

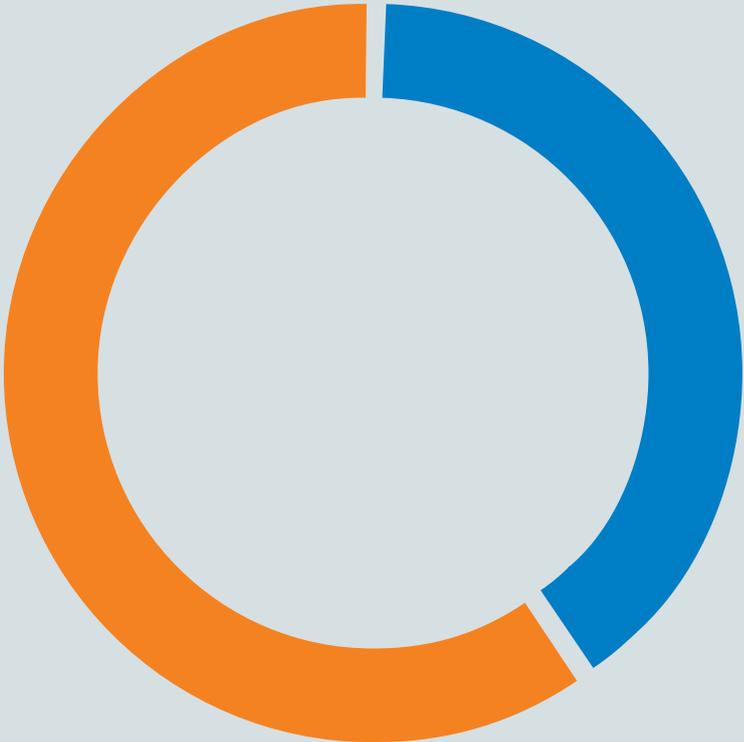


**CONSOLIDATED MID-YEAR  
FINANCIAL STATEMENTS 2020**

2020

**SHAREHOLDER STRUCTURE AS AT 27/08/2020**

Number of Shares:	5,989,500	100.00 %
Daldrup Family:	3,498,747	58.41 %
Free Float:	2,490,753	41.59 %



# 2020

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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,

The results of the first half of 2020 show for the first time that the sale of the Geysir Europe Group, which was completed in mid-January 2020, has significantly relieved the Daldrup Group. As a result, debt was significantly reduced and the organisational structures and initial processes were streamlined. We have once again realigned our operating resources entirely on our core business.

All things considered, this step has led to an increase in operating performance. Overall, the Group's key performance indicators make us feel confident. For example, we have increased our gross revenue by 5.5 % to EUR 23.2 million compared with the same period of the previous year. The operating result (EBIT) is positive at EUR 0.5 million compared with the earnings for the first half of 2019, and the Group's equity ratio remains above 50 % of the consolidated balance sheet total.

As expected, Daldrup & Söhne AG's drilling services business was very stable in the reporting period and continues to be characterised by strong demand. In Switzerland, for example, we drilled additional exploratory wells for a deep geological repository for radioactive waste on behalf of Nagra and were awarded the contract for another well. The major order from Dutch greenhouse operators in Luttelgeest for a turnkey heating plant with a thermal capacity of around 18 MW is moving along according to plan. The third triplet well is currently being drilled. We received an order from municipal utility 'Stadtwerke Schwerin' for a second borehole to develop geothermal heat for the regional district heating grid.

We are also making great strides in the Water Technology segments, with services for mining succession, and in the field of high-quality drilling technology for exploration of rock and raw materials. The latter significantly contributed to earnings in 2019 and will continue to make strong contributions to sales and earnings in 2020.

Similar to Switzerland, a process for the search for permanent disposal sites has again been initiated in Germany. At the end of September, the so-called zone report of the Bundesgesellschaft für Endlagerung (BGE, Federal Company for Final Disposal) identified areas that could possibly be considered for a permanent disposal site from the point of view of the BGE. Areas are selected based on a defined procedure, which are then investigated underground. According to the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, this creates a foundation for fact-based determination of a permanent disposal site in 2031. Thus, a new market segment is emerging for Daldrup & Söhne AG in Germany. In addition, we have exactly the expertise and experience that this market requires and we can provide impressive references to prove it.



With these operational successes and the good prospects for structural growth behind us, we will continue to align the Group to our two main strategic goals in the coming months. In the short and medium term, the focus will be on the operational drilling sector. Provision of high-quality drilling services, e.g. for deep exploration, the development of geothermal energy and the maintenance of our drinking water quality will remain our core business. In the heating market in particular, we see considerable potential for structural growth in Central Europe due to the need for transformation in heating everywhere.

In the medium to long term, we aim to build up a portfolio of appropriate minority shareholdings in geothermal power plants. Unlike in previous years, however, we are focusing on minority shareholdings in heating plants, which must comply with the medium-sized company structures and risk profile of Daldrup & Söhne AG.

The Company will maintain its regional focus on the DACH region and the Benelux countries. The goal here is to further strengthen our market position in Germany and other stated European countries as a supplier of geothermal energy projects in the medium-sized enterprise category and expand profitably.

We are confident that we will achieve our forecast of a total consolidated output of at least 40 million euros with an EBIT margin from operating activities of 2 % to 4 %. We assume that in particular large drilling orders can be invoiced as planned and that the currently observed spread of the COVID-19 pandemic does not pose a substantial threat to our operating business.

Esteemed shareholders, customers and business partners, to you we thank for your confidence and support and look forward to further cooperation. We would like to thank our employees for their great commitment and their prudent and precautionary handling of the COVID-19 requirements at the drilling locations as well as with customers and suppliers.

Best regards and good luck!

Oberhaching, 30 September 2020

**Daldrup & Söhne AG**  
The Management Board

Andreas Tönies  
(Spokesman of the Board)

Bernd Daldrup  
(Board member)

Peter Maasewerd  
(Board member)

Stephan Temming  
(Board member)

## DALDRUP & SÖHNE AG SHARES

### DALDRUP & SÖHNE AG SHARE STABILISES AT A LOW LEVEL

During the first half of 2020, shares in Daldrup initially continued the downward trend from the previous year. Shares started the stock market in the current year with a price of EUR 3.75. One week later, the share price reached EUR 3.83, the highest price of the period under review. It then fell to its lowest price of EUR 1.75 by mid-March, partly due to fears about the economic impact of the COVID-19 pandemic. In a strong countermovement, the Daldrup share recovered to EUR 2.70 within a month. Since May, the price level has been moving laterally between EUR 2 and around EUR 2.50. At the end of June, the share was trading at a price of EUR 2.21. The share price thus dropped by around 41 % overall between January and June. The share price stabilisation continued within this range until mid-September.

The DAX dropped around 8 % over the period under review. The Scale All Share Index, which sums up the companies listed in the Deutsche Börse AG Scale Segment, remained fairly stable with a minimal increase of 0.8 %.

Daily trading volumes in Daldrup shares on XETRA, tradegate and the regional stock exchanges remained roughly on par with the same period last year at around 9,600 shares (H1 2019: around 10,250 shares). The share of sales in XETRA trading amounted to 49.2 % (previous year: 63.0 %).

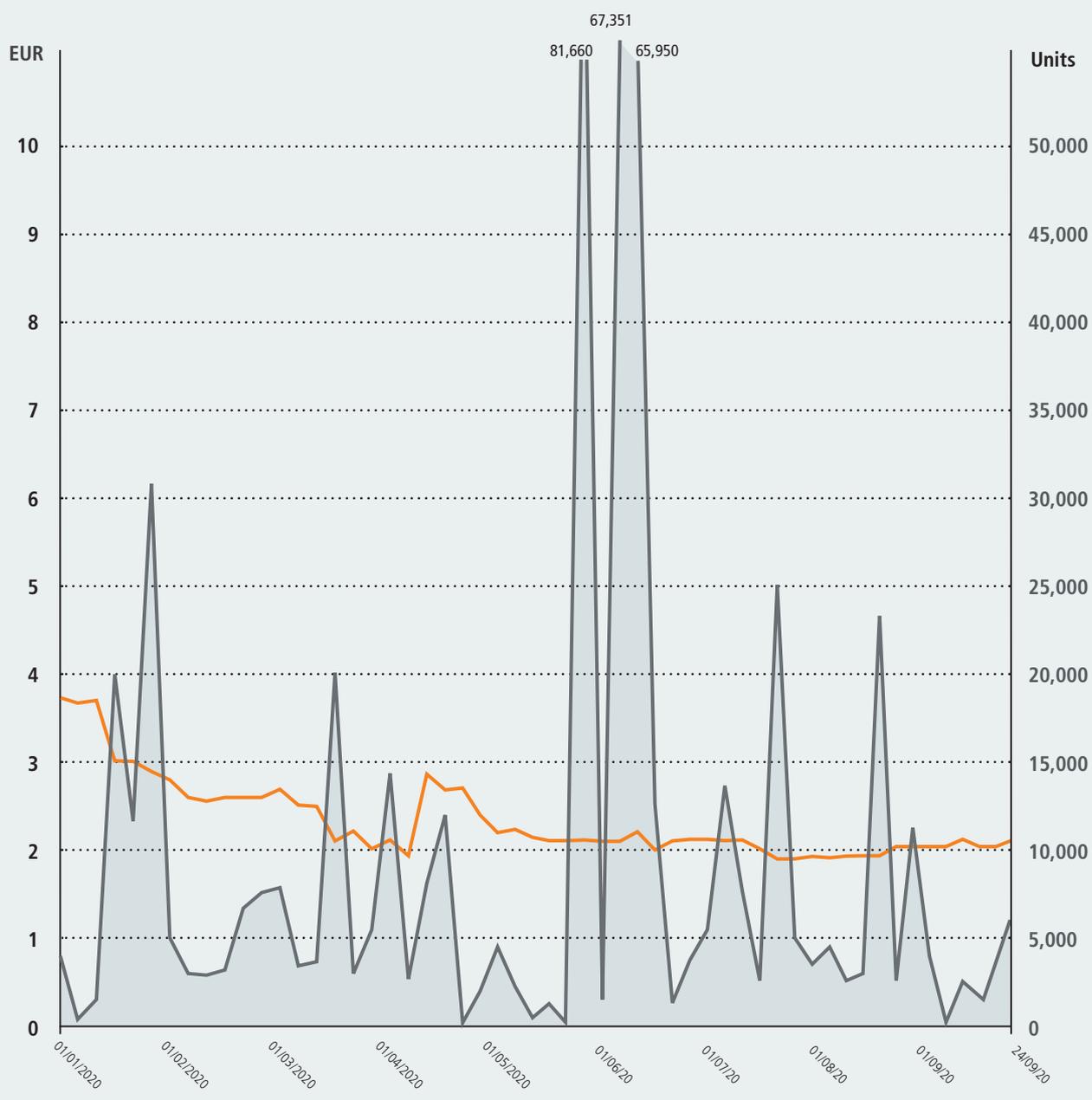
At the Annual General Meeting on 27 August 2020, the shareholders voted by a large majority on the agenda items to be agreed. This included the election of Josef Daldrup and Heinrich Gossheger to the Supervisory Board to succeed Wolfgang Clement and Joachim Rumstadt. 71.2 % (previous year: 73.3 %) of the registered capital of Daldrup & Söhne AG was present.

Daldrup & Söhne AG Share did not undertake any capital measures during the first half of the year. At EUR 5,989,500, share capital remains unchanged as is the case for the number of shares, 5,989,500. The shareholder structure remained nearly unchanged during the report period, the free float is 41.6 % and the Daldrup Family holds 58.4 % of all shares.

In the first half of 2020, the Management Board spoke to various investors and interested parties, explaining the Company's position, the new strategic alignment and the Daldrup Group's business model and the investment case. Research regarding Daldrup & Söhne AG was provided by investment houses Pareto Securities und SMC-Research.



DIAGRAMME DALDRUP & SÖHNE AG – value development of Daldrup & Söhne AG shares and benchmark indices in H1 2020



● Daldrup & Söhne AG share price

● Unit sales of all German regional stock exchanges and trading platforms

# CONDENSED INTERIM GROUP MANAGEMENT REPORT

FROM 1 JANUARY TO 30 JUNE 2020

## A. THE DALDRUP GROUP

### 1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

As the parent company of the Daldrup Group, Daldrup & Söhne AG is one of the leading providers of drilling and environmental services in Germany and Central Europe.

The Daldrup Group also occupied all positions in the value chain for geothermal projects via Group division II up until 31/12/2019: All power plant activities were grouped together within Geysir Europe GmbH and its direct subsidiaries, including the geothermal power plants Landau and Taufkirchen, the claim rights, the development companies and the general contractor Exorka GmbH for the development of new projects. Daldrup sold this Group division II, including the shares in the stated power plants, in a two-stage process to a renewable energy investor on 30 June 2019, and then in a second stage on 13 January 2020, except for shares in the project company Geothermie Neuried GmbH & Co. KG, Neuried.

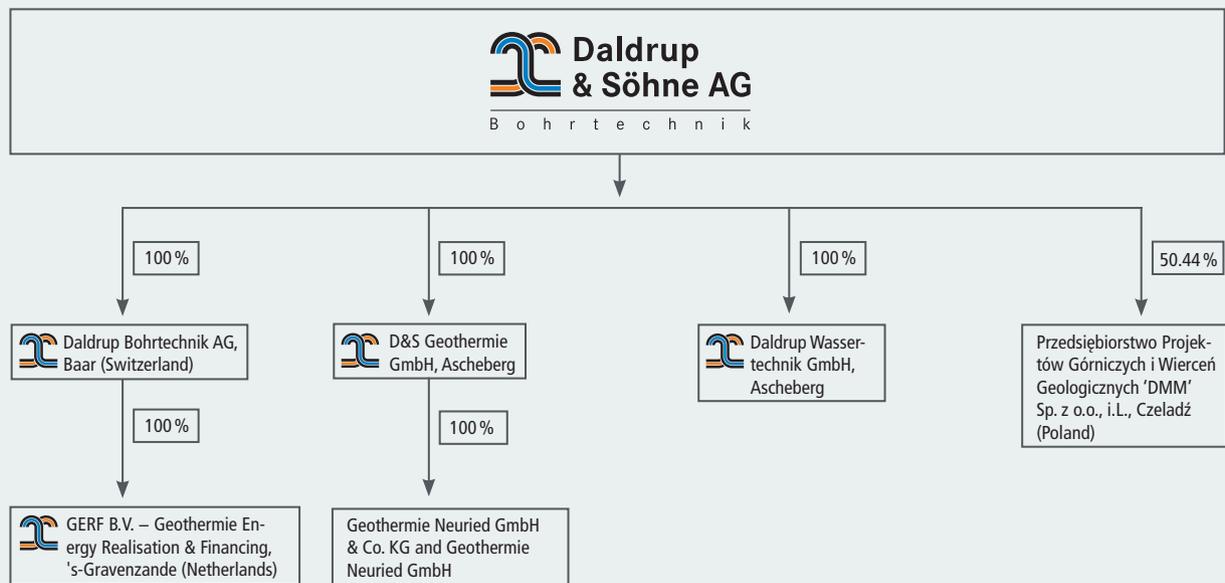
#### PROVIDER OF DRILLING SERVICES



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

Geothermal Energy Deep   Medium-depth   Shallow	Water Procurement	Raw Materials & Exploration	EDS
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## GROUP STRUCTURE AS AT 30/06/2020



**BUSINESS ACTIVITIES**

The Group's activities comprise the business units of Geothermal Energy, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS). The Group comprises the activities of Daldrup & Söhne AG with its direct equity investments, focused on the drilling business. Further information is available on pages 16 to 19 of the 2019 Annual Report.

**EMPLOYEES**

In the first half of 2020, the Daldrup Group employed 130 employees on average (30/06/2019: 149). In addition to this, other companies made up to around 35 further employees available to Daldrup & Söhne AG on a flexible basis.

## 2. MARKET, COMPETITION AND CUSTOMER RELATIONSHIPS

The market position of Daldrup & Söhne AG is solid across all business areas. The company continues to operate in a generally attractive environment, which is limited by the shortage of skilled workers. The business model focuses on future-oriented topics like energy, in particular heat recovery, environmental protection and drinking water quality. As a result, the competitive situation facing Daldrup & Söhne AG continues to be high overall. It is countering this challenge based on its many years of know-how and high standards in the planning and implementation of projects commissioned by our customers. High technical, financial and increasingly official administrative market entry barriers as well as the limited availability of qualified drilling capacities of companies with sufficient experience with geothermal drilling and the limited number of drilling rights in Germany support the strong position enjoyed by Daldrup & Söhne AG.

Some relationships with our customers in the corporate and municipal segments have been in place for decades. Over the course of past 6 months, business relationships were also expanded and/or established with new, interesting customers from the segments referred to above and with other investors interested in geothermal projects. Business with private and commercial customers remained stable. The Group now has numerous reference sites, particularly in Germany, Switzerland, Austria, Benelux and Poland, with drilling depths of up to 6,000 metres.

At present, the company has a healthy order book in all business units amounting to approximately EUR 27.3 million, which computes to high capacity utilisation well into the 2021 fiscal year.

Further information is presented in the 2019 Annual Report on pages 20 to 30.

### 3. STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

The purpose of Daldrup & Söhne AG is to expand geothermal energy in order to provide municipalities, businesses and European consumers with competitive access to climate-friendly, geothermal energy sources as an alternative to fossil primary energy sources.

Daldrup Group companies are addressing future subjects like energy, drinking water and raw materials and/or exploration via their business units. They want to grow sustainably and intend to expand their leading market position in Germany and Europe as an experienced drilling technology specialist. Daldrup also wants to be involved in financially viable geothermal energy heating projects that are regional and decentralised in nature and of medium-sized enterprise category magnitude. This could then generate a constant stream of income from the sale of heat in addition to the more volatile income from the project-driven drilling business.

For the further development of the Group, it is of particular importance that the initiated strategy process be driven forward more consistently in terms of sales, organisation and finance. Both internal processes and the management and monitoring of drilling projects as well as investments will be in focus in the future. The complete sale of the Geysir Europe Group with the Taufkirchen and Landau geothermal energy power plants has significantly improved and stabilised the Group's income and liquidity situation in a single step. No more significant cash outflows to the power plant companies have occurred since the sale. However, further organisational changes will also be necessary in the medium term in order to align the Group towards its future goals.

With suitable financial stability in place, the Daldrup Group can then participate successfully in the 'generation of geothermal heat' structural growth market and tackle other future issues in Central Europe within a stable financial and political environment.



#### 4. EQUITY INVESTMENTS AND STRATEGIC PARTNERSHIPS

Equity investments and strategic partnerships forged by Daldrup & Söhne AG actively and directly support the achievement of the Group's objective of expanding its market position as a drilling technology specialist through to investments in geothermal projects. In this respect, Daldrup & Söhne AG can benefit from the forecast growth in the market/sector.

Further information on the chapters Strategy, Objectives and Corporate Management as well as Equity Investments and Strategic Partnerships can be found in the 2019 Annual Report on pages 30 and 32.

#### 5. RESEARCH AND DEVELOPMENT

The Daldrup Group continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermal energy of Enhanced Geothermal Systems in future. Further details can be found on page 33 of the 2019 Annual Report.

#### 6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

The German economy is on course for recovery. With the successful containment of the corona pandemic, economic output has rapidly recovered from its low point in April and made up a good portion of the losses within a few months. According to the Kiel Institute for the World Economy (IfW) in its economic forecast presented in mid-September, this strong momentum essentially reflects the normalisation of economic activity following the lock-down. However, some sectors are still noticeably affected by the coronavirus pandemic, with no rapid improvement in sight according to economic experts. Business abroad is also likely to suffer for some time to come, especially since the pandemic is threatening to flare up again in many places and key sales regions have been hit quite hard. With that in mind, companies will remain reluctant to invest for the time being. For the current year, the IfW expects gross domestic product (GDP) to decline by 5.5 % (previous year + 0.6 %). Overall, however, the recession in Germany was rather mild compared to other countries. The fact that it was possible to control the spread of the virus with less restrictive measures and that the added value of the industry, whose production was less affected by government measures, is relatively high, may have contributed to this phenomenon.

After a historically unprecedented 15 % decline in aggregate output in the first half of the year, the euro zone economy gradually recovered. The monthly development of some hard indicators up to the summer suggests a strong rebound effect for the third quarter, which will probably make up for almost two-thirds of the decline in production levels, according to the Kiel economic experts. Considering the sharp rise in infection figures in some member states, there is great uncertainty about the progress of the pandemic, particularly for the six-month period this coming winter. For the time being, direct restrictions are likely to remain a significant burden wherever the incidence of infection is comparatively active. Overall, the IfW expects GDP to decline by 7.1 % (previous year: + 1.3 %) in the current year.

### **Demand for geothermal energy projects is increasing across Europe**

The demand for projects using geothermal energy for electricity and heat supply has continued to be active in Central Europe in the last quarters. In addition to a low interest rate, the conditions for financing in some countries also provide investors with important incentives and a secure framework. The EU is striving to reduce greenhouse gases by at least 55 % (previously 40 %) below 1990 levels by 2030. According to calculations by the EU Commission, the new climate target would require an annual investment and consumption increase in energy production in the amount of EUR 350 million compared to the past ten years. The consumption of coal is expected to drop by 70 % compared to 2015, while the share of renewable energies in total energy consumption is expected to increase to up to 40 %. Older buildings would have to be retrofitted to be climate-friendly at twice the current rate. In addition, the EU says some targets for the energy sector and industry need to be further tightened, including extending the Emissions Trading System (ETS), which currently only covers power plants and factories, to buildings and transport.

Geothermal power plants provide predictable 'green' energy independent of weather and times of day and thus fulfil a stabilising system function. In addition, the high regional electricity need coincides with the regions suitable for deep geothermal systems in the Upper Rhine Valley, the North German Basin and the Bavarian Molasse basin. Geothermal electricity and heat can be produced where they are needed and are not dependent on supra-regional power lines or district heating networks. This system-stabilising role was confirmed by the 2017 EEG amendment.

### **The capacities of Daldrup & Söhne AG are utilised well into 2021**

For Daldrup & Söhne AG, the course of business in the first half-year of 2020 was characterised by existing, large-scale drilling contracts, especially in Germany and Switzerland. The Raw Materials & Exploration, EDS and Water Procurement business units were also working at full order capacity. The demand situation continues to be brisk. The order backlog for domestic and international orders amounted to EUR 27.3 million at the end of September. The drilling business is thus utilised well into 2021 on a computational basis. The order potential, assessed by probability of occurrence based on submitted offers or intensive customer discussions, amounts to approximately EUR 119 million at the end of September and indicates an overall satisfactory business environment.

The clients consist of German companies, private individuals and municipalities as well as companies and public-sector enterprises from Switzerland and the Benelux countries. It includes drilling wells for Nagra, the Swiss Cooperative for the Disposal of Radioactive Waste, until the end of 2021 and currently also a contract from the Netherlands for construction of a geothermal heating plant including triplet and maintenance work, as well as drilling for mineral wells and activities for old mines.

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

### 1. RESULTS OF OPERATIONS

INCOME STATEMENT	30/06/2020 EUR k	30/06/2019 EUR k
Sales	11,898	9,708
Gross revenue	23,166	21,997
Other operating income and tax refunds	811	432
Cost of materials	12,190	11,157
Personnel expenses	4,239	4,581
Amortisation of intangible fixed assets and depreciation of property, plant, and equipment	1,151	1,763
Other operating expenses	5,831	5,884
<b>EBITDA</b>	<b>1,700</b>	<b>786</b>
<b>EBIT</b>	<b>549</b>	<b>- 977</b>
<b>EBT</b>	<b>320</b>	<b>- 2,191</b>

Daldrup Group's value creation and production process, which is typical of the industry and project-dependent, requires regular measurement of the services provided. Deductions for calculated risk, profit and sales costs are based on the achieved performance value of projects in progress. These income components are not implemented until after completion, approval and submission of the final invoice for a project. Project and operating costs, however, are recognised immediately they are incurred. The income statement of the Daldrup Group is thus largely determined by completion and invoicing of the project services. In addition, in the first half of the 2020 fiscal year, scheduled impairment losses and interest expenses in the Daldrup Group were significantly reduced as a result of the sale of the Geysir Europe Group.

As at 30.06.2020, the Daldrup Group increased its overall performance by 5.5 % to EUR 23.2 million (previous year: EUR 22.0 million). This included invoiced sales of EUR 11.9 million (EUR 9.7 million) as well as an increase in work in progress that is not yet finalised in the amount of EUR 11.3 million (EUR 12.2 million). Other operating income amounted to EUR 0.8 million (previous year: EUR 0.4 million) and resulted mainly from insurance compensation, the release of provisions, currency translation and the sale of fixed assets that were no longer required for operations.

The cost of materials rose to EUR 12.2 million (previous year: EUR 11.2 million). The cost of materials ratio at the end of H1 was thus 52.6 % (previous year: 50.7 %). The cost of materials in the amount of

EUR 5.6 million included cost of services of the subcontractors working for us purchased in contrast to EUR 4.8 million in the same period of the previous year. Higher costs for one contract were cushioned by contribution margins from the other projects on the balance sheet date.

The Group's personnel expenses declined to EUR 4.2 million (previous year: EUR 4.6 million). As a result, the personnel expense ratio was 18.3 % (previous year: 20.8 %).

Other operating expenses (mainly rental expenses, disposal costs for removal of overburden/waste, construction site consumables, legal and consulting costs as well as occupancy costs) remained nearly constant at EUR 5.8 million (EUR 5.9 million).

Daldrup Group's half-year results for 2020 before interest, taxes, depreciation and amortisation (EBITDA) thus increased by EUR 0.9 million to EUR 1.7 million (previous year: EUR 0.8 million). Following the sale of the Geysir Europe group, depreciation and amortisation fell to EUR 1.2 million (previous year: EUR 1.8 million). Due to the now significantly lower level of consolidated debt, interest expenses also fell considerably to EUR 0.4 million, compared to EUR 1.3 million in the same period of the previous year. Having posted a negative EBIT of EUR 1.0 million in the same period a year ago, the Group achieved a positive operating result (EBIT) of EUR 0.5 million in H1 2020. The consolidated net profit (EAT) as of 30 June 2020 reached a positive EUR 0.1 million, following a consolidated net loss of EUR 2.1 million in the same period a year ago.



## 2. CAPITAL SITUATION

The successive sale of the Geysir Europe Group and the associated deconsolidation had already significantly eased the financial situation of the Daldrup Group, which was supported by a huge reduction in the debt of the Daldrup Group as of 31 December 2019.

Tangible fixed assets totalled EUR 9.2 million (previous year: EUR 10.2 million) on 30 June 2020. In total, investments of EUR 0.3 million were made and scheduled depreciation of EUR 1.2 million was charged. The latter related mainly to the large drilling rigs, but also to the vehicle fleet and other plant and office equipment. The sale of the Geysir Europe Group in mid-January 2020 led to the reclassification of subordinated loans amounting to EUR 5.6 million to the Geysir Europe Group in the balance sheet. In addition to other loans, these subordinated loans are now also included in other loans under financial assets, which thus reached a value of EUR 17.8 million. The Group's capital assets thus rose to EUR 27.0 million (previous year: EUR 22.4 million).

Raw materials, consumables and supplies totalled EUR 4.4 million (previous year: EUR 4.3 million), corresponding to the inventory required for a drilling operation. The item 'work in progress' and the associated advance payments and instalments totalled EUR 5.2 million (previous year: EUR 4.8 million). The increase is largely attributable to services rendered for two major contracts, which will be invoiced in H2 2020. Unfinished services are evaluated by using reverse costing from the order value, taking into account the degree of completion on the balance sheet date and a flat-rate deduction of 12.5 % for the profit share that has not yet been realised and costs that may not be capitalised.

The trade receivables decreased slightly to EUR 2.1 million (previous year: EUR 2.4 million). The aforementioned receivables from our customers are overall intact. Other assets fell to EUR 10 million, down from EUR 13.9 million at the end of 2019.

The decline in trade receivables was significantly offset by the increase in cash on hand to EUR 3.3 million (previous year: EUR 2.7 million) as at 30 June 2020.

Daldrup group's equity rose to EUR 24.6 million (previous year: EUR 23.3 million) as at the balance sheet date. Despite initial consolidation the equity ratio amounted to a comfortable 51.7 % of the balance sheet total. Daldrup Group's equity ratio thus continues to remain well above the average of medium-sized companies in the relevant employee size class.

Provisions totalling EUR 1.4 million (previous year: EUR 1.9 million) were recognised in the balance sheet. In particular, personnel-related provisions as well as provisions for bonus payments, among other things, were reversed.

The balance of scheduled repayments and new loan drawdowns was around EUR - 1 million, so liabilities to banks were reduced substantially to EUR 7.7 million (previous year: EUR 8.7 million). By contrast, trade payables rose slightly to EUR 7.5 million compared to EUR 6.9 million at the end of 2019. Liabilities thus developed in line with the busy order processing from the drilling business.

### 3. FINANCIAL POSITION

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

CASH FLOW STATEMENT	01/01/2020 - 30/06/2020 EUR k	01/01/2019 - 30/06/2019 EUR k
Net result for the period	129	- 2,126
Depreciation and amortisation	1,151	1,763
Other changes in cash from operating activities (balance)	- 329	3,379
Cash flow from ongoing operating activities	951	3,016
Cash flow from investment activities	1,000	- 1,737
Cash flow from financing activities	- 1,608	- 4,354
Change in liquid funds	343	- 2,524
Liquid funds 1 Jan.	288	18
<b>Liquid funds 30 June</b>	<b>631</b>	<b>- 2,506</b>



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

Strong capacity utilisation in all Daldrup & Söhne AG business units, discussions with customers indicating continued high demand for geothermal and special drilling, and the wells drilled in the period under review put the company back in a more satisfactory economic position overall.

Thanks to the sale of Geysir Europe GmbH and the geothermal power plants, the Daldrup & Group has significantly reduced its risk exposure and obligations arising from interest-bearing liabilities and trade payables to the power plant companies. There will be no significant cash outflows in future to the Taufkirchen power plant project that has been sold. As a result, the Management Board believes the company is on the right path to adjusting the risk positions and business activity in line with the structures of a medium-sized company. This process should be completed by the end of the current fiscal year.

According to experts, interest rates in the euro zone will remain at their current low, sometimes negative, levels for months and years. Given this environment, continued high interest on the part of financial investors in geothermal power and heating plant projects is likely to continue in particular. The framework conditions for the renewable energy market in the electricity and heating sector are gradually being improved by the German government and the EU. In particular, the imminent heat transformation is still in its infancy and offers significant growth potential for Daldrup & Söhne AG in the future.

Currently, the Daldrup & Söhne AG order backlog for geothermal projects in Germany and other European countries remains at a satisfactory level of around EUR 27 million. No orders have been cancelled to date. The prospect of potential order backlogs totalling some EUR 119 million resulting from the project pipeline in the coming quarters also increases the Management Board's confidence level.

Our supplier and service chain is also working on schedule to date. The company management nevertheless examines and continuously and carefully reviews the business and liquidity situation of the Group in line with its plans in order to recognise potential risks at an early stage and limit any harmful effects altogether. Furthermore, the Company has taken appropriate measures from the company management's perspective with its own COVID-19 Protocol, so as to provide the best possible protection for its employees, service providers and customers, despite the uncertainties in place, and limit the effects on the operational drilling activity altogether.

In summary, it can be stated that the business development and Daldrup's consolidated earnings have been positively affected in the fiscal year by the regulatory environment and overall economic development within the target markets of Germany, Switzerland and the Benelux countries. Uncertainties could arise from the difficult to assess development of the COVID-19 pandemic, which may flare up again. The Management Board assesses the economic development as overall satisfactory based on the economic environment.

## C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to comply with the highest standards of health, safety and environmental protection. The greatest importance is attached to the fact that all employees and companies that undertake activities on behalf of Daldrup & Söhne AG are familiar with and adhere to the standards, laws and regulations of safety, health protection and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG ensures that these standards are implemented effectively. Dedicated non-financial performance indicators are presented in the 2019 annual financial statements in the Annual Report on page 44.

## D. RISK AND OPPORTUNITIES REPORT

The deliberate and controlled management of opportunities and risks is a key element of corporate management within Daldrup & Söhne AG. Increasing complexity and volatility in a globalised world means that the opportunities and risk system needs to be regularly adapted to changes in the underlying conditions. Regarding certain contractual relationships, there are currently increasing attempts on the market to shift risks (e.g. system and subsoil risks) to the contractor side. Daldrup is trying to fend off these risks, but is sometimes affected by them. Apart from this, the opportunities and risks situation of the Daldrup group has not changed significantly compared to the assessment at the time of the 2019 financial statements. This is explained in the 2019 Annual Report on pages 46 to 52, to which we draw particular attention. In this context, particular reference is made to the risks associated with the COVID-19 pandemic and the risks of subordinated loans. Although the latter have no effect on the operating profit of the drilling business, they may have a substantial impact on the annual results of the Group or individual Group companies.

### 1. OVERALL ASSERTION ON THE RISK AND OPPORTUNITY SITUATION

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



## E. FORECAST REPORT

### 1. FUTURE CORPORATE STRATEGY

In the future, the Daldrup Group will focus on the drilling business and participation in power plant projects. The company has two main strategic objectives. The focus in the short and medium term is on the operational drilling business. The development of geothermal energy and the provision of high-quality drilling services (e.g. for deep explorations) remain the core business. In the geothermal heating market in particular, the company sees considerable potential for structural growth in Central Europe due to the need for transformation in heating everywhere. Over the next few years, the management also strives to build up a portfolio of appropriate minority interests in geothermal power plants, especially heating plants. Unlike in previous years, however, these minority shareholdings must comply with the medium-sized company structures and risk profile of Daldrup & Söhne AG.

The Company will maintain its regional focus on the DACH region and the Benelux countries. The additional aim here is to further strengthen the market position in Germany and other stated European countries as a supplier of geothermal energy projects in the medium-sized enterprise category and expand profitably in line with our plans. The long-term strategic goal is to complement the rather volatile drilling project business with power plant investments. Power generation generates continuous cash flows that increase the predictability and enterprise value for our financial partners and for you, our shareholders.

This development continues to require consistent realignment of the Group's internal structures as well as the control and the monitoring mechanisms. The Management Board are also working to update the work process. In addition, the Group's IT equipment is being extensively upgraded.

Although initial measures have been implemented, the Group's organisational structure will be further reinforced. It includes improvements and modernisation, for example in order and construction site controlling, in management, risk identification and reporting tools, as well as more efficient work processes and reinforced individual specialist departments.



## 2. FUTURE ECONOMIC ENVIRONMENT

In its economic forecast for Germany, published in mid-September 2020, the IfW assumes an overall negative economic development of 5.5 % for 2020. All in all, the outlook of all indicators with regard to the overall economy in the current year shows a pronounced V-shaped recovery process to date. For the coming year, experts project the GDP to grow by 4.8 %. After another increase of 2.4 %, overall economic capacity utilisation is expected to return to normal in 2022. According to the IfW, however, this estimate is subject to particular uncertainty because it is currently difficult to predict to what extent the coronavirus crisis and parts of the economic policy response will damage the production potential.

For the euro zone, economic researchers also expect growth of 5.3 % in 2021 and 2.6 % in 2022. Thus, the pre-crisis level will probably not be exceeded again until 2022. According to the IfW, the economic recovery in the coming quarters is likely to be much slower, as there is great uncertainty about the further course of the pandemic.

Overall, the IfW experts expect the coronavirus to lose its scary effect in the course of the coming year. Experience in dealing with the disease has been and is continuing to be gathered worldwide, which in the event of infection allows more effective treatment and makes the risk of the disease appear less frightful. The balance of political decisions between strict containment and the controlled acceptance of further infections is likely to shift more and more towards further relaxation.

The importance attached to geothermal energy as an alternative source of heat and power production is also continuing to increase outside of Germany. In the context of an energy transition policy, energy generation with lowest possible CO<sub>2</sub> emission as well as to reduce dependency on primary fossil-fuel energy sources such as crude oil or gas. According to the German Geothermal Energy Association, geothermal energy has been used on an extensive basis for some time in some regions of Germany as well as in European countries such as the Netherlands, Sweden and France. In Germany in particular, however, further expansion in the use of geothermal energy is indicated in order to use the CO<sub>2</sub>-free, renewable source of geothermal energy for the heating transition, according to the association.

Geothermal energy remains an important source for the success of the energy transition, as it is decentralised and does not require any expansion of the grid, is an inexhaustible and free resource, has an unrestricted ability to supply base load (i.e., regardless of time of the day, seasons and weather conditions), makes a major contribution to environmental and climate protection and provides an outstanding CO<sub>2</sub> footprint. The cost reduction potential in project development and technology can be developed by numerous pending projects, with the result that the costs of geothermal electricity and heat generation will approach a competitive level in the next few years. As a result, geothermal energy is an important system service and in the foreseeable future will be operated economically without subsidies.

Geothermal energy has long been a reliable form of energy supply in Germany. The technology can be controlled and planned. Through the high levels of skill and expertise within the Daldrup Group, it has demonstrated in many projects that it can and will meet the high safety requirements demanded by the public and the licensing authorities. Further information on the market environment and forecasts are presented in the 2019 Annual Report, on pages 54 et seq.



### 3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

Daldrup & Söhne AG's drilling and project business is regularly subject to uncertainties. Despite careful planning and coordination with the project partners, delays in approval and tender procedures, changing legal requirements, changes in special infrastructure conditions that tend to apply in most cases and conditions for project financing as well as unknown geology-related factors can never be ruled out. Due to the aforementioned unknowns, effects on the results of operations and financial position of Daldrup & Söhne AG and the Group cannot be ruled out and will continue to have a regular impact on the course of business of Daldrup & Söhne AG in the future.

To date, the company has not recorded any significant negative effects of the coronavirus pandemic, neither in terms of order intake nor in terms of ongoing drilling operations on construction sites. It has not resulted in orders being cancelled so far. This is also due to the fact that investment decisions for current projects were made months or years earlier. Daldrup & Söhne AG operates within the framework of secured budgets. In addition, investment decisions on the energy supply for municipalities and private investors are guided by long-term considerations and are in many cases part of services of general interest.

The rising demand for energy in the wake of the energy revolution will make investments in climate-friendly heat and power generation even more necessary, regardless of a pandemic. Examples include the following: Electricity for heat pumps, replacement for heat extraction from coal-fired power plants, development of e-mobility, power-to-x technologies, provision of hydrogen production for the electricity-intensive industry. It is possible that investment decisions will be postponed due to the coronavirus-induced uncertainty. But the economic stimulus measures and subsidies for heat recovery at national and EU level can at any time provide new short-term order impulses with long-lasting effects.

The order book of Daldrup & Söhne AG has been satisfactory in the current fiscal year 2020. All business units are well utilized. Daldrup has also received interesting, medium-volume orders from new customers in recent months. We are drilling the next exploratory well in Bözberg for Nagra, National Cooperative for the Disposal of Radioactive Waste in Switzerland. The work in Bözberg is expected to be completed in November 2020 and can thus be posted as sales and earnings in fiscal year 2020. For fiscal year 2021, the extension of the contract to include a fourth and, if necessary, a fifth well has been agreed with Nagra. We are drilling another major project with a triplet for greenhouse operators in the Netherlands. The drilling will be completed before the end of this fiscal year. The whole Luttelgeest project is scheduled for completion in spring 2021, when the heating system and a heat distribution network will be finished. For municipal utility 'Stadtwerke Schwerin', another drilling operation to supply the regional population with geothermal heat will begin in Q4 2020 and is scheduled for completion in the Q1 2021.

Taking into account the aforementioned framework conditions and projects with highly utilised drilling capacities, the scheduled invoicing of deep wells by the end of 2020 and well-filled order books of currently around EUR 27 million, which have an order backlog stretching well into 2021, the Daldrup & Söhne AG Management Board confirms its forecast for fiscal year 2020 of achieving a consolidated total output of at least EUR 40 million with an operating EBIT margin of 2 % to 4 %, subject to the aforementioned prerequisites and parameters.

Oberhaching, 30 September 2020

**Daldrup & Söhne AG**  
The Management Board



Andreas Tönies  
(Spokesman of the Board)



Bernd Daldrup  
(Board member)



Peter Maasewerd  
(Board member)



Stephan Temming  
(Board member)

# CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS

FROM 1 JANUARY TO 30 JUNE 2020

## CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2020

ASSETS	30/06/2020 EUR	31/12/2019 EUR
<b>A. Fixed Assets</b>		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	4,255.00	20.00
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	6,262.51	127,469.95
2. Technical equipment and machinery	6,892,505.98	7,704,687.36
3. Other equipment, operating and office equipment	2,287,882.96	2,353,259.47
	<b>9,186,651.45</b>	<b>10,185,416.78</b>
III. Financial assets		
1. Shares in associates	2.00	-
2. Long-term securities	-	1.00
3. Loans to other long-term investees and investors	-	11,600,000.00
4. Other loans	17,836,457.10	621,094.04
	<b>17,836,459.10</b>	<b>12,221,095.04</b>
	<b>27,027,365.55</b>	<b>22,406,531.82</b>
<b>B. Current Assets</b>		
I. Inventories		
1. Raw materials, consumables and supplies	4,391,273.86	4,284,873.73
2. Work in progress	53,371,556.70	41,873,605.35
3. Payments received on account of orders	- 52,569,698.78	- 41,405,792.63
	<b>5,193,131.78</b>	<b>4,752,686.45</b>
II. Receivables and other assets		
1. Trade receivables	2,075,023.31	2,444,155.67
2. Other assets – of which due after more than one year: EUR 3,986,363.06 (previous year: EUR 3,976,424.00)	9,970,451.07	13,904,625.59
	<b>12,045,474.38</b>	<b>16,348,781.26</b>
III. Cash on hand and credit balances at banks	3,254,927.37	2,699,185.24
	<b>20,493,533.53</b>	<b>23,800,652.95</b>
<b>C. Prepaid Expenses</b>	10,272.81	32,867.53
<b>D. Deferred Tax Assets</b>	111,825.00	152,916.88
<b>Total assets</b>	<b>47,642,996.89</b>	<b>46,392,969.18</b>



<b>LIABILITIES</b>	<b>30/06/2020 EUR</b>	<b>31/12/2019 EUR</b>
<b>A. Equity</b>		
I. Subscribed capital	5,989,500.00	5,989,500.00
Treasury shares	- 4,012.00	- 4,012.00
	<b>5,985,488.00</b>	<b>5,985,488.00</b>
II. Capital reserves	36,355,875.01	36,355,875.01
III. Retained earnings		
1. Legal reserve	25,000.00	25,000.00
2. Other revenue reserves	364,621.71	234,028.10
IV. Currency conversion adjustments	0.00	- 1,025,616.27
V. Net retained profits	- 18,248,331.53	- 18,272,205.88
	<b>18,497,165.19</b>	<b>17,317,080.96</b>
VI. Minority interests	<b>126,614.76</b>	<b>19,934.79</b>
	<b>24,609,267.95</b>	<b>23,322,503.75</b>
<b>B. Provisions</b>		
1. Tax provisions	30,046.27	829.19
2. Other provisions	1,365,013.41	1,891,281.06
	<b>1,395,059.68</b>	<b>1,892,110.25</b>
<b>C. Liabilities</b>		
1. Liabilities owed to banks	7,741,990.74	8,747,825.17
– of which due within one year: EUR 7,581,568.74 (previous year: EUR 8,541,358.43)		
– of which due after more than one year: EUR 160,422.00 (previous year: EUR 206,387.66)		
2. Trade payables	7,468,535.71	6,853,508.08
– of which due within one year: EUR 7,468,535.71 (previous year: EUR 6,853,508.08)		
3. Advance payments received	1,122,696.03	0.00
4. Other liabilities	5,302,646.19	5,573,797.31
– of which due within one year: EUR 2,330,931.90 (previous year: EUR 2,395,695.36)		
– of which due after more than one year: EUR 2,971,714.29 (previous year: EUR 3,178,101.95)		
– of which from taxes: EUR 896,550.16 (previous year: EUR 1,214,000.00)		
– of which from social security: EUR 56,169.79 (previous year: EUR 83,368.49)		
	<b>21,635,868.67</b>	<b>21,175,130.56</b>
<b>D. Deferred Income</b>	2,800.59	3,224.62
<b>Total assets</b>	<b>47,642,996.89</b>	<b>46,392,969.18</b>

## GROUP INCOME STATEMENT

### GROUP INCOME STATEMENT FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2020

	01/01/2020 - 30/06/2020 EUR	01/01/2019 - 30/06/2019 EUR	01/01/2019 - 31/12/2019 EUR
1. Sales	11,897,738.35	9,708,317.46	24,771,844.26
2. Increase/decrease in work in progress	11,267,951.35	12,288,852.03	16,999,621.39
<b>Gross revenue</b>	<b>23,165,689.70</b>	<b>21,997,169.49</b>	<b>41,771,465.65</b>
3. Other operating income	811,407.99	431,886.57	9,804,527.39
4. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	- 6,267,054.88	- 6,353,472.42	- 9,072,245.59
b) Cost of purchased services	- 5,922,796.02	- 4,803,811.25	- 11,704,875.62
	- 12,189,850.90	- 11,157,283.67	- 20,777,121.21
5. Personnel expenses			
a) Wages and salaries	- 3,506,509.18	- 3,868,038.75	- 7,731,326.80
b) Social security, post-employment and other employee benefit costs	- 732,159.41	- 713,390.25	- 1,438,600.55
– including retirement benefit: EUR 0.00 (previous year: EUR 14,209.14)	- 4,238,668.59	- 4,581,429.00	- 9,169,927.35
6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	- 1,151,341.14	- 1,763,260.71	- 2,919,115.03
7. Other operating expenses	5,830,766.29	- 5,883,608.46	- 28,707,609.26
– of which from currency conversion: EUR 150,657.62 (previous year: EUR 30,024.04)			
8. Income from securities and long-term loans	0.00	30,679.82	285,872.98
9. Other interest and similar income	142,561.06	66,347.63	182,319.29
– of which from discounting of provisions: EUR 0.00 (previous year: EUR 13,617.15)			
10. Write-down of long-term financial assets	0.00	0.00	- 764,597.87
11. Interest and similar expenses	- 389,229.98	- 1,310,771.34	- 2,048,544.74
<b>12. Result from ordinary activities</b>	<b>319,801.85</b>	<b>- 2,170,269.67</b>	<b>- 12,342,730.15</b>
13. Taxes on income and revenue	- 173,635.01	64,651.94	- 42,816.72
14. Other taxes	- 17,350.38	- 20,374.55	- 26,696.00
<b>15. Consolidated net profit/loss</b>	<b>128,816.46</b>	<b>- 2,125,992.28</b>	<b>- 12,326,609.43</b>
16. Minority interests	- 104,942.11	1,721.01	103,317.08
17. Consolidated loss carried forward	- 18,272,205.88	- 6,048,913.53	- 6,048,913.53
<b>18. Consolidated balance sheet loss</b>	<b>- 18,248,331.53</b>	<b>- 8,173,184.80</b>	<b>- 18,272,205.88</b>



## CONSOLIDATED CASH FLOW STATEMENT

### CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 JUNE 2020

	30/06/2020 EUR	31/12/2019 EUR
<b>1. Cash flow from ongoing operating activities</b>		
Result for the period including third-party shares before extraordinary items	128,816.46	- 12,326,609.43
Scheduled depreciation of fixed assets	1,151,341.14	3,683,712.90
Increase/reduction in provisions	- 526,267.65	- 197,095.62
Other non-cash expenses and income	1,044,990.67	- 20,141,309.79
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	- 1,650,906.79	- 2,918,506.43
Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	343,452.48	34,452,266.05
Profit/loss from disposal of fixed assets	- 64,039.13	- 14,799.69
Interest expenses	389,229.98	2,048,544.74
Interest income	- 142,561.06	- 182,319.29
Other investment income	0.00	- 285,872.98
Income tax expense/income	173,635.01	- 42,816.72
Income tax refunds/payments	103,326.05	- 16,133.19
<b>Cash flow from ongoing operating activities</b>	<b>951,017.16</b>	<b>4,059,060.55</b>
<b>2. Cash flow from investment activities</b>		
Proceeds from disposals of intangible assets	136,100.55	52,084.19
Payments for investments in intangible assets	- 278,872.23	- 999,364.32
Proceeds from disposal of financial assets	1,000,000.00	0.00
Payments for investments in tangible assets	0.00	0.00
Proceeds from disposal of financial assets	0.00	0.00
Disbursements for additions to the consolidation group	0.00	0.00
Interest received	142,561.06	182,319.29
Dividends received	0.00	285,872.98
<b>Cash flow from investment activities</b>	<b>999,789.38</b>	<b>- 479,087.86</b>
<b>3. Cash flow from financing activities</b>		
Proceeds from capital contributions from shareholders of the parent company	0.00	0.00
Proceeds from equity injections by other shareholders	0.00	3,288,939.27
Outflows from the repayments of (financial) loans	- 1,218,423.31	- 4,076,082.01
Interest paid	- 389,229.98	- 2,048,544.74
Dividends paid to minority shareholders	0.00	- 280,855.50
<b>Cash flow from financing activities</b>	<b>- 1,607,653.29</b>	<b>- 3,116,542.98</b>
<b>4. Cash and cash equivalents at the end of the period</b>		
Cash change in cash and cash equivalents (Subtotals 1 - 3)	343,153.25	463,429.71
Changes in cash and cash equivalents due to effects of consolidated entities	0.00	- 193,244.80
Cash and cash equivalents at the start of the period	287,878.42	17,723.51
<b>Cash and cash equivalents at the end of the period</b>	<b>631,031.67</b>	<b>287,908.42</b>
<b>5. Composition of cash and cash equivalents</b>		
Cash in hand and credit balances at banks	3,254,927.37	2,699,185.24
Liabilities to banks (current account liabilities)	- 2,623,895.70	- 2,411,306.82
<b>Cash and cash equivalents at the end of the period</b>	<b>631,031.67</b>	<b>287,878.42</b>

## GROUP EQUITY STATEMENT

### CONSOLIDATED EQUITY STATEMENT FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2020

	PARENT COMPANY				
	Subscribed capital	Treasury shares	Capital reserves	Legal reserve	Other Retained earnings
	EUR	EUR	EUR	EUR	EUR
As at 31/12/2019	5,989,500	- 4,017	36,355,875	25,000	234,033
Profit distribution	0	0	0	0	0
Changes to investment relationships	0	0	0	0	0
Currency conversion	0	0	0	0	0
Consolidated profit	0	0	0	0	0
Other group earnings	0	5	0	0	130,588
<b>As at 30/06/2020</b>	<b>5,989,500</b>	<b>- 4,012</b>	<b>36,355,875</b>	<b>25,000</b>	<b>364,621</b>

Equity difference from currency translation	Consolidated balance sheet profit/loss	Non-controlling shares	GROUP EQUITY
EUR	EUR	EUR	EUR
- 1,025,617	- 18,272,206	19,935	23,322,503
0	0	0	0
0	0	0	0
1,025,617	0	0	1,025,617
0	23,874	0	23,874
0	0	106,680	237,273
<b>0</b>	<b>- 18,248,332</b>	<b>126,615</b>	<b>24,609,267</b>



## GROUP STATEMENT OF ASSETS

### CONSOLIDATED STATEMENT OF ASSETS FOR THE FISCAL YEAR FROM 01 JANUARY TO 30 JUNE 2020

	ACQUISITION COSTS					As at 30/06/2020 EUR
	As at 01/01/2020 EUR	Currency differences EUR	Additions EUR	Outgoings EUR	Transfer EUR	
I. Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets and values, as well as licences for such rights and assets	79,108.30	0.00	4,356.00	0.00	0.00	83,464.30
	<b>79,108.30</b>	<b>0.00</b>	<b>4,356.00</b>	<b>0.00</b>	<b>0.00</b>	<b>83,464.30</b>
II. Property, plant and equipment						
1. Land and buildings	208,163.71	0.00	0.00	120,906.95	0.00	87,256.76
2. Technical equipment and machinery	27,576,637.31	0.00	59,904.32	1.00	0.00	27,636,540.63
3. Other equipment, operating and office Equipment	13,523,091.20	0.00	214,611.91	1,153.47	0.00	13,736,549.64
4. Prepayments and assets under construction	0.00	0.00	0.00	0.00	0.00	0.00
	<b>41,307,892.22</b>	<b>0.00</b>	<b>274,516.23</b>	<b>122,061.42</b>	<b>0.00</b>	<b>41,460,347.03</b>
III. Financial assets						
1. Shares in affiliated companies	0.00	0.00	2.00	0.00	0.00	2.00
2. Shares in associated companies	1.00	0.00	0.00	1.00	0.00	0.00
3. Loans to other long-term investees and investors	12,004,597.87	29,000.00	0.00	0.00	- 11,629,000.00	404,597.87
4. Other loans	981,094.04	0.00	5,586,363.06	0.00	11,629,000.00	18,196,457.10
	<b>12,985,692.91</b>	<b>29,000.00</b>	<b>5,586,365.06</b>	<b>1.00</b>	<b>0.00</b>	<b>18,601,056.97</b>
	<b>54,372,693.43</b>	<b>29,000.00</b>	<b>5,865,237.29</b>	<b>122,062.42</b>	<b>0.00</b>	<b>60,144,868.30</b>



DEPRECIATION AND AMORTISATION				
As at 01/01/2020 EUR	Currency differences EUR	Additions EUR	Outgoings EUR	As at 30/06/2020 EUR
79,088.30	0.00	121.00	0.00	79,209.30
<b>79,088.30</b>	<b>0.00</b>	<b>121.00</b>	<b>0.00</b>	<b>79,209.30</b>
80,693.76	0.00	300.49	0.00	80,994.25
19,871,949.95	0.00	872,084.70	0.00	20,744,034.65
11,169,831.73	0.00	278,834.95	0.00	11,448,666.68
0.00	0.00	0.00	0.00	0.00
<b>31,122,475.44</b>	<b>0.00</b>	<b>1,151,220.14</b>	<b>0.00</b>	<b>32,273,695.58</b>
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
404,597.87	0.00	0.00	0.00	404,597.87
360,000.00	0.00	0.00	0.00	360,000.00
<b>764,597.87</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>764,597.87</b>
<b>31,966,161.61</b>	<b>0.00</b>	<b>1,151,341.14</b>	<b>0.00</b>	<b>33,117,502.75</b>

BOOK VALUES	
As at 30/06/2020 EUR	As at 31/12/2019 EUR
4,255.00	20.00
<b>4,255.00</b>	<b>20.00</b>
6,262.51	127,469.95
6,892,505.98	7,704,687.36
2,287,882.96	2,353,259.47
0.00	0.00
<b>9,186,651.45</b>	<b>10,185,416.78</b>
2.00	0.00
0.00	1.00
0.00	11,600,000.00
17,836,457.10	621,094.04
<b>17,836,459.10</b>	<b>12,221,095.04</b>
<b>27,027,365.55</b>	<b>22,406,531.82</b>

## APPENDIX

TO THE CONSOLIDATED MID-YEAR  
FINANCIAL STATEMENTS AS OF 30 JUNE 2020

### GENERAL DISCLOSURES ON THE CONSOLIDATED MID-YEAR FINANCIAL STATEMENTS

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

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

Where it is possible to exercise options with regard to disclosures in the consolidated balance sheet, the consolidated income statement or the notes to the consolidated financial statements, it was chosen to make comments in the balance sheet or in the income statement. Presentation of the analysis of consolidated fixed assets is provided on page 28 of the consolidated mid-year financial statements.

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

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

### CONSOLIDATION METHODS

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

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

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

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

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



## CONSOLIDATED ENTITIES

IN ADDITION TO THE PARENT COMPANY, 4 DOMESTIC AND 3 FOREIGN SUBSIDIARIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Capital Direct	Indirect capital share
Subsidiaries:		
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
Daldrup Wassertechnik GmbH, Ascheberg	100.00	
Geothermie Neuried GmbH & Co. KG, Neuried	100.00	
Geothermie Neuried Verwaltungs GmbH, Neuried	100.00	
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych 'DMM' Sp. z o.o., Katowice/Poland, i.L.	50.44	
GERF B.V., 's Gravenzande/Netherlands		100.00

The subsidiaries are included as part of the full consolidation.

As part of the sale of the Geysir Europe Group, D&S Geothermie GmbH, Grünwald, acquired 100 % of the shares in Geothermie Neuried GmbH & Co. KG, Neuried, and in Geothermie Neuried Verwaltungs GmbH, Neuried.

Due to their minor importance, the companies are not included in the consolidation.

The shares in GERF B.V. are held via Daldrup Bohrtechnik AG, Baar/Switzerland. Associated companies no longer exist.



## FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSLATION	Exchange rate EUR 1 =	Average exchange rate for the year as at 30/06/2020	Closing rate as at 30/06/2020
Swiss francs	CHF	1.0639	1.0712
Polish Zloty	PLN	4.4136	4.4450

## ACCOUNTING POLICIES

### ASSETS

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

Depreciation is calculated linearly according to the expected useful life. Low-value assets between EUR 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.

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

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

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

Drilling contract services in progress are measured by means of reverse costing from the order value, taking into account the degree of completion on the balance sheet date and a flat-rate deduction of 12.5 % for the share of profit not yet implemented and non-capitalisable costs.

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

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

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

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

#### **LIABILITIES**

Subscribed capital has been recognised at par value.

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

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

Liabilities have been recognised at their settlement amount.

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

## NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

### I. BALANCE SHEET

#### FIXED ASSETS

The consolidated statement of changes in fixed assets as at 30/06/2020 has been attached as Appendix 1 to the notes on page 28 of this report.

#### CURRENT ASSETS

#### OTHER ASSETS

#### INVENTORIES

Payments received are openly deducted from inventories.

#### RECEIVABLES

The remaining term of receivables is less than one year.

<b>OTHER ASSETS AS AT 30/06/2020 IN EUR K</b>				
Description	Total amount	due within one year	due after more than one year	Total amount Previous year
1. Loan receivables from related companies	8,024	8,024	0	7,286
2. Loan receivables from associated companies	0	0	0	3,976
3. Purchase price claim from company share purchases	450	450	0	1,600
4. VAT receivables	831	831	0	353
5. Other	665	665	0	689
<b>Total of other assets</b>	<b>9,970</b>	<b>9,970</b>	<b>0</b>	<b>13,904</b>

**DEFERRED TAX ASSETS**

The deferred taxes were calculated using a tax rate of 30.0 %. The deferred taxes were calculated based on a corporation tax rate of 15.0 %. A solidarity surcharge of 5.5 % on any corporation tax as well as an average trade tax rate of 14.2 % were also used as the basis for this calculation. Deferred taxes result primarily from differences between the commercial and tax-based valuations of other provisions.

**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 EUR 5,989.5k (31/12/2019: EUR 5,989.5k); it is split into 5,989,500 (31/12/2019: 5,989,500) no-par-value bearer shares (ordinary shares). Authorised capital as of 30/06/2020 amounts to EUR 2,994.75k (31/12/2019: EUR 2,994.75k).

Treasury shares: The subsidiary Daldrup Bohrtechnik AG, Baar, holds 4,012 shares in Daldrup & Söhne AG, which corresponds to EUR 4,012 of the share capital or 0.067 % of the share capital.

**CAPITAL RESERVES**

The capital reserve remains in the amount as the previous year, totalling EUR 36,356k (31/12/2019: EUR 36,356k).

**LEGAL RESERVE**

The legal reserve pursuant to Section 150 AktG amounts to EUR 25k, unchanged compared to the previous year.

**OTHER REVENUE RESERVES**

Other revenue reserves amount to EUR 364k (31/12/2019: EUR 234k).

**CONSOLIDATED NET RETAINED PROFITS**

Consolidated net retained profits developed as follows:

	01/01/2020
• Consolidated balance sheet loss carried forward	EUR 18,272k
• Consolidated net income	EUR 129k
• Loss attributable to minority shareholders	EUR 105k
• Consolidated balance sheet loss 30/06/2020	EUR 18,248k

The total amount pursuant to Section 268 (8) HGB (the payout block) is EUR 112k. This amount is due to the capitalisation of deferred tax receivables.

**TAX PROVISIONS**

Tax provisions amount to EUR 30k (previous year: EUR 1k).

## OTHER PROVISIONS

<b>STATEMENT OF PROVISIONS AS AT 30/06/2020 IN KEUR</b>					
Description	01/01/2020	Utilisation	Reversal	Allocations	30/06/2020
Personnel provisions	1,306	960	136	625	835
Global provision for warranties	115	0	10	4	119
Other provisions	470	324	0	265	- 411
<b>Total other provisions</b>	<b>1,891</b>	<b>1,284</b>	<b>136</b>	<b>894</b>	<b>1,365</b>

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

## LIABILITIES

<b>STATEMENT OF LIABILITIES AS AT 30/06/2020 IN KEUR</b>					
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	7,742	7,582	160	0	8,748
2. Trade payables	7,469	7,469	0	0	6,854
3. Advance payments received	- 1,123	- 1,123	0	0	0
4. Liabilities to related companies	1,947	361	1,057	529	1,910
5. Tax liabilities	1,195	1,195	0	0	1,214
6. Other liabilities from company share purchases	1,540	154	616	770	1,545
7. Other miscellaneous liabilities	620	620	0	0	904
<b>Total Liabilities</b>	<b>21,636</b>	<b>18,504</b>	<b>1,833</b>	<b>1,299</b>	<b>21,175</b>



There are **liabilities to banks** totalling EUR 7,490k from the use of overdraft facilities.

Committed overdraft and guarantee facilities of the reporting company amount to a total of EUR 21,500K. In May 2020, an agreement was reached with the long-standing credit institutions and guarantee lenders of the reporting company regarding the collateralisation of these credit lines through transfer of ownership of drilling rigs and inventories as well as assignment of receivables. The agreement also includes an opening clause with regard to future project financing lines.

The overall credit lines include a lender's guarantee credit line of EUR 5,000K, which is also secured by a pledged bank balance of EUR 250K for the amount of EUR 2,500K. Moreover, the remaining balance of EUR 2,500K can be drawn down, if required, after the same collateralisation. In addition, there are liabilities to banks amounting to EUR 242K from the financing of tangible fixed assets, which are secured by the financed assets in accordance with standard banking practice. Furthermore, there is project financing in the amount of EUR 2,000K that still needs to be repaid in stages as of the balance sheet date.

**Liabilities to related companies** relate to the granting of a loan by GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, amounting to EUR 1,850k.



## II. INCOME STATEMENT

Other operating income is broken down as follows:

	<b>30/06/2020</b>
• Insurance compensation	EUR 230k
• Income from sales of fixed assets	EUR 166k
• Income from the release of provisions (unrelated to the accounting period)	EUR 132k
• Income from exchange rate differences	EUR 116k
• Miscellaneous income	EUR 167k
<b>Total</b>	<b>EUR 811k</b>

Other operating expenses are broken down as follows:

	<b>30/06/2020</b>
• Insurance policies and premiums	EUR 1,436k
• Rent for mobile assets	EUR 568k
• Residue and waste disposal	EUR 479k
• Repairs and maintenance	EUR 356k
• Legal and consultancy costs	EUR 347k
• Advertising, travel, accommodation of staff	EUR 264k
• Vehicle expenses	EUR 263k
• Construction site costs	EUR 263k
• Premises	EUR 250k
• Licence fees	EUR 175k
• Expenses related to exchange rate differences	EUR 151k
• Specific bad debt allowances and bad debt losses	EUR 141k
• Workshop costs	EUR 89k
• Other	EUR 1,049k
<b>Total</b>	<b>EUR 5,831k</b>

## III. OTHER DISCLOSURES

### OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 222k. The liabilities amount to EUR 146k for terms of up to one year and EUR 76k for terms of one to five years. Moreover there are obligations stemming from a licensing agreement amounting to EUR 4,175k, of which EUR 350k are due within one year, EUR 1,400k within one and five years and EUR 2,425k within more than five years.

The total amount of other group financial obligations thus amounts to EUR 4,397k, of which:

• due within one year:	EUR 496k
• due between one and five years:	EUR 1,476k
• due within more than five years:	EUR 2.425k

### TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

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

### CONTINGENT LIABILITIES

The claim of Daldrup & Söhne AG against a related party arising from the sale of a drilling rig totalling EUR 3,000k was financed and settled during fiscal year 2018. As part of this financing, Daldrup & Söhne AG has provided a bank with a directly enforceable maximum guarantee to secure the credit claim to the value of the loan. The guaranteed loan was repaid as agreed and is thus no longer reflected. The collateral provided at the time were released.

### HEDGING OF FOREIGN CURRENCY RISKS/VALUATION UNITS

In accordance with the Risk Policy, any foreign currency risks that occur, which are of key importance to the financial performance of the reporting company, must be hedged by way of suitable forward exchange contracts in a timely manner in advance of the contract being completed, albeit no later than immediately after they occur, doing so in the same currency and term, and covering at least 90 % of the foreign currency risk. The critical terms match method is used to measure the effectiveness of the hedging relationship.

In fiscal year 2020, further hedging of foreign currency risks was undertaken with banks for fiscal years 2020 and 2021. In fiscal year 2020, a total of 12 valuation units existed or exist with the following data:

UNDERLYING TRANSACTION/ HEDGING INSTRUMENT	Risk/ type of valuation unit	Amount collected	Amount of hedged risk	Hedging time frame
Payment inflows from drilling contracts in third countries/forward exchange contract with an option period	Currency risk/micro hedge	CHF 15,940k	CHF 15,940k	03/01/2020 (earliest start date) 30/07/2021 (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.

Despite careful estimation, future cash inflows from long-term contracts of the reporting company are subject to a forecasting risk. Nevertheless, in the reporting period H1 2020, reciprocal payment flows from the underlying and hedging transactions with a total volume of approximately CHF 6,630K offset each other, with the exception of differences totalling CHF 876K. Any differences that arose were procured or sold on the foreign exchange market at standard bank trading rates; alternatively, in the event of delays in the receipt of money, they were postponed to subsequent periods through currency swap transactions.

With regard to the period after the balance sheet date until the latest end date of the hedging period on 30/07/2021, there will still be forward exchange contracts with an option period making up a total volume of CHF 9,310k, which will cover the expected order volume as of the balance sheet date based on current perspectives. Daldrup & Söhne AG was advised and accompanied, both in advance of and during the conclusion of forward exchange contracts with an option period, by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, whilst taking into account the statutory provisions in place.



## REPORT ON POST-BALANCE SHEET DATE EVENTS

The following events took place after the balance sheet date, 30/06/2020, which were of major importance for the Daldrup Group.

The World Health Organisation (WHO) declared an international health emergency on 30 January 2020 due to the outbreak of the COVID-19 virus. However, there were no significant declines in business in the sectors relevant to Daldrup. Therefore, a resurgence of the COVID-19 pandemic could again lead to great uncertainty among consumers and companies alike. It could lead to a drop in demand for consumer or capital goods, which could result in a global recession and, in conjunction with the enormous stimulus packages provided by governments, a debt crisis could no longer be ruled out. In addition, the continuing turbulence in the oil market is generating further uncertainty and instability. A material negative impact on the company's net assets, financial position and results of operations can thus not be ruled out either. However, these potential financial effects cannot be quantified at the present time. This Annual Report also contains detailed comments on the risks.

A claim by D&S Geothermie GmbH was questioned in terms of its amount in a letter dated 28 September 2020. The facts of the matter will be assessed by the company in the coming weeks from a business, financial and legal perspective. For reasons of commercial prudence, the receivable was initially partially value-adjusted.

No other events of major importance occurred took place after the balance sheet date.



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## OTHER MANDATORY DISCLOSURES

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

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

Name	Function, occupation
Josef Daldrup (until 19/05/2020)	Chairman of the Executive Board (Strategy, Key Accounts, Communication, Human Resources and Legal)
Andreas Tönies	Spokesman of the Executive Board (project development and management of deep drilling projects, purchasing, investments, legal affairs)
Bernd Daldrup, Grad. Eng. (since 01/06/2020)	Member of the Management Board (drilling technology and technology in general, project management and implementation, personnel)
Peter Maasewerd, Grad. Geologist	Member of the Management Board (projects involving shallow and medium deep geothermal energy, general drilling technology, contract and addendum management, digitalisation)
Stephan Temming, Business Graduate	Member of the Management Board (Accounting, Controlling, Investor Relations and Shareholdings)

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

Name, function:	Administrative, Management or Supervisory Board appointments or partner positions
Josef Daldrup (since 19/05/2020) Chairman of the Supervisory Board	None
Wolfgang Clement, German Federal Minister (ret.) † Chairman of the Supervisory Board (until 27/08/2020)	Member of the Supervisory Boards of the following: <ul style="list-style-type: none"> <li>• Member of the Supervisory Board for Exaring AG, Munich</li> <li>• Member of the Supervisory Board for Media Broadcast GmbH, Cologne</li> </ul>
Dipl.-Ing. Wolfgang Quecke Member of the Supervisory Board	Member and/or Managing Director of the following companies: <ul style="list-style-type: none"> <li>• Managing Director of terra-concept GmbH, Marl</li> </ul>
Heinrich Goßheger (since 27/08/2020) Member of the Supervisory Board	None

Oberhaching,  
30 September 2020

**Daldrup & Söhne AG**  
The Management Board

Andreas Tönies  
(Spokesman of the Board)

Bernd Daldrup  
(Board member)

Peter Maasewerd  
(Board member)

Stephan Temming  
(Board member)



## FINANCIAL CALENDAR for Daldrup & Söhne AG

**16 - 18 November 2020:** Eigenkapitalforum (equity forum) 2020

## INVESTOR RELATIONS Contact

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## IMPRINT

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### Design and setting

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