, even if only temporarily, create longer gaps that could also have a negative impact on deadlines to be met. The prevailing shortage of certified skilled personnel for the operation of the extensive drilling rig fleet and in commercial divisions has generally worsened again compared to the previous year. In-house training and qualification measures or Europe-wide acquisition could soften the blow in the short term, but it cannot fix the issue. This could limit the Group's planned growth path. Through irregular but targeted recruitment measures, the Group strives to attract and retain qualified personnel throughout Europe. Moreover, we are closely monitoring strategic holdings, acquisitions and joint ventures and assessing opportunities. Due to the special characteristics of the industry, recruitment is also subject to the risk that new employees may require longer familiarisation periods than initially assumed.

Additional areas of responsibility arise in the technical and commercial area, so 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 much as possible by carrying out contract and price negotiations in euros. Currency/exchange rate hedging instruments as well as forward exchange contracts with term option and currency swaps are used for planned orders and procurements in foreign currencies. This relates to micro hedges. Daldrup & Söhne AG only conducts these derivative transactions if there is an underlying transaction to be hedged, and it does so exclusively with banks that have a very good credit rating. The effectiveness of the hedging relationships is ensured by using identical parameters ('critical terms') for the underlying transaction and the hedge. The hedging relationships are shown in the annual financial statement as valuation units. Despite the use of such financial instruments, negative effects cannot be completely avoided, including in conjunction with project postponements. Speculative interest, currency and/or raw material transactions did not take place in the financial year and are also not planned in line with the risk management system.

As at the balance sheet date, derivative financial instruments were held in Swiss francs to hedge exchange rate risks from the drilling business. The tools usually used in international business to hedge reliability, payment and delivery risks using guarantees and letters of credit are deployed when required. In order to limit damages due to failure to pay, wherever customarily possible, guarantees are required on the part of our customers. The Daldrup Group counters payment risks in the area of supplier risks in particular by agreeing individual supplier payments. In terms of suppliers, a non-delivery can result in project delays and increased costs. Daldrup & Söhne AG tries to confront this risk with a generally broad choice of possible replacement suppliers and monitoring of critical components in the manufacturing process, including quality assurance measures and control of the manufacturing process.

In the context of the disposal of the Geysir Group, significant parts remain in the form of subordinated loans for many years via Daldrup & Söhne AG in the amount of approximately EUR 3.5 million (previous year: EUR 4.4 million). With regard to the other loans, there is a risk that these subordinated loans or the purchase price loan of EUR 1.6 million granted by the subsidiary D&S Geothermie GmbH will not be repaid (or not repaid in full) and that the value adjustments that would then become necessary could gradually have a significant negative impact on the business results of the Daldrup company or the Daldrup Group. In the worst case scenario, it could also negatively impact the business results in full or continue to do so in the future.

Within the framework of the Geysir sale, the subsidiary D&S Geothermie GmbH also received ownership of parts of the former technology components of the Taufkirchen power station as purchase price components. These technology components were appraised by an expert. Additional discounts were applied to these appraised values, e.g. for recycling and transport. The appraised values determined in this manner still amount to roughly EUR 3.68 million. They were last confirmed and are owned by the subsidiary D&S Geothermie GmbH. After the first components were sold in March 2022 at the value calculated by management, management expects further proceeds at this level from the sale of these components. Taking the values determined by the Management Board into account, there is a risk that the values determined by the experts will not be achieved, that the sale will take longer or that further, possibly significant depreciations on these current assets may be necessary in the future.

The significantly higher interest rate level compared to previous years could have a negative impact on the group's earning power, as rising interest expenses cannot be invoiced promptly and, for existing projects, often not subsequently. Furthermore, if interest rates rise, other forms of investment could compete with the profitability of geothermal projects of our customer group investors. The almost regularly recurring discussion about the creditworthiness of individual credit institutions or countries in the Eurozone, as well as the effects of future pandemics, could lead to a significantly limited willingness of credit institutions to provide financing, similar to the sovereign debt and financial crisis in the years 2007 to 2009. This scenario would make it difficult or impossible to realise numerous geothermal projects that are ready for drilling, as they would then increasingly compete with higher interest rate investment forms again. The aforementioned risks could result in obstacles to the growth of the geothermal market up to its collapse – even if only temporarily.

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. Networked technologies or artificial intelligence still play a subordinate role in operational drilling.

In order to improve the IT performance of the Daldrup Group, a new server structure was acquired and set up in 2021. Although the IT systems do represent the current state of the art and security measures were taken to prevent unauthorised access or damage by malware and are updated on an ongoing basis, IT can generally be an external attack point. Further regular data backups are carried out. When it comes to technical updates and the planned expansion of internal IT systems, we are supported by external specialists who adapt the security of the systems to the requirements.

Supplemental and efficiency-enhancing IT projects were initiated in 2022. The Management Board assumes that the new system will go live at the end of 2024 with extensive support from an IT system supplier. Amongst other things, there is a risk here that the costs budgeted to date for the new system will be exceeded or that the use of the system will be delayed and the benefits for Daldrup will only become tangible after a possibly significant delay. On the other hand, these systems are a necessary intermediate step for the creation of systems that use artificial intelligence. On the other hand, these systems are a necessary intermediate step for the creation of systems that use artificial intelligence.

5. LEGAL RISKS

Legal disputes may arise due to the payment process and within the framework of guarantees, as well as in the framework of generally existing contracts.

Different expectations or interpretations of project contracts may result in legal disputes. These disputes can also be settled without legal advice. In some matters, court proceedings cannot be avoided to legitimately protect the interests of the Daldrup Group. Regardless of the nature of any settlement of legal disputes, external specialist lawyers are entrusted with the task of representing the interests of the Daldrup Group.

In active proceedings, there is the risk that the receivables claimed in court cannot be implemented and therefore value adjustments may be required.

The contract management is organised in such a way that there is a ba-lanced distribution of opportunities and risks for the Daldrup Group as a result of integrating legal, technical and commercial activities. The current order backlog is subject to these perspectives from contract management.

Citizens' initiatives and petitions are on the decline with regard to geothermal energy projects, but opponents of the technology can also influence politics. This can be disadvantageous during the licensing procedure and can result in having to approach the courts, which will clearly delay drilling contracts and entire projects.

Overall, Daldrup & Söhne AG and its subsidiaries are regularly involved in court proceedings and official proceedings as the defendant or another party. Due to the increasing willingness to take legal action, the legal risks also tend to increase for Daldrup & Söhne AG or its group companies. Besides regular minor litigation risks, Daldrup & Söhne AG is being sued in two notable cases and is defending itself in these proceedings. Daldrup cannot conclusively estimate the outcome of these proceedings. From today's perspective, the circumstances giving rise to a claim in these proceedings, which are material for Daldrup, have not been proven or have not been proven sufficiently, which is why the Management Board continues to rate a successful claim as unlikely. An unfavourable outcome in one or both proceedings could have a massive impact on the economic parameters of Daldrup & Söhne AG or its subsidiaries. Daldrup is represented by at least one renowned law firm for this case. Provisions for occurring legal costs have been built up.

Daldrup & Söhne AG has obtained a D&O insurance policy for the management board members, the supervisory board and for the managing directors of legally independent subsidiaries. The company also aligned the insurance sum in fiscal year 2023 with the actions of lots of companies in order to be able to potentially rely on it in the event of violations of provisions of the German stock market or other violations.

6. REGULATORY AND POLITICAL RISKS

The companies of the Daldrup Group are exposed to political and regulatory changes in many countries and markets.

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

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

Moreover the actionism and citizens' initiatives against geothermal projects can delay or endanger project development and approval procedures and deter investors. Close communication with political decision-makers and active measures such as participation in public hearings, the public presentation of projects and discussions with the media to broaden awareness of the advantages of geothermal energy are preventative instruments designed to avoid risks. Diversification of regional sales markets serves to mitigate potential negative effects. The Daldrup Group operates regularly in Germany as well as the Netherlands, Belgium and Switzerland, and possibly in Austria and Italy in the future. All of them have very different subsidy regulations. In the Netherlands, geothermal as a thermal energy is already in a position to compete with conventional energy sources without the need for subsidies. Legal changes always present the risk of advantages for the company. These changes may also result in shifts in demand for geothermal wells in other countries.

The destabilisation of political systems, wars or geopolitical crises can lead to tensions and negative economic effects in the form of significant price increases for primary fossil energy sources and goods of all kinds. The sanctioned movement of goods and money or interrupted supply and logistics chains can also cause shortages. It cannot be ruled out that the sites of Daldrup & Söhne AG and the drilling locations in Germany and European countries may be affected. Diversification of regional sales markets and concentration of procurement on the DACH region and the Benelux countries as well as procurement redundancies serve to mitigate potential negative effects. The measures and experience gained during the coronavirus pandemic and related to the effects of Russia's war against Ukraine have shown that the Daldrup Group's organisation in this regard is fundamentally highly resilient.

7. FORECASTING RISKS

Generally speaking, the risk of significant market distortions due to an escalation of Russia's war against Ukraine cannot be ruled out since February 2022. It is difficult to measure the extent of this war in the future. What is certain, however, is that new challenges and opportunities for the EU's import independence from fossil primary energy sources and energy sovereignty in the context of the energy transition will emerge from this situation.

The level of the forecast risk correlates with the effects of the war in the markets relevant to Daldrup and the measures taken against it in the movement of goods and money as well as the supply of raw materials. Order delays or significant price changes resulting from this generally also lead to a change in payment flows and financial/economic performance parameters.

8. FINANCING RISKS/RISKS TO THE COMPANY AS A GOING CONCERN

For example, the financing of the group, the provision of guarantees customary in the industry, and the hedging of currency risks from orders in Swiss francs continue to be performed by the parent company Daldrup & Söhne AG, which coordinates financing activities across the group in consultation with the management of the local companies.

In the project business, an increasing risk situation and higher interest rates raise the risk that individual or several of our long-standing financing partners will no longer be available to us in the same way and to the usual extent with project financing, overdraft facilities and, especially in the project-related business, guarantee facilities that are sometimes widely needed. Currently, there is an overall reluctance to grant loans across all bank groups in Germany. Credit lines that are not granted or not maintained by the banks can make it difficult or impossible to complete entire projects. They can jeopardise planned growth or even lead to financing problems for Daldrup & Söhne AG. Moreover, they can have a massive impact on the economic parameters of Daldrup & Söhne AG and the Group itself.

With regard to working capital, the Group finances its own operations through standard short-term bank loans in the form of bilateral credit line agreements, overdraft facilities or guarantee credit agreements with fixed credit limits, which are generally granted as 'financing until further notice'.

In May 2020, a comprehensive agreement to ensure bilaterally granted operating equipment credit lines for current account and guarantee credits was concluded with the banks and emergency guarantee lenders with long-standing business connections to Daldrup & Söhne AG. The agreement includes a flexibility clause relating to any project finance lines that may be needed in the future, which can be secured by respective securities individual to the project, including outside the agreement.

The Independent Business Review (IBR) prepared by an external auditing firm was last updated on 10 May 2024. In this context, the planning of several scenarios for fiscal year 2024 and the subsequent years was presented and plausibility-tested as part of the IBR with regard to potential effects on earnings and liquidity. Furthermore, the implementation status of the measures agreed with the financiers at the time to increase earnings was reviewed.

The prepared liquidity planning does not result in any additional liquidity requirements in the planning horizon. The IBR also concluded that the majority of the measures agreed in previous years have been implemented. The most extensive measure, the expansion of the management information system, is still being implemented. This also includes the associated project controlling (allowing for new project and capacity utilisation planning) and the professionalisation of warehouse management. The company expects the system to be implemented and put into operation by the end of fiscal year 2024.

Nevertheless, Daldrup & Söhne AG is still in the process of reorganisation until a final decision is made by the banks. The agreements reached with the lenders could result in the loans that were ‘granted until further notice’ being terminated by the lenders. This reorganisation process is not expected to be completed until, amongst other things, the measures agreed between the lenders and Daldrup & Söhne AG have been fully and successfully implemented. The auditing firm that prepared the IBR and its updates has issued a positive recommendation in this regard. Should the measures not be implemented or not be implemented in full and, consequently, the lenders possibly exercise their right of termination, and should the company not succeed in concluding appropriate follow-up or alternative financing, the continued existence of Daldrup & Söhne AG and, due to the financial and economic ties with the subsidiaries, the group as a whole would be jeopardised.

9. OPPORTUNITIES

Geothermal energy is becoming increasingly important in Germany, Europe and globally in electricity and heat production in the context of renewable energy sources. The benefits of it are its availability as an infinite renewable resource, its consistency, low greenhouse gas emissions and decentralised energy production in the region of consumption.

Specifically in Germany, geothermal energy is promoted not only for electricity production, but also for heating and cooling supply in high-rise buildings as well as for new building projects and for energy 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. Nevertheless, the renewable heat sector continues to face major challenges that can probably only be addressed with generously equipped instruments consisting of regulatory incentives and supporting investment subsidies. The central goal of the new German government from the climate protection programme of achieving almost climate-neutral existing buildings by 2045 will not contribute to the implementation of rapid and socially acceptable decarbonisation. Pressure on politicians to align the building sector to renewable energies and thus end the existing dependence on fossil gas is increasing. Lots of cities have now launched their own climate initiatives and are strengthening the efforts which are required. In geologically suitable areas in southern and northern Germany, the importance of geothermal heat is increasing for the local and national heat supply. Withdrawing from coal energy will require replacement capacities for district heating, which geothermal energy can contribute to providing.

Several recent studies (Roadmap for Near-Surface Geothermal Energy, Roadmap for Deep Geothermal Energy, Metastudy on the National Geothermal Energy Strategy, District Heating Supply by Using Low-Temperature Heat Sources Using Deep Geothermal Resources as an Example) by German research institutions make it clear that geothermal energy has the potential to cover a large part of Germany's heat demand. The joint roadmap drafted by researchers from the Fraunhofer Society and the Helmholtz Association shows that hydrothermal geothermal energy (possibly combined with large-scale heat pumps) as a heat source for district heating networks could cover around a quarter of Germany's total heat demand, i.e. around 300 terawatt hours of annual output with 70 gigawatts of installed capacity.

In accordance with the key issues paper 'Geothermal energy for the heat transformation' published in November 2022, the Federal Ministry of Economics and Climate Protection (BMWK) wants to support the sector with eight measures to quickly raise this potential and facilitate investments. The goal is to decarbonise at least half of the heat that is currently still generated from natural gas, oil and coal (over 75 %) by 2030. The need to replace imported natural gas is particularly enormous.

At the beginning of March 2024, an initiative by the BMWK and the KfW development bank was announced to establish a state-supported insurance solution for the exploration risk involved in deep geothermal drilling. The exploration risk refers to the risk that drilled boreholes in the subsurface do not reach the temperatures or yields (known as the 'fill') of the aquifers assumed in advance. This measure is part of the 'geothermal campaign' that the ministry presented at the end of 2022. A state-backed insurance solution will remove a major hurdle for municipal and private clients of deep geothermal projects in order to promote rapid development of the potential of geothermal energy for heat supply on a larger scale.

As a specialised drilling service provider along the value chain for turnkey geothermal heating and power plants, the Daldrup Group can greatly benefit from this assessment. With over 50 successful deep geothermal wells, the company is one of the most experienced players in the Central European market. The medium-sized structures and its well-trained employees also provide a high level of flexibility and solution expertise for customer projects and the respective geological formations at significant depths. Despite the aforementioned risks, some of which are increasing, Daldrup & Söhne AG continues to expect correspondingly favourable framework conditions and increasing demand for drilling services to create geothermal heating and power plants.

For the Daldrup Group, new opportunities in the market may arise in the current economic and political situation from the continuing good order situation and order processing as well as the long-standing transparency provided by the stock exchange listing and the established market position in Central Europe as a reliable partner.

10. OVERALL STATEMENT ON THE RISK AND OPPORTUNITY SITUATION

Despite the statements in the section on 'Financing risks/Risks to the company's continued existence', the company's management, with its conscious risk strategy, eye for entrepreneurial opportunities, quick access and readiness to adjust plans, is aligned towards organisational and financial stability. The commercial opportunities available far outweigh the potential risks.

D. FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

The core business of the Daldrup Group is the exploration and exploitation of geothermal energy and the provision of high-quality drilling services for the fields of water, raw materials and environmental services. In particular in the heat market, we believe there to be lots of potential for structural growth due to the urgent decarbonisation of heat generation. This also applies to the market which is expected to form in the medium term for deep explorations looking for nuclear final storage. Participations in heating plants or power plants will be sought in the long term as minority shareholdings, provided they correspond to the medium-sized orientation and size of the Daldrup Group. As such, in the coming years, the Daldrup Group will focus its operational key areas in particular in the business areas of flat and deep geothermal energy, the water technology segment and on services for old mining activities and raw material and storage site exploration. Regionally, the group will continue to focus on the DACH area and the Benelux countries. Its goal is to strengthen its national and European market position as a full-service provider for medium-sized geothermal energy projects and to increase its earning power.

This development also requires the continuation and further development of the realignment of the group's internal structures as well as the management and control mechanisms that began at the end of 2018. The organisational structure in the group, order controlling, management, risk recognition and reporting tools as well as the bases of the business model were subsequently shifted in view of the requirements of the business model and with sound judgement, so that the group could be reliably led into the future. The necessary personnel and organisational adjustments in this regard relate not only to the area of finance and controlling, but also to the organisation and staffing of the ongoing drilling operations.

Despite the consequences of Russia's war against Ukraine, which cannot be conclusively assessed, the Management Board of Daldrup & Söhne AG expects significant demand for drilling contracts in the coming quarters, particularly for geothermal heating projects. Despite a possible further rise in interest rates in the coming quarters, the unchanged high interest of financial investors as a customer group alongside municipalities, municipal utilities and industrial companies in geothermal power and heating plant projects is expected to continue.

2. FUTURE ECONOMIC ENVIRONMENT

MACROECONOMIC CONDITIONS CHARACTERISED BY SUBDUED ECONOMIC DEVELOPMENT AND REGULATORY UNCERTAINTIES

In its Kiel Economic Report for 2024, published at the beginning of March 2024, the IfW assumes that the global economy will expand moderately in 2024, although the momentum in the individual regions of the world will vary considerably. The economic divergences are likely to become less pronounced in the forecast period, but a strong upturn is not in sight! On account of diminishing fiscal stimuli, expansion in the United States is losing some momentum, while the economies in Europe and Japan are gradually picking up as the dampening effects of the inflation shock fade. The slight emerging recovery in global trade is also having a stimulating effect. According to the IfW, the increase in global production will be slightly lower at 2.8 % than in 2023 (3.1 %). The experts expect growth of 3.1 % for the coming year. According to the IfW, the risks to the global economy are primarily geopolitical in nature and result from wars and the uncertainties surrounding the US presidential election. An escalation of trade conflicts would have a negative impact on global economic activity.

Based on the fact that energy prices have largely returned to normal, that real incomes are rising and that there is increasing support from the global economic environment, the IfW experts believe that the upward forces in the eurozone are likely to become stronger again. However, monetary policy will continue to act as a brake for the time being and there will also be a lack of fiscal stimuli. Overall, the GDP is likely to grow by 0.7 % (previous year: 0.5 %) in the current year, with the IfW forecasting an increase of 1.5 % for 2025.

The economic experts state the following for Germany: 'An economic recovery is still a long way off. The leading indicators are signalling that economic output will do little more than stagnate in the first half of the year. Overall, we now only expect the gross domestic product to increase by 0.1 % in the current year (winter forecast: 0.9 %).' According to the IfW, the GDP is not expected to increase noticeably again by 1.2 % until next year. The continuing severe shortage of skilled labour will also lead to a significant rise in wages in response to the high inflation in recent years. Exports are likely to decline noticeably again this year before returning to a moderate expansion course as global trade gradually picks up again. The weak economic environment will have a clear impact on corporate investment. The IfW summarises that the lack of recovery so far is increasingly signalling that the German economy is primarily impacted by structural problems and that the scope for expansion is correspondingly smaller.

IMPROVEMENT OF THE REGULATORY FRAMEWORK IN THE MEDIUM TERM

As part of the Heat Planning and Decarbonisation of Heating Networks Act (WPG), which was enforced on 1 January 2024, municipal and private clients are forging ahead with planning, particularly for geothermal heating projects. The focus here is on reducing dependence on natural gas and other fossil primary energy sources for heat generation and accelerating decarbonisation. Existing heating networks are expected to be supplied with at least 30 % renewable energy or waste heat by 2030 and 80 % by 2040. The target of 65 % renewables applies to new heating networks, with geothermal energy recognised as a fulfilment option (65 % renewable energy). It comprises a whole series of measures designed to stimulate investment, such as the federal subsidy for efficient heating networks and subsidies from the KfW as part of the Building Energy Act. The framework conditions are supposed to be further improved by the BMWK. It also includes the introduction of the privileged status for geothermal energy at the urban land-use planning level. This will ensure that geothermal energy is treated equally to other renewable energies that already enjoy privileges. Moreover, suitable areas for geothermal energy projects are supposed to be designated through regional planning, which will be subject to simplified authorisation requirements. In March of this year, it was announced that the BMWK is currently talking to the insurance industry to discuss various approaches by the KfW development bank for a new concept to secure exploration potential for deep geothermal energy drilling projects, i.e. the expected heat and fill. This would be another crucial step towards decisively advancing the decarbonisation of the heat supply with the potential of domestic geothermal energy. In the medium term, the regulatory framework in Germany is expected to improve significantly. We assume that the first municipalities and cities will be able to finalise their heat planning in the first half of 2025 and subsequently launch tenders for geothermal projects as well. The goal is to motivate public and private clients to gradually overcome the reluctance to invest following the budget crisis and the associated uncertainties regarding the structure of the Climate and Transformation Fund (KTF), the government's primary instrument for financing the climate transition. We believe that this will lead to a foreseeable increase in demand for shallow and deep geothermal projects for Daldrup.

A significant acceleration in environmentally friendly remodelling of heating supply is urgently needed. Near-surface geothermal energy and deep geothermal energy are two efficient, environmentally-friendly, decarbonising technologies which are available but require an improved economic environment. Geothermal energy can be used at any time and practically all over Germany, regardless of the time of day and time of year and weather conditions. Moreover, use of geothermal heat in combination with heat pumps is currently the most efficient method for sectoral coupling. As a result, geothermal energy is an important system service and in the foreseeable future will be operated economically without subsidies.

According to the study 'Roadmap of deep geothermal energy for Germany' by Fraunhofer and Helmholtz, the market potential in Germany opens up expansion targets of well over 300 TWh of annual output or 70 GW of installed capacity, which corresponds to around 25 % of the total heat demand. According to the roadmap, investments of about EUR 2.0 billion to EUR 2.5 billion per GW of installed capacity from public and private households will be needed over the next ten years to build up a deep geothermal generation infrastructure and to connect it to municipal distribution infrastructures for heat. This will make it possible to achieve competitive heat production costs of < 30 EUR/MWh.

For the BMWK, geothermal energy is one of the key technologies in the key issues paper presented in November 2022 to generate space heating, hot water and process heat in a secure, economical and decentralised manner. According to the Leibnitz Institute for Applied Geophysics, 587 TWh/per year (2,111 PJ) alone must be replaced from natural gas, oil and coal in order to achieve the climate protection targets in the space heating/hot water sector. The measures proposed by the BMWK include accelerating approval procedures, expanding support programmes such as the BEW and EEW, and risk mitigation for geothermal drilling. By 2030, this would mean at least 100 medium-depth and deep geothermal projects. This would correspond to a significant proliferation by multiples compared to the current pace of expansion.

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The Group's drilling and project business has been characterised by high capacity utilisation and a satisfactory order situation in all four divisions for several years now. Although the current climate towards geothermal energy in society and politics can be classified as very friendly, drilling operations are also associated with uncertainties and the outlined risks which cannot be hidden. Despite the most careful planning and coordination with project partners and authorities, however, time delays, for example in approval and tender procedures, changing legal requirements, changes in infrastructure conditions which are generally special and the terms of project financing and uncertainties in geology can never be excluded. This is because the exploitation of geothermal energy is a relatively new discipline. In addition, each project must be planned individual since the geology of the subsoil can differ a lot. The significantly higher interest rate level, which has brought alternative forms of investment back into the focus of investors, is also having a favourable effect. Due to the aforementioned uncertainties, effects on Daldrup & Söhne AG's and the Group's results of operations and financial position cannot by nature be ruled out, and will affect the Group's course of business in the future as well.

With the sale of Geysir Europe GmbH (Munich) and the geothermal power plants, by the start of 2020, Daldrup & Söhne AG as well as the subsidiary D&S Geothermie GmbH had significantly reduced its risk exposure in the form of subordinated loans and huge obligations arising from liabilities. As such, the group is, in the opinion of the management board of Daldrup & Söhne AG, on the right path to adapting the risk positions and business activities to the structures oriented to medium-sized companies.

The economic development in 2024/2025 will still be evaluated as overall satisfactory by the management board at the end of March 2024, taking into consideration the economic environment and the effects of the geopolitical crises. However, the drilling and services business of the Daldrup & Söhne AG Group is likely to experience a structural increase in demand in the coming quarters due to an improved regulatory framework and the need to decarbonise the heat supply across the board. However, potential price volatility for raw materials, supplies and consumables, triggered by geopolitical tensions and wars, could have a negative impact on cost structures and schedules at the drilling sites.

Overall, the management board is confident in the medium term that it can acquire and process further projects in all business areas. These may be for exploration wells for storing radioactive waste in Germany, or for renovating shafts and areas in the Ruhr valley from old mines. In the Netherlands, the possibility of geothermal energy in heating for buildings and in agriculture is being actively driven forward with a targeted state funding framework.

Around Munich, the interest in larger geothermal projects in molasse for energy and heating supply is still high. For example, at the beginning of 2023, we already received a general contractor order from MTU Aero Engines AG for the construction of a geothermal doublet, including the construction of the drilling site at the Munich location, which will be completed in the current year. In 2024, we are working on a contract for Stadtwerke Neuruppin (municipal utility) to drill two geothermal wells, each with a depth of approximately 2,000 metres. The thermal water extracted from the boreholes is supposed to be fed into the existing district heating network in combination with high-temperature heat pumps. Geoenergie Kirchweidach GmbH, Regensburg, has commissioned us to revise an existing 5,000 metre long borehole in the district of Altötting. The revision is intended to secure and expand the available output of the deep geothermal cogeneration plant, which has been in operation since 2011. The Bundesgesellschaft für Endlagerung mbH (BGE) has commissioned the construction of a shaft pilot borehole to the Asse depository. This is a complex high-tech drilling contract that serves to obtain data based on drill cores. Based on the exploration results, BGE intends to subsequently determine the starting point for the Asse 5 retrieval shaft. The order backlog across all four business divisions totalled EUR 38.5 million at the end of March 2024. The market volume under negotiation is developing robustly. It reached around EUR 260 million at the end of March 2024.

The Management Board continues to boost profitability with targeted investments aimed at increasing the efficiency of drilling equipment, the selective replacement of expensive rental equipment with in-house purchases and the commissioning of the new management information system planned for the end of 2024. The expiry of significant depreciation for drilling equipment results in earnings potential of roughly EUR 1 million over and above the operating earnings generated.

Although further value adjustments of the significantly reduced receivables from the companies of the former Geysir subgroup cannot be ruled out and could even increase in the coming years, the Management Board of Daldrup & Söhne AG assumes overall that the Daldrup & Söhne AG Group will achieve a gross revenue of approximately EUR 47 million in the 2024 fiscal year again. This assumption reflects the aforementioned points and the well utilised drilling rig capacities as well as the satisfactory order situation, which arithmetically has an order range lasting until the first quarter of 2025, as well as the existing order potential. Due to existing market, procurement and price risks arising from the multipolar geopolitical crises, the Management Board is currently expecting an operational earnings margin before interest and taxes (EBIT) of between 5.0 % and 7.0 % of total income.

DISCLOSURES RELATING TO TREASURY SHARES PURSUANT TO SECTION 160 (1) NO. 2 AKTG

Disclosures relating to treasury shares pursuant to section 160(1)(2) of the German Stock Corporation Act and Section 289(2)(2) of the German Commercial Code are listed in the notes to the consolidated financial statements.

Oberhaching, 29 May 2024

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(CEO)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)

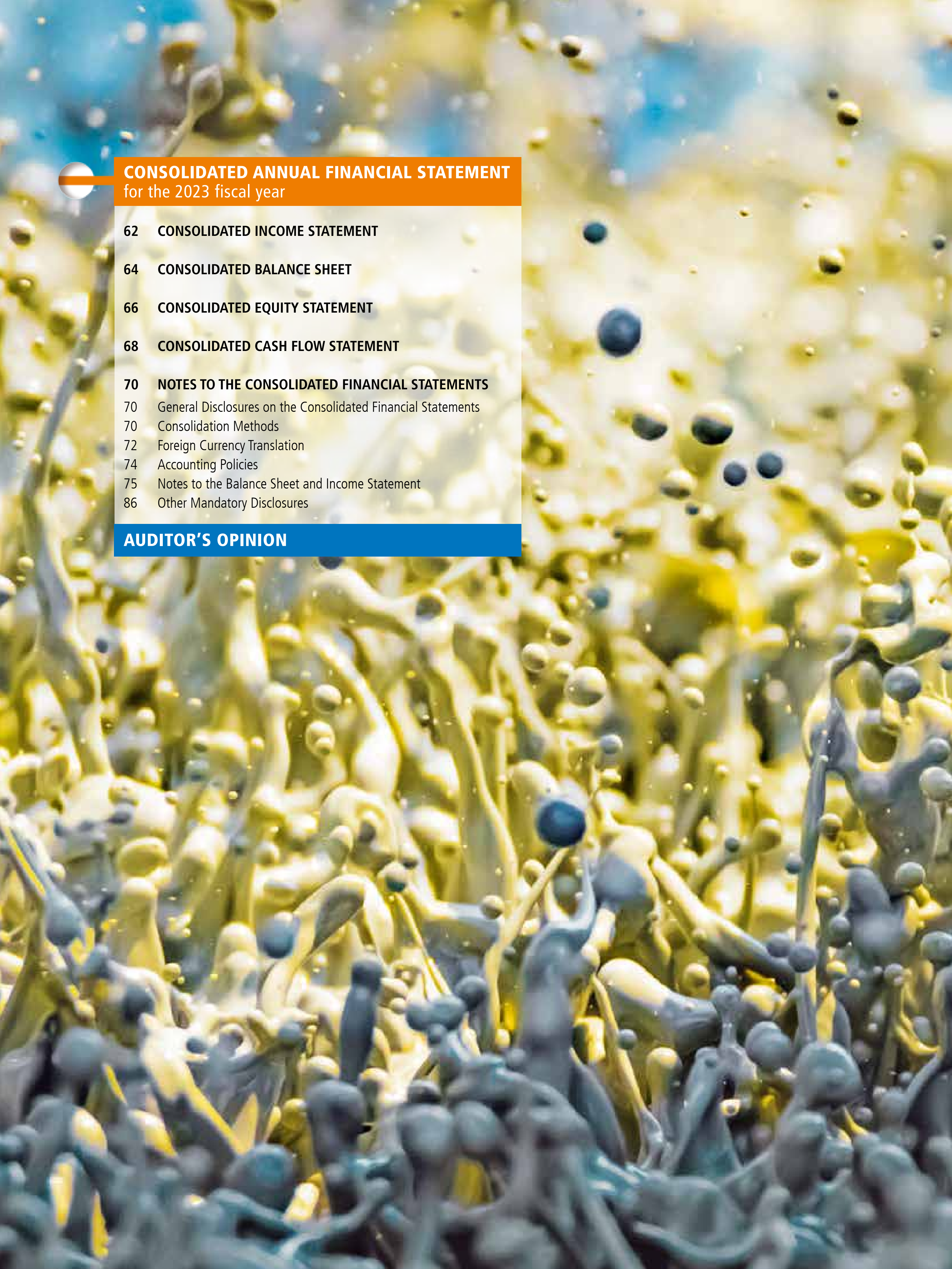
DISCLOSURES IN THE MANAGEMENT REPORT ON HEALTH, ENVIRONMENTAL PROTECTION AND QUALITY STANDARDS – NOT PART OF THE 2023 ANNUAL AUDIT

Daldrup & Söhne AG undertakes to comply with high health, safety and environmental standards. Daldrup & Söhne AG attaches the utmost importance to its employees complying with industry standards, the respectively applicable national laws and relevant regulations regarding health, safety and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG and audited by external parties ensures that these standards are implemented effectively. The non-financial performance indicators do not directly serve company management.

The basics of daily activities are stipulated by 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 addiction 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 of our work and customer satisfaction. The standard SCC certification is therefore as much a matter of course as the performance and regular revision of quality management in accordance with DIN ISO 9001. Daldrup & Söhne AG is particularly proud of being one of the first medium-sized companies to be certified in accordance with the new SCC standard 'SCC-VAZ 2021' in March 2022.


DALDRUP



CONSOLIDATED ANNUAL FINANCIAL STATEMENT
for the 2023 fiscal year

CONSOLIDATED INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023

	01.01.2023 - 31.12.2023 EUR	01.01.2022 - 31.12.2022 EUR
1. Sales revenue	**49,117,351.85**	**38,183,689.97**
2. Increase/decrease in work in progress	- 1,627,328.20	- 1,364,367.13
3. Other capitalised personal contributions	916,864.33	50,389.00
Gross revenue	**48,406,887.98**	**36,869,711.84**
4. Other operating income – of which from currency translation: EUR 192,121.04 (previous year: EUR 188,147.89)	1,752,506.05	1,128,074.87
5. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	- 5,853,755.21	- 3,511,421.97
b) Expenses for services procured	- 15,429,862.95	- 9,883,111.77
	- 21,283,618.16	- 13,394,533.74
Gross profit	**28,875,775.87**	**24,603,252.97**
6. Personnel expenses		
a) Wages and salaries	- 8,542,379.36	- 8,298,318.89
b) Social security, post-employment and other employee benefit costs – of which retirement benefit: EUR 3,814.80 (previous year: EUR 5,079.54)	- 1,779,295.18	- 1,656,220.93
	- 10,321,674.54	- 9,954,539.82
7. Amortisation of intangible fixed assets and depreciation and amortisation of property, plant, and equipment	- 2,352,299.62	- 2,409,857.13
8. Depreciation of current assets	- 409,200.00	0.00
9. Other operating expenses – of which from currency translation: EUR 196,930.68 (previous year: EUR 237,306.05)	- 13,186,829.01	- 10,393,122.98
10. Income from securities and long-term loans	15,041.14	0.00
11. Other interest and similar income	102,139.83	161,303.98
12. Depreciation of long-term financial assets	- 911,097.00	- 303,000.00
13. Interest and similar expenses	- 866,986.17	- 820,428.31
14. Taxes on income and revenue	- 35,751.53	0.00
15. Result from ordinary activities	**909,118.97**	**883,608.71**
16. Other taxes	-19,279.38	- 31,893.07
17. Consolidated net income	**889,839.59**	**851,715.64**
18. Consolidated loss carried forward	- 21,859,671.34	- 22,711,386.98
19. Withdrawal from the capital reserve	20,401,443.21	0.00
20. Consolidated balance sheet loss	**- 568,388.54**	**- 21,859,671.34**


DALDRUP AG
Tiefenbohrungen

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

ASSETS	31.12.2023 EUR	31.12.2022 EUR
A. Fixed assets		
I. Intangible fixed assets		
1. Acquired concessions, industrial property and similar rights and assets, and licences for such rights and assets	2,990.50	5,575.00
2. Prepayments	142,448.40	0.00
	145,438.90	**5,575.00**
II. Property, plant and equipment		
1. Land rights and buildings including buildings on third-party land	4,159.00	4,760.00
2. Technical equipment and machinery	3,077,350.00	3,043,319.50
3. Other plants, factory and office equipment	3,163,245.00	2,589,796.50
4. Prepayments and assets under construction	0.00	34,923.95
	6,244,754.00	**5,672,799.95**
III. Financial assets		
1. Shares in affiliated companies	2.00	2.00
2. Other loans	4,045,903.00	4,957,000.00
	4,045,905.00	**4,957,002.00**
	10,436,097.90	**10,635,376.95**
B. Circulating assets		
I. Inventories		
1. Raw materials, consumables and supplies	6,763,731.52	5,466,275.78
2. Work in progress	26,882,633.37	28,717,260.88
3. Payments received on account of orders	- 26,930,399.59	- 28,151,430.39
4. Finished products and merchandise	3,682,800.00	4,023,000.00
5. Prepayments	125,790.08	655,356.20
	10,524,555.38	**10,710,462.47**
II. Receivables and other assets		
1. Trade receivables	9,268,754.64	6,952,496.19
2. Receivables from affiliated companies	188,817.85	448,449.80
3. Other Assets	7,319,671.01	8,114,438.91
	16,777,243.50	**15,515,384.90**
III. Cash on hand and credit balances at banks	3,554,390.94	3,118,982.67
	30,856,189.82	**29,344,830.04**
C. Prepayments and deferred income	**256,318.36**	**177,373.72**
Total assets	**41,548,606.08**	**40,157,580.71**

LIABILITIES	31.12.2023 EUR	31.12.2022 EUR
A. Equity		
I. Subscribed capital	5,989,500.00	5,989,500.00
Treasury shares	- 3,012.00	- 4,012.00
	5,986,488.00	**5,985,488.00**
II. Capital reserves	15,954,431.80	36,355,875.01
III. Retained earnings		
1. Legal reserve	25,000.00	25,000.00
2. Other revenue reserves	360,205.84	384,303.57
IV. Currency translation adjustments	- 751,301.43	- 917,318.10
V. Balance sheet loss	- 568,388.54	- 21,859,671.34
	15,019,947.67	**13,988,189.14**
	21,006,435.67	**19,973,677.14**
B. Provisions		
1. Tax provisions	43,430.91	17,162.59
2. Other provisions	2,742,365.80	1,060,069.06
	2,785,796.71	**1,077,231.65**
C. Liabilities		
1. Liabilities to banks	7,681,111.20	7,788,850.42
2. Trade payables	5,560,775.79	5,504,176.88
3. Other liabilities	4,492,192.71	5,807,551.39
	17,734,079.70	**19,100,578.69**
D. Prepayments and deferred income	**22,294.00**	**6,093.23**
Total assets	**41,548,606.08**	**40,157,580.71**

CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023

	PARENT COMPANY							
	(Amended) Subscribed capital			Reserves				
	Subscribed capital	Treasury shares		Capital reserves	Retained earnings			
			Total	Capital reserves	Legal reserve	Other Retained earnings	Total	Total
in EUR								
As at 01/01/2022	5,989,500	- 4,012	5,985,488	36,355,875	25,000	372,885	397,885	36,753,760
Group annual net income	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Changes to the consolidation scope	0	0	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	11,419	11,419	11,419
As at 31/12/2022	**5,989,500**	**- 4,012**	**5,985,488**	**36,355,875**	**25,000**	**384,304**	**409,304**	**36,765,179**
As at 01/01/2023	5,989,500	- 4,012	5,985,488	36,355,875	25,000	384,304	409,304	36,765,179
Group annual net income	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Changes to the consolidation scope	0	0	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Withdrawals to offset losses	0	0	0	- 20,401,443	0	0	0	- 20,401,443
Other changes	0	1,000	1,000	0	0	- 24,098	- 24,098	- 24,098
As at 31/12/2023	**5,989,500**	**- 3,012**	**5,986,488**	**15,954,432**	**25,000**	**360,206**	**385,206**	**16,339,638**

PARENT COMPANY		
Equity difference from currency translation	Consolidated balance sheet profit/loss	Group equity
- 987,611	- 22,711,387	19,040,250
0	851,716	851,716
0	0	0
0	0	0
70,293	0	70,293
0	0	0
0	0	11,419
- 917,318	**- 21,859,671**	**19,973,677**
- 917,318	- 21,859,671	19,973,677
0	889,840	889,840
0	0	0
0	0	0
166,017	0	166,017
0	0	0
0	20,401,443	0
0	0	- 23,098
- 751,301	**- 568,389**	**21,006,436**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2023 FISCAL YEAR

	01.01.-31.12.2023 EUR	01.01.-31.12.2022 EUR
1. Cash flow resulting from ongoing business activity		
Result for the period including third-party shares	889,839.59	851,715.64
Scheduled depreciation of fixed assets	2,352,299.62	2,712,857.13
Increase/reduction in provisions	1,682,296.74	- 126,140.87
Other non-cash expenses and income	- 266,281.06	458,711.32
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	- 745,696.15	- 3,596,055.54
Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	- 1,242,559.00	702,376.25
Profit/loss from disposal of fixed assets	0.00	5,322.26
Interest expenses	866,986.17	820,428.31
Interest income	- 102,139.83	- 161,303.98
Other investment income	0.00	0.00
Expenses/income from extraordinary items	911,097.00	0.00
Income tax expense/income	35,751.53	0.00
Income tax refunds/payments	- 9,483.21	- 15,454.47
Cash flow resulting from ongoing business activity	**4,372,111.40**	**1,652,456.05**
2. Cash flow from investing activities		
Inflows from disposals of tangible and intangible fixed assets	84,689.01	45,309.24
Outflows for investments into intangible and tangible fixed assets	- 3,148,806.58	- 976,182.58
Proceeds from disposal of financial assets	0.00	0.00
Interest received	102,139.83	161,303.98
Dividends received	0.00	0.00
Cash flow from investing activities	**- 2,961,977.74**	**- 769,569.36**
3. Cash flow from financing activities		
Proceeds from capital contributions from shareholders of the parent company	0.00	0.00
Proceeds from equity injections by other shareholders	0.00	0.00
Payments from equity reductions to shareholders of the parent company	0.00	0.00
Payments from equity reductions to other shareholders	0.00	0.00
Proceeds from capital contributions from shareholders of the parent company	0.00	0.00
Inflows from the issuance of bonds and raising of (financial) loans	635,597.39	- 587,468.59
Outflows from the repayments of bonds and (financial) loans	- 678,115.73	- 384,309.17
Proceeds from subsidies/grants received	0.00	0.00
Proceeds from extraordinary items	0.00	0.00
Disbursements from extraordinary items	0.00	0.00
Interest paid	- 866,986.17	- 820,428.31
Dividends paid to shareholders of the parent company	0.00	0.00
Dividends paid to minority shareholders	0.00	0.00
Cash payments for the purchase of treasury shares	0.00	0.00
Proceeds from the sale of treasury shares	0.00	0.00
Cash flow from financing activities	**- 909,504.51**	**- 1,792,206.07**
4. Cash and cash equivalents at the end of period		
Cash change in cash and cash equivalents (Subtotals 1 - 3)	500,629.15	- 909,319.38
Changes in cash and cash equivalents due to effects of consolidated entities	0.00	0.00
Cash and cash equivalents at the start of the period	- 2,821,939.81	- 1,912,620.43
Cash and cash equivalents at the end of period	**- 2,321,310.66**	**- 2,821,939.81**
5. Composition of the cash and cash equivalents		
Cash on hand and credit balances at banks	3,554,390.94	3,118,982.67
Liabilities to banks (current account liabilities)	- 5,875,701.60	- 5,940,922.48 *
Cash and cash equivalents at the end of period	**- 2,321,310.66**	**- 2,821,939.81**

* Within the framework of the calculation of the finance fund, liabilities to banks are considered insofar as these are current account liabilities.

Current account liabilities	- 5,875,701.60
Loan liabilities	- 543,386.89
Other financing	- 1,262,022.71
Liabilities to banks	- 7,681,111.20


Daldrup
& Söhne AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2023

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Daldrup & Söhne AG is entered in the commercial register of Munich District Court under HRB 187005. It is a company which was set up in Germany as a public limited company and with its registered office in 82041 Oberhaching, Bajuwarenring 17a.

Where the right to choose could be exercised for information in the Consolidated Balance Sheet, in the Consolidated Profit and Loss Account or in the Consolidated Notes, the comment in the balance sheet or in the profit and loss account was chosen. The Consolidated Assets Schedule is shown on the last page of the Consolidated Notes.

The company is required, pursuant to Section 290 (1) HGB, to prepare Consolidated Financial Statements and a Consolidated Management Report.

According to Section 290 (1) HGB in connection with Section 293 (1) HGB, the company is not required to prepare consolidated financial statements. In this regard, this consolidated financial statement was prepared voluntarily.

CONSOLIDATION METHODS

The consolidated financial statement includes the parent company of all domestic and foreign subsidiaries under the control of Daldrup & Söhne AG insofar as their inclusion is not of subordinated importance for showing the asset, financial and earnings situation of the group.

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 liabilities between the companies involved are consolidated.

CONSOLIDATED ENTITIES

In addition to the parent company, 2 domestic and 2 foreign subsidiaries are included in the Consolidated Financial Statements as at 31 December 2023. 2 subsidiaries are not included in the consolidation. Overall, the consolidation scope is composed as follows:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct share of capital	Indirect share of capital	Type of involvement
Parent company:			
Daldrup & Söhne AG, Oberhaching			F
Subsidiaries:			
Daldrup Bohrtechnik AG, Rothenburg (formerly Baar)/Switzerland	100.00		F
D&S Geothermie GmbH, Grünwald, Germany	100.00		F
Daldrup Wassertechnik GmbH, Ascheberg, Germany	100.00		F
GERF B.V., Honselersdijk, The Netherlands		100.00	F
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany		100.00	N
Geothermie Neuried GmbH & Co KG, Ascheberg, Germany		100.00	N

The subsidiaries marked with "F" were included by means of full consolidation. The subsidiaries marked with "N" were not included in the Consolidated Annual Financial Statement.

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 =	Annual average price as at 31/12/2023	Closing rate as at 31/12/2023
Swiss francs	CHF	1.0290	1.07991

ACCOUNTING POLICIES

The preparation of the consolidated financial statements were based on the going concern principle. Furthermore, we refer to our explanations on the risks threatening the existence of the company in the Group Management Report in section 'C. Risk and Opportunity Report' and especially to subsection 'Financing risks/Risks threatening the existence of the company'.

ASSETS

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

Depreciation is calculated linearly according to the expected useful life. Low-value assets between EUR 250.00 and EUR 1,000.00 are entered in a collective item and amortised linearly over a period of 5 years. Assets under EUR 150.00 are recorded directly as expenses.

The loans and shares in affiliated companies are balanced at nominal value. Where necessary, depreciation and amortisation is carried out at the value to be settled lower on the balance sheet reporting date.

Extraordinary depreciation and amortisation of 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.

The unfinished services from drilling orders are generally valued retroactively from the order value, taking into account the degree of completion on the balance sheet reporting date and a flat deduction in the amount of 12.5 % for the as-yet-unrealised profit share and the costs which cannot be activated. Orders where manufacturing costs can be directly allocated are valued progressively.

By contrast, the valuation of unfinished services from 'day rate orders', which include several larger orders as at the balance sheet date that jointly make up a significant portion of work in progress, is based on the actual expenses incurred at fixed cost rates. An appropriate billing system is agreed with the customer, who also bears the completion risk. Billing is carried out on an ongoing basis. Due to the nature of the service, a flat-rate deduction is not made here, meaning that pro-rata profit margins are gradually included for these orders.

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.

The active accruals and deferred income includes expenditure before the deadline date which only become an expense in the following year.

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 tax provisions and other provisions were formed for all other uncertain liabilities in the amount of the necessary fulfilment required after a sensible commercial evaluation. All identifiable risks have been taken into account here. If the liabilities were due after more than one year, maturity-matched discounting was carried out using the interest rates published by the Deutsche Bundesbank.

Liabilities have been recognised at their settlement amount.

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

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

I. BALANCE SHEET

FIXED ASSETS

The consolidated statement of changes in fixed assets as at 31/12/2023 is presented on page 90/91 of this report.

The list of direct and indirect shareholdings of all investments is provided on page 71 of this report.

SHARES IN AFFILIATED COMPANIES

There are the following indirect investments in affiliated companies which are not included in the consolidation scope, and are therefore shown as shares in affiliated companies in the Consolidated Balance Sheet:

SHARES IN AFFILIATED COMPANIES

NAME AND REGISTERED OFFICE OF THE COMPANY	Ownership share in %	Currency	Equity kEUR	Result for the last fiscal year kEUR
Geothermie Neuried GmbH & Co. KG, Ascheberg, Germany*	100.00	kEUR	- 118	- 9
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany*	100.00	kEUR	3	1

*Values as at 31/12/2023

OTHER LOANS

Geysir Europe GmbH, Grünwald	kEUR 2,996
Geox GmbH, Landau	kEUR 550
GeoWeb Calefornie B.V., The Netherlands	kEUR 500
Total	kEUR 4,046

The loans to Geysir Europe GmbH and Geox GmbH were subordinated as part of the sale of the Geysir Europe Group to a financing company in January 2020: Accordingly, Daldrup & Söhne AG’s loan amount as well as the accrued interest and all associated rights rank below all current, future and conditions claims of all existing higher ranking creditors and the financing company and its companies, as well as all claims, including distributions, interest claims and dividend claims of the financing company against the Geysir Europe Group.

The valuation of these loans to Geysir Europe GmbH and Geox GmbH has since been primarily based on a cash flow-based model, which in turn is based on planning assumptions regarding the cash flow returns of the Taufkirchen and Landau power plant companies for the period up to 2026 as well as an earn-out agreement that is still in place. Defined by parameters set in 2019, the aforementioned agreement stipulates that an amount of approximately kEUR 2,000 needs to be paid to D&S Geothermie GmbH (= subsidiary of the reporting company) in the event of the future construction of another power plant and its successful operation.

The planning of future cash flows is based on certain estimated and actual parameters, such as the price development of district heating, future inflation rates or information from the debtors' annual reports. The planned cash flow returns are subject to the usual planning uncertainties and depend largely on the operating business success of the Taufkirchen and Landau power plants and the dividend distribution of the operating power plant companies to the holding company Geysir Europe GmbH. Using this model, repayments of loans to Geysir Europe GmbH of kEUR 624 and to Geox GmbH of around kEUR 119 were recognised in fiscal year 2023. These repayments were not made in fiscal year 2023 and up to 28/03/2024, which is why the loans were adjusted by the aforementioned amounts. For the years 2024 up to and including 2026, forecast cash flows are attributable to the two loans as follows:

LOANS TO ... IN KEUR	Fiscal year **2024**	Fiscal year **2025**	Fiscal year **2026**	**Total**
Geysir Europe GmbH	533	356	133	1,022
Geox GmbH	181	174	169	524
Total	714	529	302	1,546

CIRCULATING ASSETS

INVENTORIES

Payments received are openly deducted from inventories.

In the 2023 fiscal year, finished products and merchandise amounting to kEUR 3,683 were recognised. These are technology components that D&S Geothermie GmbH received as part of the purchase price for the disposal of the Geysir Europe Group and are supposed to be gradually sold.

RECEIVABLES

As in the previous year, the remaining term of the receivables is up to one year.

OTHER ASSETS

OTHER ASSETS AS AT 31/12/2023 IN KEUR				
Description	Total amount	due within **one year**	due within **more than one year**	Total amount in previous year
1. Loan receivables against affiliated companies	4,839	4,839	0	5,619
2. Purchase price claim from company share purchases	1,600	1,600	0	1,600
3. VAT receivables	276	276	0	489
4. Other	605	605	0	406
Total other Assets	**7,320**	**7,320**	**0**	**8,114**

3. contains the pre-tax receivables, which were first incurred in 2024 in the amount of kEUR 46.

Loan receivables against affiliated companies exist in relation to J. D. Apparate- and Maschinenbau GmbH, Ascheberg, Germany, in the amount of kEUR 4,839 (previous year: kEUR 5,619). There is a subordinate claim of kEUR 800 behind the claims of all other creditors of the company.

EQUITY

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

SHARE CAPITAL

The share capital amounts to kEUR 5,989.5 (31/12/2022: kEUR 5,989.5), and is divided up into 5,989,500 bearer shares (31/12/2022: 5,989,500) without a nominal amount (no-par-value shares). The approved capital as at 31/12/2023 was kEUR 2,994.75 (31/12/2022: kEUR 2,994.75).

Treasury shares: The subsidiary Daldrup Bohrtechnik AG, Baar, holds 3,012 shares in Daldrup & Söhne AG, corresponding to EUR 3,012 of the share capital, or 0.1 %.

CAPITAL RESERVES

The capital reserve amounts to kEUR 15,954 (31/12/2022: kEUR 36,356). A resolution was passed by the Management Board and Supervisory Board on 28/05/2024 to offset the accumulated loss against the capital reserves.

LEGAL RESERVE

The legal reserve pursuant to Section 150 of the German Stock Corporation Act amounts to kEUR 25, unchanged compared to the previous year.

OTHER REVENUE RESERVES

The other revenue reserves amount to kEUR 360 (31/12/2022: kEUR 384).

CONSOLIDATED NET RETAINED PROFITS

For the previous fiscal year, the Management Board suggested that Daldrup & Söhne AG's annual surplus of kEUR 964 be carried forward to the new bill.

For profit distribution purposes, it is generally not the Consolidated Balance Sheet profit, but rather the balance sheet profit from the parent company's individual annual financial statement. The balance sheet loss in Daldrup & Söhne AG's annual financial statement after offsetting against capital reserves amounts to kEUR 0 as at 31/12/2023.

TAX PROVISIONS

Tax provisions amounted to kEUR 43 (31/12/2022: kEUR 17).

OTHER PROVISIONS

STATEMENT OF PROVISIONS AS AT 31/12/2023 IN KEUR					
Description	01.01.2023	Utilisation	Reversal	Allocations	31.12.2023
Personnel provisions	553	473	9	618	689
Global provision for warranties	205	0	23	163	345
Other provisions	302	160	0	1,566	1,708
Total other provisions	**1,060**	**633**	**32**	**2,347**	**2,742**

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.

LIABILITIES

STATEMENT OF LIABILITIES AS AT 31/12/2023 IN KEUR					
Type of liability	Total amount	due within **one year**	due within **one to five years**	due after **more than five years**	Total amount previous year
1. Liabilities to banks	7,681	6,927	683	71	7,789
2. Trade payables	5,561	5,561	0	0	5,504
3. Liabilities towards affiliated companies	1,213	303	910	0	1,463
4. Tax liabilities	978	978	0	0	1,823
5. Other liabilities from purchase of company shares	878	269	609	0	1,329
6. Remaining other liabilities	1,423	1,395	28	0	1,193
Total Liabilities	**17,734**	**15,433**	**2,230**	**71**	**19,101**

The **liabilities to banks** amount to kEUR 6,419 arising from the use of working capital loans and kEUR 1,262 of existing liabilities to banks arising from the financing of tangible fixed assets.

Approved current account, guarantee credit lines and other credit lines of the report company amount to a total of kEUR 21,500. With the long-term affiliated banks and guarantee credit providers of the report company, in May 2020 a security trust agreement to secure these by the transfer of ownership of drilling systems and machines, as well as inventories and debt assignment was concluded. The agreement contains a flexibility clause in favour of the report company with regard to future project financing lines. The overall lines include the emergency credit line from a creditor in the amount of kEUR 5,000, which is also hedged by the mortgaging of bank credit of kEUR 500.

Furthermore, there is another unsecured loan from a lender totalling kEUR 543 (previous year: kEUR 1,222) as at the balance sheet date.

The liabilities **to affiliated companies** relate to the granting of a loan by GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, in the amount of kEUR 1,213 plus accrued interest.

The **other liabilities** include liabilities from wages and salaries (kEUR 455), social security liabilities (kEUR 65), loans to members of the Management Board (kEUR 54) and other (kEUR 849).


Daldrup

II. INCOME STATEMENT

The total cost format was selected for the Income Statement.

The sales revenues of the group can be broken down as follows:

TURNOVER SPREAD BY AREA OF ACTIVITY IN EUR K Business unit	2023	Share in %	2022	Share in %
Geothermal Energy	26,115	53 %	14,545	38 %
Raw Materials/Exploration	20,440	42 %	17,971	47 %
Water Procurement	900	2 %	3,575	9 %
EDS	1,662	3 %	2,093	6 %
Total	**49,117**	**100 %**	**38,184**	**100 %**

TURNOVER SPREAD BY MARKET GEO-GRAPHY IN KEUR Business unit	2023	Share in %	2022	Share in %
Domestic	39,593	81 %	16,129	42 %
Foreign	9,524	19 %	22,055	58 %
Total	**49,117**	**100 %**	**38,184**	**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 overall performance is additionally stated as kEUR 37,640 (corresponding to 77.8 %) at home (previous year: kEUR 19,229 / 52.6 %) and kEUR 10,767 (22.2 %) abroad (previous year: kEUR 17,315 / 47.4 %). The domestic total gross revenue includes capitalised personal contributions totalling kEUR 917.

Other operating income is broken down as follows:

OTHER OPERATING INCOME	2023	2022
Income from currency differences	kEUR 192	kEUR 188
Insurance compensation	kEUR 327	kEUR 313
Other income	kEUR 350	kEUR 422
Income from the reduction of liabilities	kEUR 451	kEUR 0
Income from the reduction of specific bad debt allowances	kEUR 355	kEUR 0
Income from dissolution of reserves (outside period)	kEUR 78	kEUR 205
Total	**kEUR 1,753**	**kEUR 1,128**

Other operating expenses are broken down as follows:

OTHER OPERATING EXPENSES	2023	2022
Individual valuation allowances and losses of receivables	kEUR 13	kEUR 205
Insurance policies and contributions	kEUR 659	kEUR 551
Spoil and waste removal	kEUR 1,214	kEUR 1,140
Hire for movable assets	kEUR 1,430	kEUR 869
Advertising, travel, employee accommodation	kEUR 1,311	kEUR 999
Repairs and maintenance	kEUR 1,442	kEUR 953
Legal and consultancy costs	kEUR 867	kEUR 723
Vehicle costs	kEUR 743	kEUR 680
Cost of premises	kEUR 609	kEUR 584
Expenses from currency differences	kEUR 170	kEUR 237
Licence fees	kEUR 350	kEUR 350
Construction site costs	kEUR 1,109	kEUR 832
Workshop costs	kEUR 300	kEUR 247
Other	kEUR 2,969	kEUR 2,023
Total	**kEUR 13,186**	**kEUR 10,393**

The unplanned depreciation and amortisation on the financial assets amount to kEUR 911 (previous year: kEUR 303). The depreciation results from a revaluation of the subordinated loan receivables from Geysir Europe GmbH and Geox GmbH.

III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling kEUR 290. The obligations in the amount of kEUR 198 have terms of up to one year and terms of between one and five years in the amount of kEUR 92. Furthermore, obligations arising from a licence agreement exist in the amount of kEUR 2,950, of which kEUR 350 is payable within one year, kEUR 1,400 within a period of between one to five years and kEUR 1,200 after five years.

The total amount of other financial obligations of the group thus amounts to kEUR 3,240, of which payable:
• due within one year: kEUR 548
• due between one and five years: kEUR 1,492
• due within more than five years: kEUR 1,200

TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

In the 2016 fiscal year, Daldrup & Söhne AG sold a patent for transport piping for use in a geothermal probe to obtain geothermal energy and procedures for installing transport piping of this kind for kEUR 5,400 net to J. D. Apparate- und Maschinenbau GmbH (buyer) and has since been renting this back for an annual licence fee of kEUR 350. The annual rent is credited to the purchase price. The patent runs until 2034. The purpose of the transaction was to realise hidden reserves. No significant opportunities or risks are perceived above and beyond this.

A drilling system was sold for kEUR 2,800 net with a purchase and rental agreement dated 30/06/2015 between Daldrup & Söhne AG (seller) and J. D. Apparate und Maschinenbau GmbH (buyer). In the same contract, the drilling rig is leased back to Daldrup & Söhne AG for economic and operational use based on a flat monthly rate of kEUR 17 plus VAT for January to October, which will be raised to kEUR 22 plus VAT in November. The monthly rent was credit to the purchase price. The purpose of the transaction was to realise hidden reserves. No significant opportunities or risks are perceived above and beyond this.

HEDGING OF FOREIGN CURRENCY RISKS/VALUATION UNITS

According to risk policy, arising foreign currency risks of the report company and its subsidiaries, which are of significant importance for the economic development, are to be promptly secured by suitable forward foreign-exchange contracts in advance of the conclusion of a contract, however no later than without undue delay after the occurrence thereof in the same currency and term, at least in the amount of 90 % of the foreign currency risk.

In the 2023 fiscal year, additional hedges of foreign currency risks from contracts with credit institutions were established for the 2023 and 2024 fiscal years. As at 31/12/2023, seven hedging relationships still existed with the following parameters:

Underlying transaction/ hedging instrument	Risk/type of valuation unit	Amount collected	Amount of hedged risk	Hedging time frame
Incoming payments of the report company from drilling orders in the third country/forward exchange dealing with term option (8 transactions)	Currency risk/ micro hedge	kCHF 2,080	kCHF 2,080	18.01.2024 (earliest start date) 15/08/2024 (latest end date)

The reciprocal payment flows in accordance with the above table between the underlying transaction and the hedge are expected to cancel each other out in full during the hedging time frame as significant items of the same amount and same currency and term are hedged by way of forward exchange contracts. By the annual financial statement reporting date, the contrary value changes/ payment flows arising from underlying and hedging transactions were fully settled. To measure the activity of the hedging relationship, the “critical terms match method” is used.

AUDITOR’S TOTAL FEE

The fee for financial statement audit services charged by Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, for fiscal year 2023 is kEUR 100, kEUR 0 of which relates to the previous year. This is attributable to audits of the financial statements.

PROPOSED APPROPRIATION OF PROFITS

The Management Board proposes carrying forward the Consolidated Balance Sheet loss to the next accounting period.

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, role	Areas of responsibility
Andreas Tönies Chairman of the Management Board	Business segments Strategy, Key Accounts, Logistics/Merchandise Management, Purchasing, Legal
Dipl.-Ing. Bernd Daldrup, Master's degree in engineering Member of the Management Board	Business segments Deep Geothermal Energy and Human Resources
Stephan Temming Member of the Management Board	Finance, Controlling, Investor Relations and Business Development
Dipl.-Ing. Karl Daldrup, Master's degree in engineering Member of the Management Board	Business segments Raw Materials & Exploration, Water Extraction, EDS, Near-Surface and Medium-Depth Geothermal Energy business units as well as the IT and Contract & Claims Management divisions

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

Name, role	Administrative, management or supervisory board mandates or partnerships
Josef Daldrup Chairman of the Supervisory Board	Merchant Delegate of the Administrative Board of Daldrup Bohrtechnik AG, Rothenburg/Switzerland
Heinrich Goßheger	Retired bank director none
Wolfgang Bosbach	Lawyer Member of the supervisory board of Signal Iduna Allgemeine Versicherung AG, Dortmund
Dr Michaela Daldrup-Arnold	Project manager none


Daldrup
& Söhne AG
Bohrtechnik

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The overall earnings of the management board for activities in the 2023 fiscal year were kEUR 807.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2023 amounted to kEUR 100.

There is a clearing account with the former Chairman of the Management Board and current Chairman of the Supervisory Board, Mr Josef Daldrup, which shows a receivable from the reporting company of EUR 11k (previous year: EUR - 66k) as at 31/12/2023. Interest on the clearing account is charged at 6.0 % annually.

Liabilities exist towards the board members totalling kEUR 54 (previous year: kEUR 115).

AVERAGE NUMBER OF EMPLOYEES DURING THE CURRENT YEAR

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

GROUPS OF STAFF	2023	2022
Labourer	116	106
Salaried employees	14	18
Part-time employees	3	1
Total	**133**	**125**

Oberhaching, 29 May 2024

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(CEO)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)

Appendix 1 to the Notes

GROUP STATEMENT OF ASSETS

GROUP STATEMENT OF ASSETS FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023

	ACQUISITION COSTS					
	As at 01.01.2023 EUR	Exchange rate differences EUR	Additions EUR	Outgoings EUR	Transfers EUR	As at 31.12.2023 EUR
I. Intangible fixed assets						
1. Concessions, industrial property rights and similar rights and assets and values, as well as licences for such rights and assets	93,364.30	0.00	0.00	0.00	0.00	93,364.30
2. Prepayments	0.00	0.00	142,448.40	0.00	0.00	142,448.40
	93,364.30	**0.00**	**142,448.40**	**0.00**	**0.00**	**235,812.70**
II. Property, plant and equipment						
1. Land and buildings	48,718.33	0.00	0.00	0.00	0.00	48,718.33
2. Technical equipment and machinery	27,867,307.26	0.00	1,703,865.97	24,000.50	0.00	29,547,172.73
3. Other plants, factory and office equipment	14,140,616.90	0.00	1,289,012.20	155,133.11	10,413.95	15,284,909.94
4. Prepayments and assets under construction	34,923.95	0.00	13,480.01	37,990.01	- 10,413.95	0.00
	42,091,566.44	**0.00**	**3,006,358.18**	**211,873.62**	**0.00**	**44,880,801.00**
III. Financial assets						
1. Shares in affiliated companies	2.00	0.00	0.00	0.00	0.00	2.00
2. Other loans	16,817,280.24	0.00	0.00	0.00	0.00	16,817,280.24
	16,817,282.24	**0.00**	**0.00**	**0.00**	**0.00**	**16,817,282.24**
	59,002,212.98	**0.00**	**3,148,806.58**	**217,123.62**	**0.00**	**61,933,895.94**

DEPRECIATION AND AMORTISATION				BOOK VALUES	
As at 01.01.2023 EUR	Additions EUR	Outgoings EUR	As at 31.12.2023 EUR	As at 31.12.2023 EUR	As at 31.12.2022 EUR
87,789.30	2,584.50	0.00	90,373.80	2,990.50	5,575.00
0.00	0.00	0.00	0.00	142,448.40	0.00
87,789.30	**2,584.50**	**0.00**	**90,373.80**	**145,438.90**	**5,575.00**
43,958.33	601.00	0.00	44,559.33	4,159.00	4,760.00
24,823,987.76	1,651,084.97	5,250.00	26,469,822.73	3,077,350.00	3,043,319.50
11,550,820.40	698,029.15	127,184.61	12,121,664.94	3,163,245.00	2,589,796.50
0.00	0.00	0.00	0.00	0.00	34,923.95
36,418,766.49	**2,349,715.12**	**132,434.61**	**38,636,047.00**	**6,244,754.00**	**5,672,799.95**
0.00	0.00	0.00	0.00	2.00	2.00
11,860,280.24	911,097.00	0.00	12,771,377.24	4,045,903.00	4,957,000.00
11,860,280.24	**911,097.00**	**0.00**	**12,771,377.24**	**4,045,905.00**	**4,957,002.00**
48,366,836.03	**3,263,396.62**	**132,434.61**	**51,497,798.04**	**10,436,097.90**	**10,635,376.95**

AUDITOR'S OPINION

To Daldrup & Söhne Aktiengesellschaft, Oberhaching, Germany

AUDIT OPINIONS

We have audited the Consolidated Annual Financial Statement of Daldrup & Söhne Aktiengesellschaft, Oberhaching, Germany, and its subsidiaries (the Group) – consisting of the Consolidated Balance Sheet as at 31 December 2023, the Consolidated Profit and Loss Account, the Consolidated Equity Statement and the Consolidated Cash Flow Statement for the fiscal year from 1 January 2023 until 31 December 2023, as well as the Consolidated Notes, including the representation of the accounting and calculation methods. We have also audited the Consolidated Management Report of Daldrup & Söhne Aktiengesellschaft, Oberhaching, Germany, for the fiscal year from 1 January 2023 to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the other disclosures in the group management report on healthcare, environmental and quality standards.

In our opinion, based on the knowledge gained during the audit,

- the attached consolidated financial statements comply in all material respects with German legal requirements and give a true and fair view of the Group's net assets and financial position as at 31 December 2023 as well as its earnings situation for the fiscal year from 1 January 2023 to 31 December 2023 in accordance with German principles of proper accounting, and

- the attached Group management report provides a suitable view of the Group's position as a whole. The Group management report is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the above-mentioned components of the group management report that were not audited as to their content.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit of the Consolidated Annual Financial Statement has not led to any reservations.

BASIS FOR OUR AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW). Our responsibility in accordance with these regulations and principles is further outlined in the section entitled "Responsibility of the auditor for auditing the consolidated financial statements and Group management report" in our auditor's report. We are independent of the consolidated companies in accordance with German commercial and professional law and have fulfilled our other German professional duties in accordance with these requirements. In our opinion, the auditing evidence we have obtained are sufficient and appropriate to serve as a basis for our audit opinions on the Consolidated Annual Financial Statement and the Consolidated Management Report.

MATERIAL UNCERTAINTY IN CONNECTION WITH THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

Ability to continue as a going concern

We refer to the information in section 'II. Accounting Policies' in the notes to the consolidated financial statements as well as the information in section 'C.8. Financing Risks/Risks Threatening the Company's Existence' of the Group Management Report, in which the legal representatives describe that the financing of the group, the provision of guarantees customary in the industry, and the hedging of currency risks from orders in Swiss francs continue to be performed by the parent company Daldrup & Söhne AG, which coordinates financing activities across the group in consultation with the management of the local companies. Furthermore, the legal representatives state that Daldrup & Söhne AG is in the process of reorganisation until a final decision is made by the banks. The agreements reached with the lenders could result in the loans that were 'granted until further notice' being terminated by the lenders. The reorganisation process is not expected to be completed until, amongst other things, the measures agreed between the lenders and Daldrup & Söhne AG have been fully and successfully implemented. The auditing firm that prepared the IBR and its updates has issued a positive recommendation in this regard. Should the measures not be implemented or not be implemented in full and, consequently, the lenders possibly exercise their right of termination, and should the company not succeed in concluding appropriate follow-up or alternative financing, the continued existence of Daldrup & Söhne AG and, due to the financial and economic ties with the subsidiaries, the group as a whole would be jeopardised.

As explained in the notes to the consolidated financial statements in section 'II. Accounting Policies' and in the group management report in section 'C.8. Financing Risks/Risk to the Company as a Going Concern', these events and circumstances indicate that a material uncertainty exists, which may cast significant doubt about the group's ability to continue as a going concern and which constitutes a going concern risk within the meaning of Section 322 (2) sentence 3 of the German Commercial Code (HGB).

Our audit opinions on the consolidated financial statements and the group management report are not modified with respect to this matter.

OTHER DISCLOSURES

The legal representatives and/or the Supervisory Board are responsible for other disclosures. The other information comprises:

- the parts of the group management report referred to in the section 'Audit Opinions' that were not subjected to a content-related audit
- the other parts of the annual report, including the report of the supervisory board, which are expected to be made available to us after the date of this auditor's report,
- but not the consolidated financial statements, the audited content of the group management report and our corresponding opinion.

The Supervisory Board is responsible for its own report. Otherwise, the legal representatives are responsible for other information.

Our audit opinions on the Consolidated Annual Financial Statement and the Consolidated Management Report do not cover the other disclosures, and accordingly we are not providing an Auditor's Opinion or any other form of audit conclusion on it.

In connection with our Consolidated Annual Financial Statement, we are responsible for reading the other information disclosures above and assessing whether the other disclosures

- contain material inconsistencies with the group annual financial statements, the audited content of the consolidated management report, or knowledge we obtained during our audit; or
- otherwise seem to have been significantly misrepresented.

If we conclude that, based on our work performed on the other information obtained before the date of this audit certificate, there has been a material misstatement of such other information, we are legally required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT AND THE CONSOLIDATED MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements give a true and fair view of the assets, financial and earnings situation of the group in accordance with the generally accepted German accounting principles. These legal representatives are also responsible for the internal controls they deem necessary in accordance with German principles of proper accounting to enable the preparation of Consolidated Financial Statements that are free from material misrepresentations due to fraud (i.e. manipulation of financial reporting and misappropriation of assets) or errors.
In preparing the consolidated financial statements, the Company's legal representatives are responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing matters related to its business activities as a going concern provided these are relevant. In addition, they are responsible for financial reporting based on the going concern accounting principle, provided no actual or legal circumstances conflict therewith.

The legal representatives are also responsible for preparing the group management report, which as a whole provides a suitable view of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the precautions and measures (systems) that they regarded as necessary in order to allow a Consolidated Management Report to be drawn up in accordance with the applicable provisions of German law, and to provide sufficient appropriate evidence for the statements in the Consolidated Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for preparing the Consolidated Financial Statements and the Consolidated Management Report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT AND CONSOLIDATED MANAGEMENT REPORT

Our aim is to obtain sufficient certainty as to whether the Consolidated Annual Financial Statement as a whole is free from significant misrepresentations due to fraud or errors, and whether the Consolidated Management Report as a whole provides an accurate picture of the group's situation and is in accordance in all important respects with the Consolidated Annual Financial Statement and with the findings of the audit, complies with the German legal regulations and accurately represents the opportunities and risks for future development, and to issue an Auditor's Opinion which contains our audit opinions on the Consolidated Annual Financial Statement and the Consolidated Management Report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected for them to individually or collectively influence the business decisions of addressees made on the basis of these Consolidated Financial Statements and the Consolidated Management Report.

During the audit, we exercise due diligence and maintain a critical view. In addition

- We identify and assess the risks of significant misrepresentations due to fraud or errors in the Consolidated Annual Financial Statement and in the Consolidated Management Report, plan and execute audit actions as a response to these risks, and obtain audit evidence which is sufficient and appropriate to serve as a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misleading representations or override of internal controls.
- We gain an understanding of the control system which is relevant to auditing the Consolidated Annual Financial Statement and the relevant precautions and measures for auditing the Consolidated Management Report, in order to plan audit actions which are appropriate under the relevant circumstances, but not with the aim of giving an audit opinion on the effectiveness of these systems.
- We assess the appropriateness of the financial reporting methods applied by the Company's legal representatives as well as the acceptability of the value estimations made by the Company's legal representatives and of the disclosures related thereto.
- We draw conclusions regarding the appropriateness of the accounting policy applied by the Company's legal representatives with respect to the company's ability to continue as a going concern, and, on the basis of the preliminary audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that might indicate significant doubts as to the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the consolidated financial statements and on the group management report based on the information contained therein, or, if such information is inappropriate, to modify our respective opinion. We draw our conclusions based on the audit evidence which we have obtained by the date of our Auditor's Opinion. However, future events or circumstances may result in the group's being unable to continue its business operations.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and earnings situation of the group in accordance with the generally accepted German accounting principles.
- We obtain sufficient appropriate audit evidence for the company's billing information or business activities with the Group, in order to issue audit opinions on the Consolidated Annual Financial Statement and Consolidated Management Report. We are responsible for directing, supervising and carrying out auditing of the Consolidated Annual Financial Statement. We bear sole responsibility for our audit opinions.
- We express an opinion on the consistency of the consolidated management report with the consolidated financial statements, its compliance with the law and the picture it conveys of the Group's situation.
- We carry out audit actions on the future-oriented information provided by the legal representatives in the Consolidated Management Report. On the basis of sufficient appropriate audit evidence we examine, in particular, the significant assumptions used by the Company's legal representatives as a basis for the future-oriented information, and assess the degree to which the deduction of the future-oriented information from these assumptions is appropriate. We do not provide an independent audit opinion on the future-oriented details or on the assumptions they are based on. There is a significant, unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit and significant findings of the audit, including any significant deficiencies in the internal control system that we identify during our audit with the individuals who are responsible for oversight.

Düsseldorf, Germany, 29 May 2024

Grant Thornton AG
Auditors

Thorsten Esser	Carsten Carstens
Public accountant	Public accountant

FISCAL CALENDAR for Daldrup & Söhne AG

31 May 2024:	Publication of consolidated financial statements as at 31/12/2023
29 August 2024:	Annual General Meeting
30 September 2024:	Publication of Consolidated Interim Report as at 30/06/2024
25–27 November 2024:	Equity Forum, Frankfurt

INVESTOR RELATIONS Contact

Daldrup & Söhne AG
Lüdinghauser Straße 42 - 46
59387 Ascheberg
Germany

Telephone +49 (0)2593 / 95 93 29
Fax +49 (0)2593 / 95 93 60
ir@daldrup.eu
www.daldrup.eu

IMPRINT

Company registered address
Daldrup & Söhne AG
Bajuwarenring 17a
82041 Oberhaching
Germany

Headquarters
Oberhaching

Branch office
Daldrup & Söhne AG
Lüdinghauser Strasse 42-46
59387 Ascheberg
Germany

Telephone +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