

2021



B o h r t e c h n i k

SHARE INFORMATION

ISIN: DE0007830572

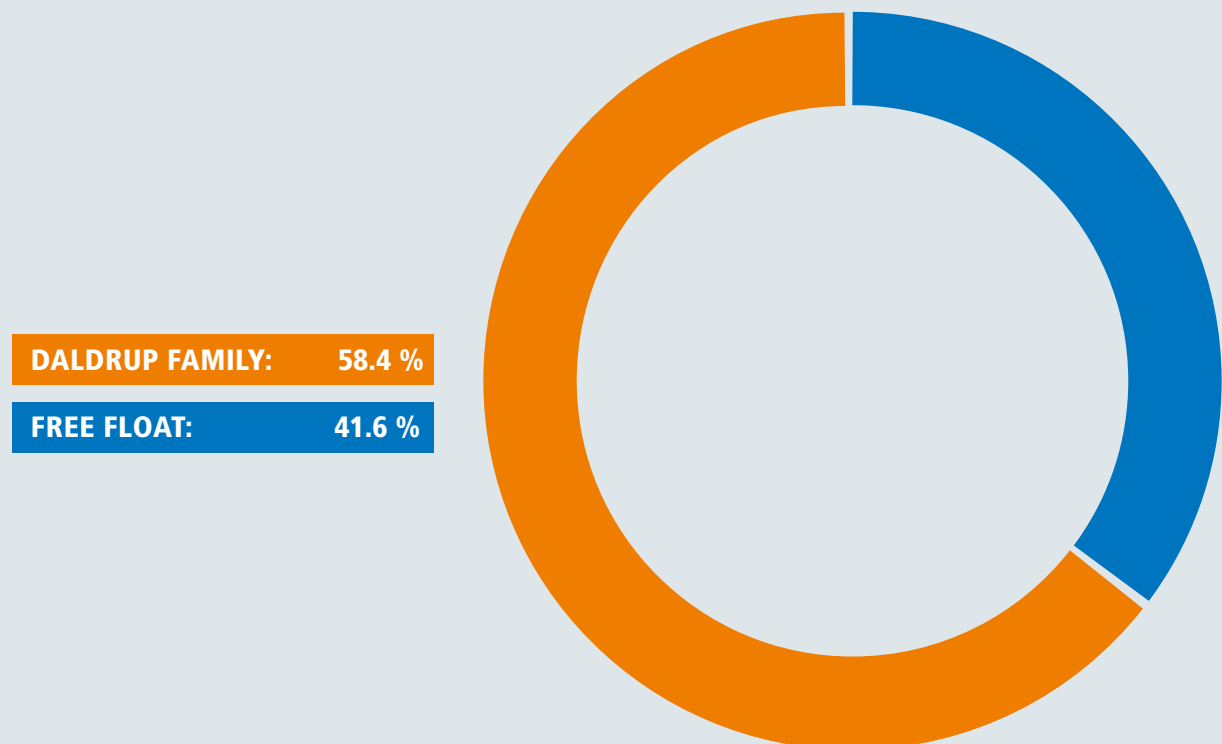
WKN: 783057

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

Ticker Symbol: 4DS

Fiscal Year End: 31 December

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2021



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FOREWORD BY THE MANAGEMENT BOARD

Dear Sir or Madam,
Dear shareholders,

Daldrup & Söhne AG successfully continued its journey towards financial and operational consolidation in the 2021 financial year. Efficiency increases in business operations and settled large projects in the business areas of geothermal energy and special deep drilling led to an increase in sales revenue to EUR 78.3 million. Thanks to the inventory of partially finished works which reduced at the same time, the group demonstrates total operating output of EUR 44.9 million. Due to effective cost control as well, the EBIT is EUR 1.5 million. The EBIT result is EUR 1.5 million. As such, we have exceeded the forecasts for gross revenue and EBIT for the 2021 financial year and achieved the upper range of the bandwidth. At EUR 0.8 million, the group's annual net profit is positive again for the first time in many years. The equity ratio in the group is comfortably 49.3 % of the balance sheet total.

The continuing measures to combat the coronavirus pandemic at a national and international level have not significantly impaired the business activities of Daldrup & Söhne AG. Our supplier and service chains were also working to schedule except for short-term disruptions. For significant drilling equipment and construction components, in principle there are multiple alternative suppliers available, meaning that project success on drilling sites was not endangered by supply chains at any time. Overall, the market for geothermal and special deep drilling projects proved to be very resilient. Lots of these projects relate to public services and are commissioned by municipalities, municipal utilities and private investors within the framework of long-term secured budgets.

This order environment, which is largely independent of the economic situation and takes a long-term view, accommodates the business success of Daldrup & Söhne AG, including in the significantly worsened economic situation overall caused by Russia's attack on Ukraine. However, increased material and energy prices may also influence our profit and loss statement. Wherever possible, volatilities relating to price adjustment clauses are at least mitigated in new contracts. With the war in Ukraine, public awareness of the necessity of an energy supply which is independent of fossil fuels, both for geostrategic and environmental protection reasons, has increased significantly. Since three quarters of Germany's heat supply still stems from imports of fossil fuels such as natural gas, oil and coal, efforts are increasingly being made to tap into alternative sources which are as renewable as possible. In terms of

electricity supply, the proportion of electricity consumption provided by wind and solar energy has significantly progressed to around 40 %. When it comes to heat consumption, renewables account for around 15 %. Even just generating space heating and warm water accounts for around a third of final energy consumption in Germany.

Geothermal energy has enormous potential as a renewable energy source capable of bearing a constant load for the heat sector. It currently only accounts for 1.5 % of the total heat requirement in Germany. In a study published at the end of April 2022, the Leibniz Institute for Applied Geophysics came to the conclusion that "Geothermal energy, consisting of near-surface geothermal energy with the use of ground source heat pumps and deep geothermal... (can) cover up to 42 percent of environmentally friendly heat for space heating and warm water in the future using established technologies." Geothermal energy is one of the most efficient heating technologies. It is also available almost everywhere, whether as near-surface or deep geothermal energy, and is thus very well suited to a decentralised and consistent heat supply.

In order to tap into the previously unused development potential of geothermal energy, however, regulatory and legal hurdles need to be urgently dismantled by politicians. This includes being able to complete licencing processes more quickly. The board of directors are joining the impulse of the German Geothermal Association to develop and promptly implement a national geothermal strategy. The huge challenges associated with the energy transformation have, to date, only been addressed to a very insufficient level.

The demand for heating projects has been continuing to further increase since March 2022, having already started at a high level. And this is not only the case in Germany but also in our other established markets in the Netherlands, Belgium and Switzerland. This applies to near-surface geothermal energy and to deep geothermal energy projects of the municipal utilities, municipalities and industrial clients. For the field of flat geothermal energy, we have updated and expanded our fleet of drilling devices, allowing the drilling teams to work at significantly higher levels of efficiency.



The geothermal energy market in Switzerland is ushering in a new era. Currently Daldrup & Söhne AG is drilling a deep geothermal well to connect to a geothermal aquifer in the Rhone valley and will then drill an extended exploratory well to connect to a hydro-geothermal reservoir in the central Jura at Vinzel in western Switzerland. Daldrup is participating in further tenders. The successful special deep drilling for the Swiss Nagra to explore suitable final storage locations has been completed. With the orders, Daldrup & Söhne AG has established testimonials and a good reputation in Switzerland. We would like to use this to develop our market position in Switzerland.

In terms of perspective, the market for the exploration of potential locations for final storage sites in Germany is also gaining traction. The federal company for radioactive waste disposal recently published an initial roadmap which sets out the start of exploratory drilling in 2025 in order to select a suitable final storage site by 2031. The number of necessary wells will be higher than in Switzerland by a factor of 10. Daldrup & Söhne AG is one of the few companies in Europe which has technical drilling expertise, drilling and systems technology and sufficient references for such high-quality and challenging drilling projects. Furthermore, the board is confident that it can acquire and process further projects in all business areas, whether for exploration wells for storing radioactive waste in Germany, or for renovating shafts and areas in the Ruhr valley from old mines.

In the mean time, the fund is growing for further drilling projects as part of medium-sized and large geothermal projects. As such, 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 and in the East Molasse, the interest in larger geothermal projects for energy and heating supply is still high. Municipalities and municipal utilities in North Germany also want to expand their local and long-distance heat networks with geothermal energy. The order pipeline, as an indicator of future order volumes, is developing positively against this backdrop and reached approx. EUR 103.9 million at the end of March 2022.

The board of Daldrup & Söhne AG is confident that it can acquire and process further projects in all business areas, such that it is expecting a group total operating output of around EUR 42 million and operating EBIT margin for the Daldrup group of between 4.0 % and 6.0 % in planned business for the current year of 2022.

We would like to thank our employees for their continued tireless efforts in the second year of the coronavirus pandemic. Thanks to their dedication, we were able to provide our services in a customer-oriented manner and in the agreed time frame.

We would also like to thank our customers and shareholders for the trust they place in us and for the constructive dialogue.

Best regards and good luck!

Oberhaching, May 2022

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Spokesman of the Board)

Peter Maasewerd
(Board member)

Bernd Daldrup
(Board member)

Stephan Temming
(Board member)



SUPERVISORY BOARD REPORT FOR FISCAL YEAR 2021

The supervisory board of Daldrup & Söhne AG carried out the tasks which it is required to complete by law and in accordance with the articles of association in the 2021 financial 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 had itself informed about the course of business in the four business areas, the economic situation and on the development of the financial and liquidity situation, the risk situation of Daldrup & Söhne AG as well as the Group and other current topics. This was done at and outside of Supervisory Board meetings by means of written or verbal reports, within the framework of in-person meetings at the company or in telephone calls. For this purpose, the Supervisory Board received information or documents concerning plans, key strategic decisions and planned developments and, in particular, the net assets, financial position and results of operations. Departures from specified plans were discussed intensively by the Supervisory 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.

The Chairman of the Supervisory Board was also in contact with the Management Board outside of meetings and was informed in in-person meetings about significant developments that were material for the assessment of the given situation and for the management of the Company and the Group.

The focus of proceedings in the Supervisory Board in all meetings during the reporting period was on the Daldrup Group's organisational and personnel structures, operational business development, the company's financial situation and the opportunities to further develop the Daldrup business model. The Supervisory Board regularly discussed the development of the order situation in the individual business areas and progress in the important deep geothermal energy projects and special drilling projects.



MEETINGS AND KEY TOPICS

Four ordinary Supervisory Board meetings took place in the 2021 fiscal year, on 19 March, 27 May, 27 September and 9 December. All Supervisory Board members personally attended all Supervisory Board meetings. The supervisory board member Wolfgang Quecke participated in the supervisory board meeting on 27 September by telephone. 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.

The principal subject matter of the supervisory board meeting on 19 March was the progress reports on the ongoing drilling projects in Germany, the Netherlands and Switzerland and participation in tenders in these countries. Further, the committee spoke about the current economic and financial development and the development of the Daldrup group's liquidity situation. The supervisory board and board of directors discussed the preliminary results from the 2020 financial year. The supervisory board passed a resolution on updated rules of procedure for the board of directors.

In the Supervisory Board Meeting of 27 May, the Management Board explained the annual financial statement and the Consolidated Annual Financial Statement for Daldrup & Söhne AG and the Group for the 2020 fiscal year. The auditors attended this meeting alongside the Management Board. They explained the main content of their audit of the annual financial statement and the Consolidated Annual Financial Statement and the management reports as well as the Management Board's Dependency Report of 31 December 2020 and the audit results. Questions from Supervisory Board members and individual issues were discussed intensively and in detail. The members of the Supervisory Board established, after a detailed audit of the results and status reports, that no objections should be raised to the annual financial statements and management reports, and unanimously approved the annual financial statements and management reports submitted by the Management Board for the company and the Group for 2020, as well as the Management Board's Dependency Report. The annual financial statements of the Company were thus adopted (Section 172 of the German Stock Corporation Act (AktG)).

In the meeting on 27 May, the Supervisory Board had itself informed about the ongoing drilling projects in Germany, the Netherlands and Switzerland, and held discussions with the Management Board about personnel development, especially for the drilling team, about the need for investment in machinery and plants. The supervisory board also gathered information about the liquidity situation.

On 27 September, the Supervisory Board discussed the half-year Consolidated Financial Statement of 30 June 2021 and business development in the first eight months of the year with the Management Board. The Management Board explained in detail the status of individual drilling projects in the business areas in Germany, Switzerland and the Netherlands, and the expected development of the order situation in the coming quarters. The Supervisory Board also sought information regarding the Group's financial position and liquidity situation.

In the meeting on 9 December, the Supervisory Board and the Management Board discussed the Group's financial position and liquidity situation. The board of directors gave a forecast for the development of the group for the coming financial year of 2022 for all business areas and the personnel situation. The Management Board also provided information on ongoing projects in Germany, the Netherlands and Switzerland.

There were no conflicts of interest among members of the Supervisory Board during the reporting period.



ORGANISATION OF THE SUPERVISORY BOARD

The Supervisory Board included in the reporting year up to the 2021 annual general meeting Messrs Josef Daldrup (Chair), Wolfgang Quecke (Deputy Chair) and Heinz Goßheger. With the entry of the meeting change, with regard to the increase in the number of persons on the supervisory board to 4 persons, to the commercial register on 27 September 2021, Wolfgang Bosbach was added to the committee as the fourth elected member of the supervisory board. He is elected for the period until the end of the annual general meeting which resolves on the discharge of the members for the 2021 fiscal year.

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.

AUDIT OF THE ANNUAL FINANCIAL STATEMENT AND THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT FOR THE 2021 FISCAL YEAR

The Management Board drew up the annual financial statement, the Consolidated Annual Financial Statement and the Consolidated Management Report for the 2021 fiscal year for Daldrup & Söhne AG according to the provisions of the German Commercial Code (Handelsgesetzbuch). Warth & Klein Grant Thornton AG, auditors, Düsseldorf, selected as auditor in the annual general meeting on 26 August 2021, audited the annual financial statement as well as the Consolidated Annual Financial Statement and the Consolidated Management Report for the 2021 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. The annual financial report, the Consolidated Annual Financial Statement and the Consolidated Management Report were provided to all members of the Supervisory Board in the meeting on 19 May 2022.

The focal points of the audit for the 2021 financial year were based on an audit with regard to the existence and evaluation of net sales, unfinished services and trade receivables. The review of the receivables and loans continued to be focal points. Further emphasis was placed on the completeness of the details in the annex and management report relating to the individual financial statement and group financial statement and, in the group financial statement, on the implementation of capital consolidation and the presentation of business development and forecasted data in the consolidated management report.

By means of a resolution dated 31/05/2022, the supervisory board acknowledged the results of the audit and the annual financial statement and management report for Daldrup & Söhne AG to 31/12/2021 and unanimously approved the group financial statement and group management report to 31/12/2021.

The annual financial statements for Daldrup & Söhne AG for the 2021 fiscal year have thus been adopted in accordance with Section 172 of the German Stock Corporation Act.



DEPENDENCY REPORT

The Dependency Report of 31/12/2021 produced by the Management Board includes, according to the auditor, the prescribed information according to Section 312(1) of the German Stock Corporation Act and comes to the finding 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 the employees of Daldrup & Söhne AG and its affiliated companies for their valuable efforts and for their caution and patience with regard to the pandemic measures when dealing with customers, partners and colleagues.

Oberhaching, 31 May 2022

Josef Daldrup
(Chairman of the Supervisory Board)



DALDRUP SHARE PRICE RISES BY OVER 50 PERCENT

In the course of the reporting year, the share price for Daldrup & Söhne AG increased significantly. The share started with a listing of EUR 3.33 and, one month later, reached its annual maximum price of EUR 5.92. After a subsequent significant price decrease, the share price moved between four and five euros until the end of September. Then the share price increased continuously to EUR 5.10 until the 2021 market close. As such, from an annual perspective, the share price gained 53.2 % (previous year: -13.4 %) in value. This development was supported by consistently positive company reports on acquired large orders relating to geothermal projects in Germany and Switzerland, on the progress of financial improvement of the company after the sale of the second share package (48.9 %) in Geysir Europe GmbH to the IKAV Group at the start of 2020 and the subsequent realignment of the business model. The positive trend in the share price continued in the first two quarters of the current year until the start of May, reaching EUR 6.96. Most recently, the stock rating benefited from the geopolitical and energy policy changes triggered by Russia's war in Ukraine, including due to strong price increases for fossil primary energy sources. Geothermal energy is an environmentally friendly resource which is available in lots of places, primarily for consistent heat supply.

Many stock market indices continued to recover significantly in the second year of the coronavirus pandemic from their coronavirus-related lows of March 2020 and closed significantly above their pre-coronavirus levels. DAX30 gained 15.7 % (previous year: 3.6 %). TecDax climbed by 20.8 % (previous year: 6.6 %). For Daldrup, the sector-specific DAXsector All Industrial index increased by 20.0% (previous year: -2.2 %) and the DAXsubsector All Renewable Energies increased slightly by 4.7 % (previous year: 77.5 %). The Daldrup share price therefore fared well with regard to its annual performance of 53.2% in its industry context.

Sales of the Daldrup share on the trading platforms XETRA and trade gate as well as the regional stock exchanges were 13,600 shares on average in the reporting period (2020: around 11,700). Market capitalisation at the end of the year in 2021 was around EUR 30.5 million (previous year: EUR 19 million).

In the reporting year, the valuations and price targets of the analyst firms Pareto Securities and SMC Research were EUR 4.60 and EUR 5.60, respectively. The analysts rated the share as "Hold".

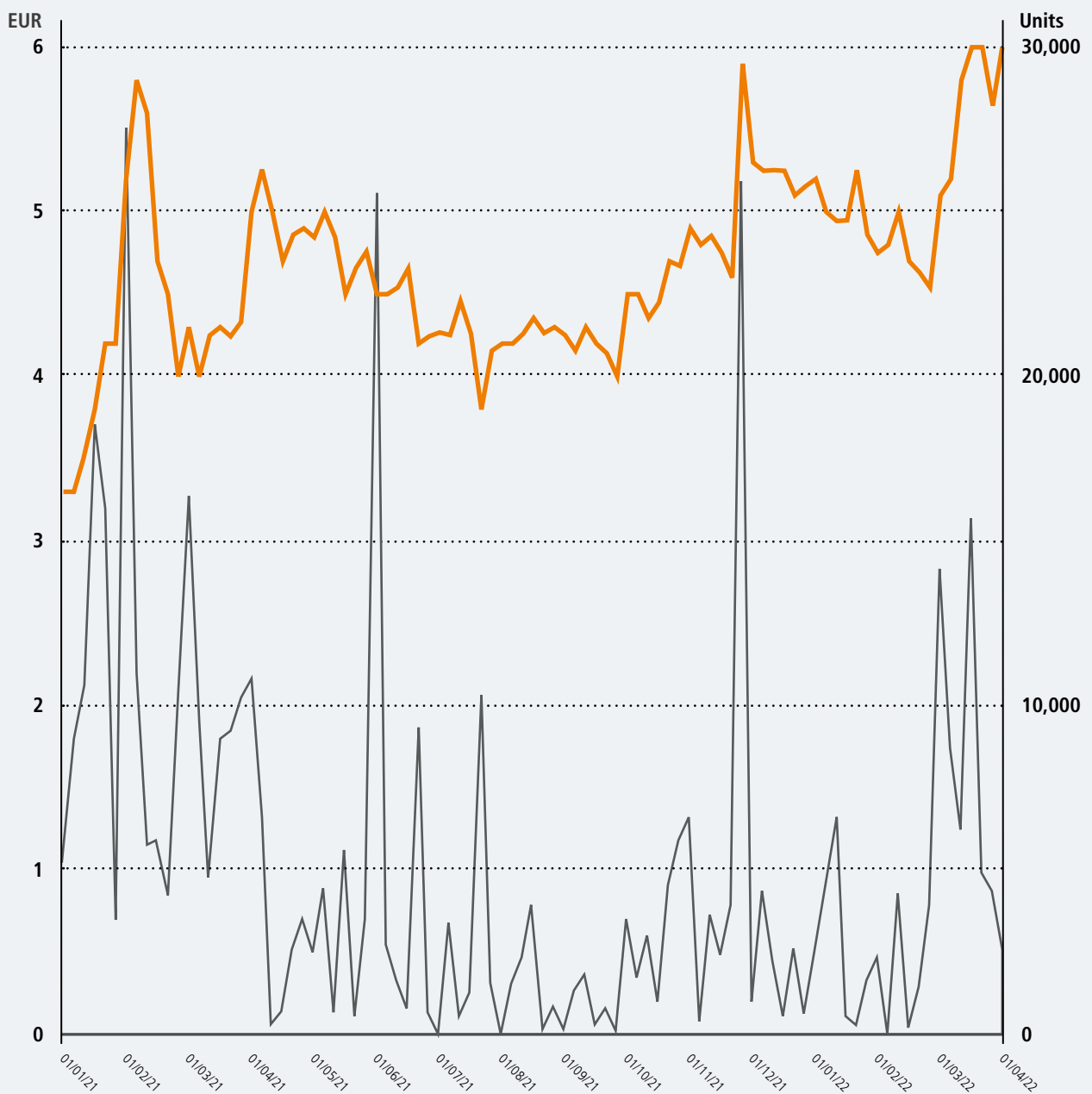
SHAREHOLDER STRUCTURE AS AT 31/12/2021



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, for example, in the Equity Forum spring conference and in the equity capital forum by Deutsche Börse AG in Frankfurt.



DIAGRAM DALDRUP & SÖHNE AG –Share and unit sales development 2021 to May 2022



● Share price of Daldrup & Söhne AG ● Unit sales of all German regional stock exchanges and trading platforms



CONSOLIDATED MANAGEMENT REPORT for the 2021 Fiscal Year

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GROUP MANAGEMENT REPORT

FOR THE 2021 FISCAL YEAR FOR
DALDRUP & SÖHNE AKTIENGESELLSCHAFT,
GRÜNWALD

A. DALDRUP GROUP

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

As the parent company of the Daldrup Group, Daldrup & Söhne AG is a sought-after and leading provider of drilling and environmental services in Germany and 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 business activity remained essentially unchanged in the reporting year.

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 of Russia's attack on Ukraine, in particular for non-fossil alternatives for heat generation.

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.

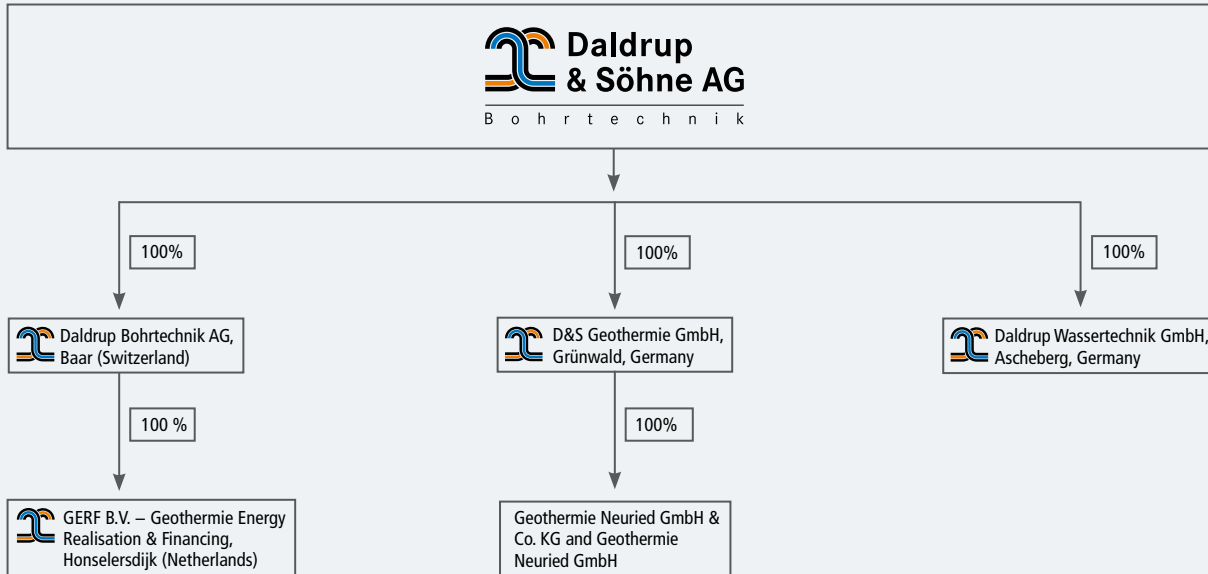
PROVIDER OF DRILLING SERVICES



Daldrup 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 31/12/2021







GEOTHERMAL: A RENEWABLE, INEXHAUSTIBLE ENERGY SOURCE

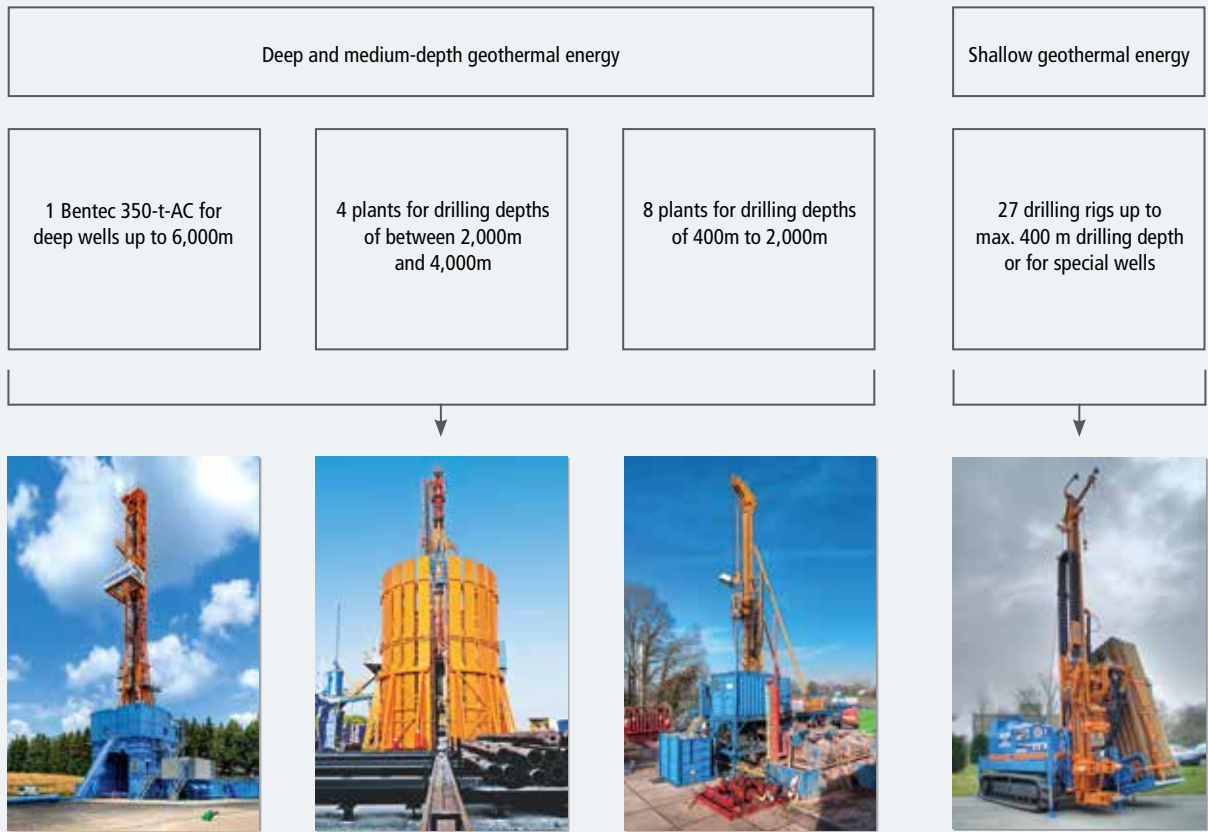
In the business area of geothermal energy, drilling services are provided both for near-surface geothermal energy (drilling depths of up to 400 metres), medium-depth geothermal energy, and deep geothermal energy (drilling depths of up to 6,000 metres), to make the geothermal energy accessible for electricity and/or heat generation. 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 good prospects in our opinion.

The focus of the Daldrup Group's domestic activity is still on the geological hotspots 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 2021 fiscal year are especially concentrated on Germany and the Switzerland. In general, the group orients its activities in Central Europe by locations with geothermal potential and corresponding market potential for electricity and heat.

Direct use of geothermal energy for heating and cooling in Germany and in parts of adjoining EU Member states offers economic opportunities. These include, for example, the housing industry, both for new construction projects as well as the energy-efficient building renovation and local and district heating as well as commercial applications of heat use, such as in greenhouses, fish farms, drying processes, etc. Heat-led use is available in storage spaces with thermal water temperatures that are lower than 110 °C and that generally require drilling depths of between 1,000 and 3,000 metres can be used in this manner. 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.

Deep drilling operations of up to 6,000 metres' depth always impose greater requirements in terms of advance planning and timing between employees, technology and suppliers in the drilling phase. Of this, the group has sunk over 50 wells for deep geothermal projects. Daldrup & Söhne AG has successfully drilled more than 10,000 wells in various geological formations during the course of the Company's history,

The geothermal energy business area's share in consolidated gross revenue reached a stable 73 % in 2021 (previous year: 72 %).





THE DALDRUP GROUP ALTERNATIVE RISK TRANSFER CONCEPT (ART)

Alongside reputable partners from the insurance industry, Daldrup has developed a concept to hedge 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 geothermal energy projects can now be part-financed with a large proportion of outside capital. 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 therefore a key tool for acquiring customers and projects in Central Europe, and remains a key USP for Daldrup Group in the deep geothermal energy sector.

RAW MATERIALS & EXPLORATION

In the Raw Materials & Exploration business area, the aforementioned drilling projects of Daldrup & Söhne AG 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 area in the 2021 fiscal year included our drilling activities for the Swiss company Nagra. The share of Group revenue generated in 2021 by this business unit amounts to 21 % (previous year: 12 %).

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 a number of special techniques; from stainless steel piping supplying drinking and mineral water to the professional development of well systems, right through to the installation of modern filtration and pump systems. The Water Extraction business unit represents 4 % (previous year: 14 %) of Group revenue generated in 2021.

ENVIRONMENT, DEVELOPMENT, SERVICES

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 2 % to the Group's revenue in the 2021 fiscal year (previous year: 2 %).

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 path to growth is limited by the persistent lack of well-trained, young employees. Therefore, personnel fluctuations in the running of the large plants are cushioned by personnel pooling. On average in 2021, 130 employees (previous year: 130) were employed by the Group. In addition to this, other companies not belonging to the group made further employees available to Daldrup & Söhne AG in a flexible manner on a project-by-project basis.



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).

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 pumps¹. Deep geothermal energy extraction can not only produce heat but, from a temperatures of 120 °C, using a thermal power plant – which may operate in parallel – produce electricity. 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.

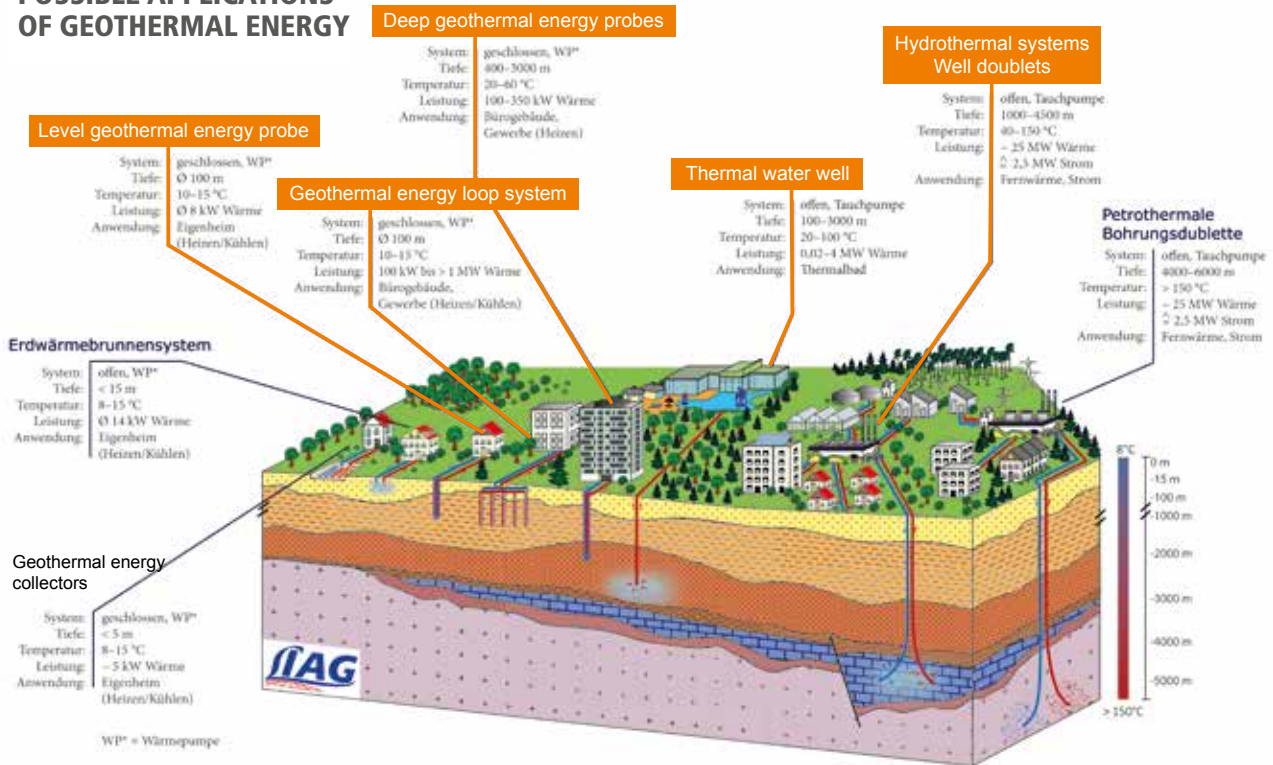
The advantages of geothermal energy are

- 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

¹ German Geothermal Association, "State of Research and Need for Research in Geothermal Energy", December 2020



POSSIBLE APPLICATIONS OF GEOTHERMAL ENERGY



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.



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 47 MW in Germany in 2022 (previous year: 40.5 MW). There are 42 (previous year: 38) mostly hydrothermal deep geothermal power plants in operation. Along with their electrical output, they produce a thermal output of 349.7 MW (previous year: 349.7 MW).²

In contrast to deep geothermal energy, near-surface geothermal energy (drilling depth of up to 400 metres) has already achieved great market penetration. The BVG estimates that over 440,000 plants (previous year: around 420,000) (e.g. in the form of geothermal energy probes or collectors in connection with heat pumps) are in operation, providing around 4,400 MW.

Overall, geothermal energy use has significant potential which could in theory cover Germany's energy needs many times over. Currently, power generation by means of deep geothermal energy is even more expensive than comparable renewable energy sources. The electricity production costs for 1 kWh of electricity from geothermal sources average out at 37 cents³. Therefore, a subsidy at the current level under the Renewable Energies Act is a prerequisite for the further expansion of deep geothermal electricity production in Germany.

Combined plant operation may in particular continue to be profitable after the end of any remuneration term as these plants are then able to cover their operating costs exclusively through the sale of heat. This includes the costs for the power plants.

The production of geothermal heat, by contrast, is now economically widely possible without subsidy for local and district heat supply and for heating buildings. Hydrothermal heat extraction to supply larger local and/or district heat supply systems requires aquifers with deep water temperatures of at least 60 °C, or ideally over 70 °C, as well

as good storage properties, which therefore allow for high flow rates. The use of heat with the aid of deep geothermal energy is a proven technique over many decades. 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)⁴.

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, in contrast to electrical energy from geothermal energy. The district and local heating systems, which mostly already exist, 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 save just over 1 million tonnes of CO₂ per year⁵.

² German Geothermal Society, Geothermal Energy in Figures, <https://www.geothermie.de/geothermie/geothermie-in-zahlen.html>

³ gec-co Global Engineering & Consulting-Company GmbH, Preparation and supervision in drawing up a testimonial according to Section 97 of the German Renewable Energies Act (Erneuerbare-Energien-Gesetz), Subproject II b) Geothermal Energy, on behalf of BMWi, Page 1, June 2019

⁴ German Geothermal Society, Press release, Crisis plan to accelerate the heat transformation, 28/02/2022

⁵ German Geothermal Society, Position paper "Geothermal Energy is the King of Efficiency for the Heating Transition", March 2020

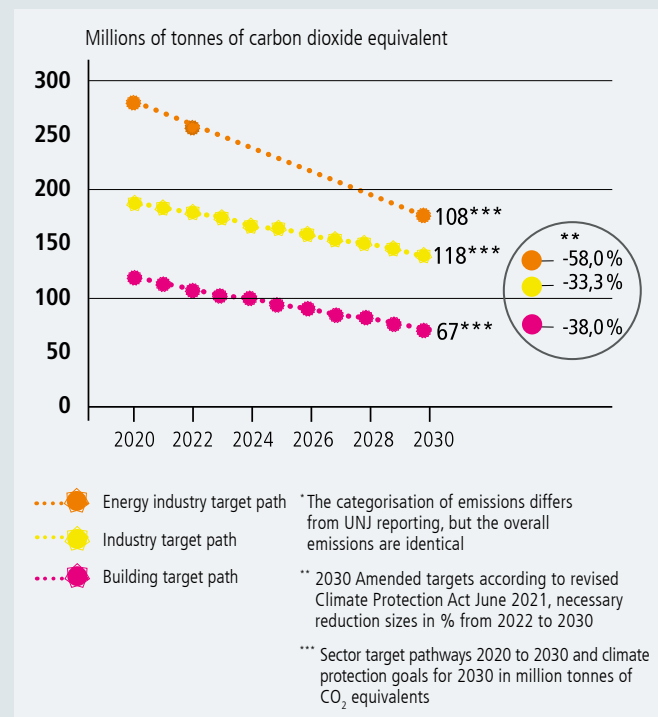


AMBITIOUS TARGETS FOR CLIMATE ACTION — DECARBONISATION MEASURES TO LIMIT GLOBAL WARMING ARE INCREASINGLY GUIDING ECONOMIC ACTION

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 made its climate protection provisions stricter in the reporting year and anchored the goal of greenhouse gas neutrality by 2045. As early as by 2030, emissions should decrease by 65 % compared to 1990. At an EU level, the European Climate Law within the framework of the Green Deal finalised the goal of achieving a climate-neutral EU by 2050. An important interim goal, with a reduction of greenhouse gases by 55 %, is on the agenda to be achieved in 2030 via a package of laws known as “Fit for 55”.

The new Climate Protection Act sets out how much carbon dioxide each sector can still emit. Especially in the building sector, ambitious measures are required in order to reach the target of 67 million tonnes CO₂ equivalent. This means that greenhouse gas emissions must be reduced by 44 % in this decade⁶, as shown by the graphic “Development and reaching targets for greenhouse gas emissions in Germany”.

DEVELOPMENT AND REACHING TARGETS FOR GREENHOUSE GAS EMISSIONS IN GERMANY IN DELIMITING THE SECTORS OF THE GERMAN CLIMATE PROTECTION LAW*



Source: Federal Environment Agency 2021, <https://www.umweltbundesamt.de/daten/klima/treibhausgasminderungsziele-deutschlands#internationale-vereinbarungen-weisen-den-weg>

The measures of the climate programme in the building sector aim above all 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. The Daldrup Group is regularly involved in such heating projects with its drilling services, for example for the municipal utilities of Munich and Schwerin, and for the municipalities of Oberhaching and Taufkirchen.

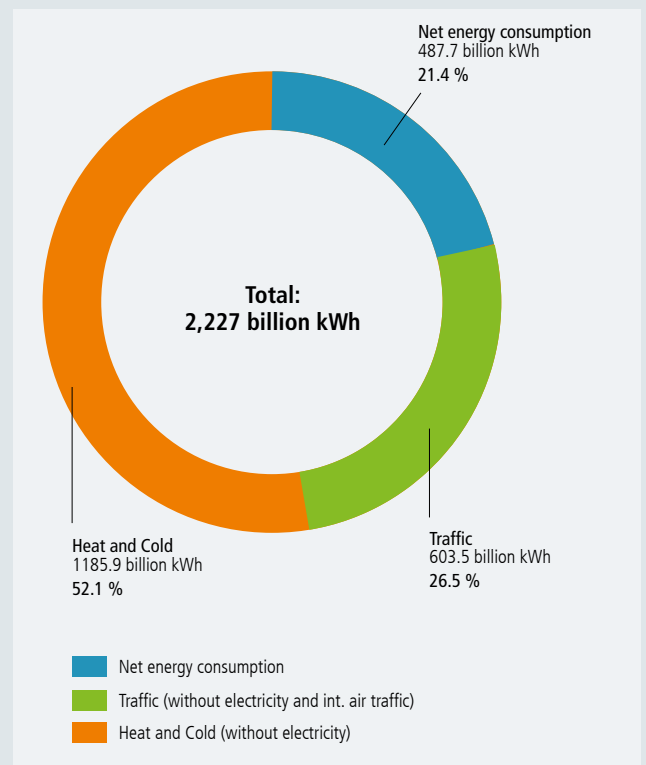
⁶ Federal Environment Agency: <https://www.umweltbundesamt.de/daten/klima/treibhausgasminderungsziele-deutschlands#nationale-treibhausgasminderungsziele>



GEOTHERMAL ENERGY IS FIRST CHOICE FOR THE HEATING BASE LOAD

Without a heating transformation, that is an increase in renewable energy sources in the heating sector, the energy transformation cannot be realised. This is because the proportion of heat and cold in overall energy consumption in Germany in 2020⁷ was 52.1 % whilst net electricity usage only accounted for 21.4 %. Therefore, around two and a half times more energy is required for heating than for electricity. Decarbonising heating and cooling production is the biggest challenge of the energy transformation for the community of nations.

END ENERGY USE IN GERMANY IN 2020 BY ELECTRICITY, HEATING AND TRANSPORTATION*



* in billion kilowatt hours; the electricity consumption for heating and cooling is included in the end energy consumption for electricity.

Source: Renewable Energy Agency, 2021

The proportion of renewable energies for electricity consumption after twenty years of the Renewable Energies Act is 42 %, but for heating it is only around 15 %. The energy sources which make up the latter are shown in the figure "Heating from renewable energy sources". Heating from renewable energy sources only makes up 7.6 % of total end user energy consumption, renewable electricity 10.1 %, and transportation as little as 1.5 %. In total, renewables make up only 19.2 %, not even a fifth, of end user consumption.

⁷ Agentur für Erneuerbare Energien e.V., End energy use in Germany in 2020 by electricity, heating and transportation, as of March 2021; <https://www.umweltbundesamt.de/themen/klima-energie/erneuerbare-energien/erneuerbare-energien-in-zahlen#ueberblick>





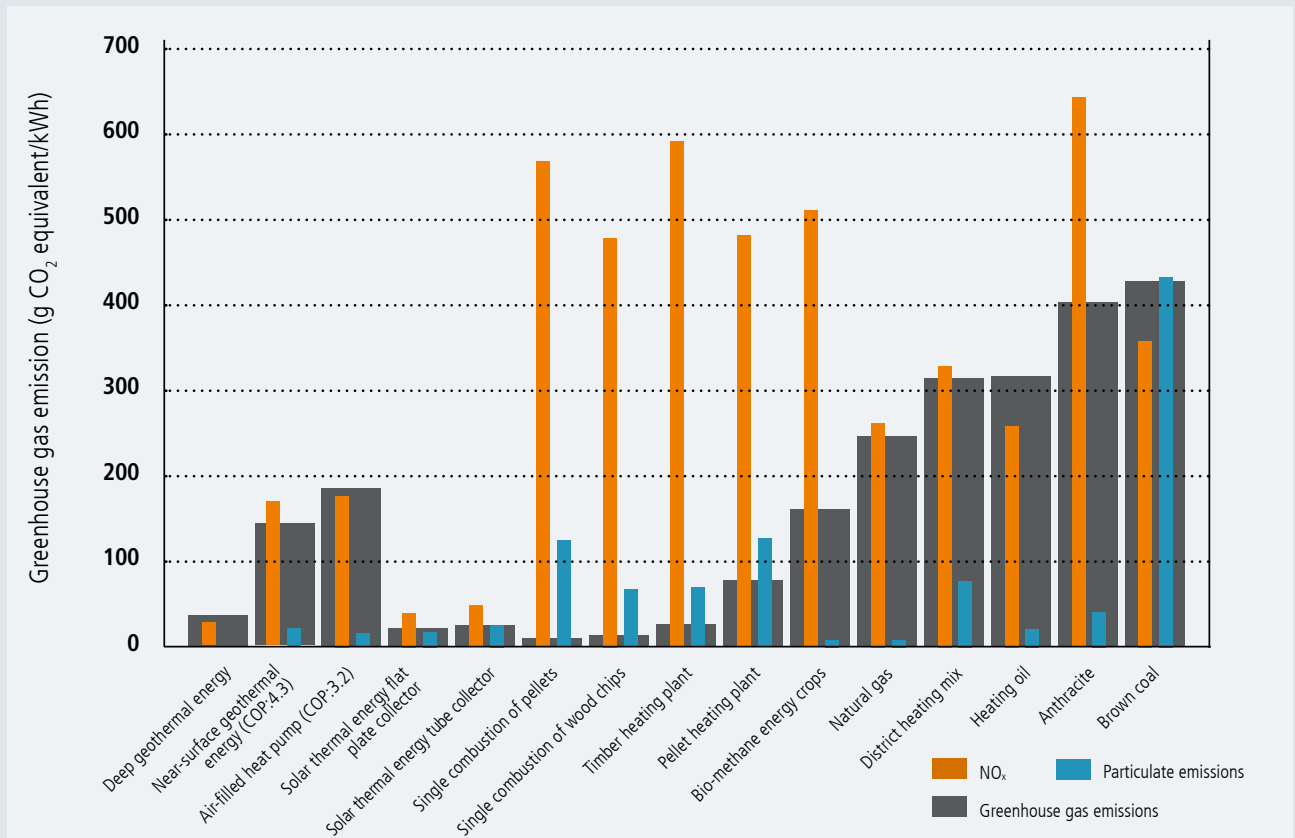
GEOHERMAL ENERGY IS ONE OF THE MOST CLIMATE-FRIENDLY AND ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

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 both 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. However,

solar thermal energy cannot be used to supply the basic thermal load all year round due to the weather-related dependency involved. On the contrary, geothermal energy is not affected by weather conditions and has low requirements for space. This means geothermal energy occupies an excellent position for the basic thermal load. The fact that geothermal energy is one of the most climate and environmentally friendly technologies for heating supply is shown by the graphic "Particulate, nitrogen oxide and greenhouse gas emissions per kWh for different heating technologies".

PARTICULATE, NITROGEN OXIDE AND GREENHOUSE GAS EMISSIONS PER KWH FOR DIFFERENT HEATING TECHNOLOGIES



Source: German Environmental Agency (Umweltbundesamt), Emissions balance of renewable sources of energy – determining avoided emissions in 2016 ("Emissionsbilanz erneuerbarer Energieträger – Bestimmung der vermiedenen Emissionen im Jahr 2016"), 2017

Fossil fuels, such as coal, oil and natural gas, can be substituted by geothermal energy in many areas of the heat generation process. The city of Munich is a good example, as by 2035 it aims to be the first large city in Germany to provide 100 % of district heating from

renewable energies – with deep geothermal energy playing a central role thanks to the favourable geological subsurface conditions. In the northern German lowlands, some large cities like Hamburg are taking a similar route.



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.

These include funding the manufacture of deep geothermal systems to generate electricity and/or heat through the German Building Energy Act (Gebäudeenergiegesetz, GEG). It has been in force since 1 November 2020. Federal funding for efficient buildings (Bundesförderung für effiziente Gebäude, BEG) started on 1 January 2021. It replaced the existing programme to fund energy efficiency and renewable energies in the building sector.

The Renewable Energies Act (EEG) amendment resolved in December 2020 improved the economic environment for new geothermal energy projects. In keeping, the degression in the remuneration of geothermal energy was postponed by a year from 2021 to 2022, and the remuneration is being reduced by 0.5 % per year, instead of the previously planned 5 %.

Further programmes, including some 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".

EXPLORATION WELLS LOOKING FOR FINAL STORAGE LOCATIONS ARE AN IMPORTANT MARKET

Daldrup successfully sunk and started further exploration wells for the Swiss Nagra, the National Cooperative for the Disposal of Radioactive Waste. Nagra is looking for a suitable site for a geological repository for radioactive waste in Switzerland. The wells should complete the overall geological picture of potential site regions, allowing a safe location to be chosen for deep storage.

Daldrup also carried out an order as a drilling services provider in the reporting year for the German Bundesgesellschaft für Endlagerung mbH (BGE) to carry out a drilling exploration on the premises of the shaft mine Asse II at Remlingen in Lower Saxony. The aim here is to explore hitherto unknown areas of the salt stock. This is complex hi-tech drilling work, serving to gather data at the cutting edge of science and technology.

For more explanations concerning the BGE plans, we refer to the 2020 annual report. The company has exactly the knowledge and experience which this market requires. Daldrup is one of the few companies in Europe which can combine high-quality deep drilling and coring technology. A new and attractive market segment is opening up for Daldrup Group in the business area of Raw Materials & Exploration with special drilling around the end storage search.



THE HIGHLY COMPETITIVE GEOTHERMAL ENERGY MARKET

The geothermal energy market is characterised by limited drilling capacities, and the limited opportunities to expand them, at least in the short to medium term. Furthermore, the market is restricted thanks to the limited availability of qualified drilling capacities of companies with sufficient drilling experience in the geothermal sector and the limited number of drilling rights in Germany. 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, drilling companies 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 good competitive position of the companies in the Daldrup group is derived from:

- decades of experience in deep geothermal operations with over 50 testimonial 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 customers 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. Business with private and commercial customers remained stable and is currently very popular.

In the Daldrup & Söhne AG Management Board's opinion, an expanded state funding framework, local energy initiatives in a predominantly urban environment, and the already subsidy-free operation of heat generation plants and challenging exploratory drilling mark the intact path to growth for the group. Listing on the public stock exchange creates a high degree of transparency for our customers, financial institutions and shareholders.



3. STRATEGY, OBJECTIVES AND GROUP MANAGEMENT

The intended purpose of Daldrup & Söhne AG as a parent company is especially to expand geothermal energy with its own array of drilling devices, the drilling teams in its employ, and its decades-long wealth of experience with geothermal and specialist drilling.

Municipalities, companies and consumers in Europe demand this know-how, on the one hand to build up competitive access to environmentally friendly geothermal energy sources as an alternative to fossil primary fuels, and on the other, to explore geological formations for safe storage of nuclear waste. Daldrup Group companies are addressing future subjects of energy, drinking water and raw materials and/or exploration in the business units. The group wants to grow sustainably in these sectors and further expand their leading market position in Germany and Europe as an experienced drilling technology and geothermal energy specialist. The limiting factor is the lack of specialist workers. In the short to medium term, the focus is on the operational drilling business and high-quality drilling services. In particular in the heating market in Central Europe, Daldrup sees great potential, including due to accelerating climate change and acute changes in geopolitics and in associated regulatory measures. This strategy is limited by the shortage of specialist workers, which is set to worsen in the coming years.

In the medium and long term, the Group wants to invest as a minority shareholder in economically expedient geothermal heating projects with a regional, decentralised character. Geothermal heating plants and plants in the medium-sized range are particularly likely to be considered as investments. This could 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 Daldrup Group, it is of particular importance that the strategy process initiated be driven forward further in terms of sales, project organisation and finance. The complete sale of Geysir Europe Group with the geothermal power plants Taufkirchen and Landau, completed in January 2020, was a significant first step in unburdening and stabilising the Group's results of operations and liquidity situation.

From an economic perspective, the strategic process aims to establish a sustainable improvement in the financial capacity and profitability of the Daldrup Group and significantly reduce the project risks involved. Such economic stability would allow Daldrup to successfully and profitably participate in a stable economic environment in the structural growth market for geothermal heat generation and the other future topics in Central Europe.



4. INVESTMENTS

The holdings are operating in the regions of Switzerland and Austria, as well as Benelux. They scour the regional markets and often 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.

Along with the parent company Daldrup & Söhne AG, the Daldrup Group included the following direct and indirect operationally active key investments as at 31/12/2021:

Daldrup Bohrtechnik AG, Baar (Switzerland)

As has been the case to date, Daldrup Bohrtechnik AG operates independently within the interesting Swiss market, with some long-term commercial relationships in place. In addition to wells for the exploration of geothermal energy, special wells, for example, for brine production and depth storage discovery are sought after. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

GERF – Geothermal Energy Realisation and Financing B.V., 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 since 2011 by GERF – Geothermal Energy Realisation and Financing B.V..

Daldrup Wassertechnik GmbH, Ascheberg (Germany)

During the fiscal year, Daldrup & Söhne AG continued to consider outsourcing business activities regarding Water Procurement to Daldrup Wassertechnik GmbH. Plans regarding this are currently on hold. The vast majority of company employees thus largely work for Daldrup & Söhne AG.

D&S Geothermie GmbH, Grünwald (Germany)

Previously, the activities of the Geysir subgroup of Daldrup & Söhne AG were bundled in D&S Geothermie GmbH. After the sale of the subgroup, potential investments in medium-sized geothermal projects should be held via this company.

5. RESEARCH AND DEVELOPMENT

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.

6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

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

- **Deep geothermal energy probes:**
Closed circuit within a U tube or a coaxial probe with a circulating heat transfer medium (e.g. geothermal energy project for electricity plants for the city of Zurich, Switzerland, in the Triemli District).
- **Hydrothermal systems:**
Closed circuit in which thermal water is pumped from production wells and fed back into natural aquifers via re-injection wells.
- **Petrothermal systems:**
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.

Daldrup & Söhne AG was commissioned by Ruhr University Bochum as part of a research project to demonstrate the improvement of the hydraulic of an existing geothermal drilling operation on a fissured thermal water reservoir and its technical feasibility. With petrothermal systems it may be possible to develop geothermal energy in regions which previously did not seem suited to hydrothermal development. The results of several research projects in this area will help us to more efficiently utilise the enormous potential of geothermal energy as a consistent and base load-capable technology for electricity and heat production.

In the Kiel economy reports presented in mid-December 2021⁸, IfW Kiel is expecting the global economy in the reporting year to show limited, modest economic development caused by coronavirus (SARS-CoV-2). The recovery of the world economy slowed after the middle of the year. In the second half of the year, increasing coronavirus infections and the novel coronavirus mutation Omicron slowed down economic activity again. Supply bottlenecks hindered the increase in industrial production and the Chinese economy appeared to have had its stride broken by changes related to politics. Overall, economic experts noted that the recovery of the global economy from its coronavirus-related slump was faltering and uneven. Whilst global production continued to increase significantly over the course of 2021, the economy was only moderately dynamic overall. Therefore, for 2021, IfW Kiel expected an increase in global production by 5.7 % (2020: - 3.1 %). For the euro zone, the economic experts are expecting a growth rate of the gross domestic product (GDP) of 5.0 % in 2021 (previous year: - 6.4 %) and for Germany a growth rate of 2.6 % (previous year: - 4.6 %).



⁸ Kiel economic reports, Global economy in winter 2021, 15 December 2021



DEMAND FOR GEOTHERMAL ENERGY PROJECTS IS INCREASING ACROSS EUROPE

The demand for projects using geothermal energy for electricity and heating supply was lively with increasing intensity in Central Europe – largely unaffected by the coronavirus pandemic – in line with Daldrup & Söhne AG's expectations in the last few quarters.

In addition to a continued low interest rate in the reporting year, the conditions for financing in some countries, such as Germany, Switzerland, Italy, France, Belgium and the Netherlands, also provide investors with important incentives and a secure economic environment. A further stabilising factor is that the Daldrup Group acts within the framework of secured 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. As such, Daldrup & Söhne AG has neither had to record a decline in demand as a result of the coronavirus pandemic, nor have orders been cancelled.

The institutional and public pressure for decarbonisation of energy production due to accelerated climate change and acute changes in geopolitics will continue to require investments in environmentally friendly heat and electricity production, regardless of a pandemic. 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 production by electrolyzers etc. for the electricity-intensive industry.

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.

This system-stabilising role and the greenhouse gas-reducing potential was confirmed by the EEG amendment 2020 and the newly imposed laws as part of the Climate Action Programme 2030 like the Building Energy Act and the Federal Funding for Efficient Buildings in Germany. What this means for investors is that planning and legal security are guaranteed for the next few years. The typically long realisation periods involved for geothermal projects mean that properly regulated remuneration nowadays is of vital importance for investors during the operating phase of their investments. According to our observations, the coronavirus pandemic has not adversely affected the readiness of banks and institutional financiers to finance projects. Municipalities and infrastructure investors also continue to show decisive interest in heat projects which they can also acquire on a turnkey basis if they wish from Daldrup & Söhne AG.

In Germany, this is currently especially true in the region around Munich and in Northern Germany. Municipalities increasingly rely on climate-friendly, decentralised energy supply based on local resources. In the Netherlands, private sector demand is focused on the construction of local heating networks in the way that they set up greenhouse operators, for example, as a replacement for natural gas as an energy source. The performance-limiting factors in the drilling and project business in the 2021 fiscal year were the usual ones in the sector, as well as protracted tender and approval procedures for drilling projects, as well as bottlenecks in the availability of drilling teams and devices.



In this market environment, the Daldrup Group generated revenue of EUR 78.1 million in fiscal year 2021 (previous year: EUR 26.2 million) and reported gross revenue of EUR 44.9 million (previous year: EUR 47.5 million). The following contributions to this revenue were made by the individual units of Daldrup & Söhne AG:

• Geothermal Energy:	EUR 57.1 million	(73 %)
• Raw Materials & Exploration:	EUR 16.3 million	(21 %)
• Water Procurement:	EUR 3.4 million	(4 %)
• EDS:	EUR 1.3 million	(2 %)

The sales revenue in the 2021 fiscal year were 90 % in Germany (previous year: 51 %) and 10 % in the neighbouring European countries of the Netherlands and Switzerland (previous year: 49 %). The order situation was good at the end of the fiscal year in terms of drilling rigs for medium-depth and deep geothermal wells. Daldrup carried out deep geothermal drilling, predominantly in Germany and Switzerland, in the reporting year. In Switzerland, Daldrup also carried out deep explorations for final storage.

DALDRUP GROUP'S CAPACITIES FULLY UTILISED IN THE 2021 FISCAL YEAR

For Daldrup, the course of business in the reporting year was characterised by existing, large-scale drilling contracts, especially in Germany and Switzerland. The business areas of Raw Materials & Exploration and Water Procurement were well supplied with orders. Even at the peaks of the coronavirus pandemic waves, none of our customers cancelled orders.

The demand situation continues to be brisk. Daldrup has also received other major orders. All business areas have a generally comfortable backlog of orders. The Daldrup Group's order backlog at the end of March 2022 of EUR 20.2 million means that production capacities are expected to be fully utilised up to the end of the third quarter of 2022. The area of flat geothermal energy is also undergoing positive development and is already at full capacity until November 2022. Beyond this, the total of orders under negotiation evaluated by probability in the relevant market by the end of March 2022 is around EUR 103.9 million, and therefore signals another available vital interest in the Group's services.

B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULT OF OPERATIONS

The business model of the Daldrup Group is characterised by its project progress. For years, large projects in particular have led to fluctuating projects as time progresses. As a consequence of this, the profit and loss statement of the group Daldrup & Söhne AG is characterised by fluctuating project progress over time, which sometimes leads to significant fluctuation in individual earnings and cost information. This can be seen once again in the 2021 financial year: The sales revenue from a large order spanning multiple years invoiced in mid-2021 led to the sales revenue jumping up to EUR 78.1 million (previous year: EUR 26.2 million). Schwerin energy supply's order was successfully completed in May 2021. An order to be worked on from February 2021 for the BGE as well as a borehole in Geretsried from the second quarter for a research project at Ruhr University Bochum rounded off order processing.

In view of the sometimes long-term project lifetimes involved, only considering the sales revenue from completed and billed orders, however, provides only an incomplete picture of the revenue in the fiscal year. Under strict consideration of German accounting provisions, the changes relating to pending services which are in progress and have been commissioned by the customer are considered in the sales revenue situation. These changes must, in line with the principle of caution, be corrected by standard abatements from the output value for the profit and the distribution costs, which are generally only realised after completion, acceptance and final billing for a project. Project and operating costs, however, are recognised immediately they are incurred. "Day rate orders" are an exception in the evaluation of partially-finished works, for which due to the principally lower-risk service character, the above standard abatements are not carried out, such that the margin shares are subsequently considered in the gross revenue within the framework of the agreed billing system. The large order invoiced in the previous financial year of 2021 with a subsidiary of Stadtwerke München falls within this order category. Predominantly due to the invoicing of the large order for which a final invoice was issued in the 2021 financial year, the inventories of partially finished works therefore decrease at the same time by EUR 33.2 million (inventory increase EUR 21.3 million). The group total operating output calculated in this manner for the financial year of 2021 is EUR 44.9 million (previous year: EUR 47.5 million) and thus exceeds the value of the capital market forecast for the past financial year.

Other operating income amounted to EUR 0.5 million (previous year: EUR 4.3 million) or 1.0 % (previous year: 6.2 %) of the group total operating output. After in the previous year one-off income from the appreciation of receivables (previous year: EUR 2.0 million) and income from the sale of holdings of EUR 1.5 million in connection with the sale of the Geysir Group were recorded, the profit and loss situation for this financial year was almost exclusively comprised of operational earnings. Income was generated from currency conversions amounting to EUR 0.1 million (previous year: EUR 0.3 million) and fringe benefits in the amount of EUR 0.1 million (previous year: EUR 0.1 million) and EUR 0.3 million (previous year: EUR 0.2 million) from insurance compensation.

Material costs with a traditionally high proportion of acquired services from specialist third-party companies (e.g. drill hole measurements, directional drilling and rinsing service and purchased personnel services) decreased significantly almost in parallel with the total income in the report period to EUR 21.5 million (previous year: EUR 25.3 million) and 47.8 % (previous year: 53.4 %) of total operating output. The services purchased from third-party companies contained herein positively reduced to EUR 13.5 million (previous year: EUR 15.6 million) and are primarily connected to large orders in Switzerland and Germany.

The gross profit reached EUR 23.9 million (previous year: EUR 26.5 million) and 53.2 % (previous year: 55.8 %) of the Group's output.

Staff expenses increased slightly to a total of EUR 8.9 million (previous year: EUR 8.8 million). This therefore is 19.8 % (previous year: 18.5 %) of the total operating output. Predominantly the higher wage level at our drilling sites in Switzerland is responsible for this increase.



The scheduled depreciation of fixed assets in the amount of EUR 2.4 million (previous year: EUR 2.3 million) or 5.3 % (previous year: 4.8 %) of the group's overall output increased slightly from an absolute perspective and still predominantly relate to the large drilling sites and operational and business equipment. The deep drilling sites are still written off on the basis of standard business service life of 15 years. As such, the planned depreciations on the two large drilling sites successively end from 11/2023 and in the 2024 financial year. In the 2021 financial year, around EUR 1.0 million was invested in tangible assets, which results in the increase in planned depreciations compared to the previous year of almost EUR 0.1 million.

The other operating expenses reduced significantly again to EUR 11.0 million (previous year: EUR 13.5 million) 24.6 % (previous year: 28.3 %) of the total operating output. The noticeable decline compared to the previous year's value is connected to the brokerage of an insurance service in the previous year, significantly reduced receivable depreciations in connection with the sale of the Geysir Group and overall reduced other costs. Due to the order-related relocation of the larger drilling devices, however, freight costs also increased significantly to EUR 0.8 million (previous year: EUR 0.4 million). Since the currency risks are predominantly secured in accordance with the risk policy, the other operating income from the currency hedging of EUR 0.1 million (previous year: EUR 0.3 million) are matched with expenses of an almost identical amount, which are also recorded in other operating expenses.

The financial result at EUR -0.8 million improved significantly compared to EUR - 6.9 million one year before. Significant items in this partial result are EUR - 0.7 million (previous year: EUR - 0.7 million) of the interest expenses for our operating and guarantee credits and paid commission. The non-scheduled depreciations on the financial assets amount to EUR 4.44 million (previous year: EUR 6.4 million). The depreciation is due to a transfer of debt associated with a long-term loan to the former group company Geysir Europe GmbH from a compensation agreement dated 5 February 2021. This depreciation of EUR 4.4 million is contrasted

with income from additions to the financial assets from the issue of a promise of guilt-agreement by J.D. Apparate- und Maschinenbau GmbH in the same amount. For more details on this matter, we refer to Section IV. Other details – transactions with affiliated persons in the consolidated notes. Further depreciations to subordinated receivables were made at a subordinate scale. In the previous year, long-term depreciations of the subordinated receivables recategorised into the financial assets in 2020 compared to Geysir Group companies led to a significantly more encumbering result of around EUR 6.4 million. A dividend payment of the Swiss subsidiary was not collected in the previous financial year. Other interest and similar income is included in the financial result and amounts to a declining trend of EUR 0.2 million (previous year: EUR 0.2 million).

In total, this resulted in a group annual net profit of around EUR 0.8 million after a minus amount of EUR 5.2 million in the previous year.

Based on a pre-tax result of EUR 0.8 million (previous year: EUR - 5.0 million) and with the standard elimination of the financial result, an adjusted operational EBIT of EUR 1.5 million is calculated (previous year: EUR 1.9 million). Building on this, a group EBITDA in the report year of EUR 4.0 million (previous year: EUR 4.2 million) was achieved. The income figures for the previous year also included an appreciation in value on a receivable with regard to the Geysir Group of EUR 2.0 million and income from the sale of holdings of EUR 1.5 million in the EBIT.

The group Daldrup & Söhne AG exceeded the target group total income forecasted in May 2021 for the 2021 financial year of approx. EUR 43.0 million in the report year with a total of EUR 44.9 million in an environment once again affected by the coronavirus pandemic. The EBIT forecasted in May 2021 between EUR 0.86 million and EUR 1.72 million and between 2 % and 4 % of the groups' total operating output was satisfactorily achieved within the forecasted bandwidth at EUR 1.5 million.



PLEASE FIND BELOW AN OVERVIEW OF THE KEY FIGURES RELATING TO THE DALDRUP GROUP'S INCOME SITUATION:

	2021 EUR k	2020 EUR k
Sales revenue	78,060	26,189
Group total operating output	44,861	47,488
Cost of materials	- 21,470	- 25,338
Personnel expenses	- 8,876	- 8,833
Amortisation of intangible assets and depreciation of property, plant and equipment	- 2,364	- 2,308
Other operating expenses	- 11,032	- 13,456
Financial result	- 773	- 6,892
EBITDA	3,953	4,199
EBIT	1,543	1,891
Group annual net income (Previous year: minus amount)	785	- 5,204

The comparison of the annual values includes other operating income of a total of around EUR 3.50 million in the 2020 financial year from the appreciation in value of receivables and from the sale of a shareholding.

2. NET ASSETS

OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP

ASSETS	31/12/2021 EUR k	31/12/2020 EUR k
A. Fixed assets		
I. Intangible Assets		
Concessions, industrial property and similar rights and assets and licences to such rights and values	9,007.00	12,439.00
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third party land	5,361.00	5,962.00
2. Technical equipment and machinery	4,579,192.50	6,072,361.48
3. Other equipment, operating and office equipment	2,569,120.50	2,220,653.50
4. Prepayments and assets under construction	-	196,789.46
	7,153,674.00	8,495,766.44
III. Financial assets		
1. Shares in affiliated companies	2.00	2.00
2. Other loans	9,660,000.00	11,845,324.40
	9,660,002.00	11,845,326.40
	16,822,683.00	20,353,531.84
B. Circulating assets		
I. Inventories		
1. Raw materials, consumables and supplies	4,783,842.70	4,701,632.07
2. Work in progress	30,081,628.01	63,173,554.02
3. Prepayments received on orders	- 28,685,385.03	- 66,515,996.27
	6,180,085.68	1,359,189.82
II. Receivables and other assets		
1. Trade receivables	4,100,897.16	4,020,174.94
2. Other assets	8,452,830.88	9,663,822.01
	12,553,728.04	13,683,996.95
III. Cash in hand and credit balances at banks	3,031,879.79	3,023,159.34
	21,765,693.51	18,066,346.11
C. Deferred expenses and accrued income	50,351.83	45,757.56
	-	-
Total assets	38,638,728.34	38,465,635.51



The balance sheet total for the Daldrup Group to the balance sheet date of 31/12/2021 reached EUR 38.6 million (previous year: EUR 38.5 million) and has increased marginally compared to the value date for the previous year by around EUR 0.1 million.

The tangible assets will be amortised as scheduled and amount to EUR 7.2 million (previous year: EUR 8.5 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 the assets in the amount of around EUR 1.0 million and depreciations of EUR 2.4 million. The additions primarily include operationally essential investments, in particular the acquisition of new equipment for drilling operations.

The financial assets amounting to a total of EUR 9.7 million (previous year: EUR 11.8 million) include medium-term subordinated receivables to the companies of the sold Geysir Europe part of the group of EUR 4.7 million and medium-term financial receivables from J. D. Apparate- und Maschinenbau GmbH of EUR 4.4 million.

The specification of the raw, auxiliary and operating materials as a partial item of the stocks amounts to EUR 4.8 million to the balance sheet date (previous date: EUR 4.7 million) and therefore reached the previous year's amount. Price increases were also seen in the 2021 financial year.

The unfinished services evaluated according to commercial caution reached a value of EUR 30.1 million on the balance sheet date (previous year: EUR 63.2 million), which predominantly results from a large order scheduled and invoiced in 2021, which was accounted for on 31/12/2020 at around EUR 42 million. The advance payments included of a total of EUR 28.7 million (previous year: EUR 66.5 million) were deducted from the unfinished services. This relates to advance payments for services provided within the framework of the contractual agreements with Daldrup Group customers.

The trade receivables increased slightly compared to the previous year and, on the report date, reached EUR 4.1 million (previous year: EUR 4.0 million). 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.

As scheduled, the other assets decreased. These assets amount to EUR 8.5 million (previous year: EUR 9.7 million). This balance sheet item includes, for example, a loan to a Daldrup Group company amounting to EUR 6.0 million, which was amortised as scheduled in 2021. Further, this includes EUR 1.6 million in purchase price receivables from the sale of company shares and receivables from financial authorities of EUR 0.4 million.

Cash amounts to a consistent EUR 3.0 million (previous year: EUR 3.0 million) and only marginally exceeds the previous year's value.

In total, the highly liquid balance sheet items consisting of trade receivables amount to EUR 4.1 million (previous year: EUR 4.0 million) and cash to EUR 3.0 million. (previous year: EUR 3.0 million) on the reporting date, with a further positive total result of EUR 7.1 million (previous year: EUR 7.0 million).

The liabilities side of the balance sheet saw an increase in Daldrup & Söhne AG equity on 31/12/2021 to a total of EUR 19.0 million (previous year: EUR 18.2 million). The equity quota on the balance sheet date of 31/12/2021 continues to amount to a comfortable 49.3 % (previous year: 47.3 %) of the group balance sheet total.

The other provisions decreased slightly to EUR 1.2 million (previous year: EUR 1.3 million). Further details can be found in the provisions notes in the annex.

The structure of the liabilities was improved in the past financial year. On the one hand, the total liabilities were reduced to EUR 18.4 million (previous year: EUR 19.0 million). On the other hand, medium-term finance for deposit financing of Daldrup & Söhne AG and in connection with the acquisition of necessary operating and business equipment was disbursed by new financiers. Project financing in connection with the invoiced large project continued to be reduced as scheduled. The trade payables, in line with business operations, stayed at a consistent EUR 5.2 million (previous year: EUR 5.2 million). The other liabilities contain, as a focal point, a scheduled reduced loan for refinancing subordinated receivables from Geysir companies (previous year: EUR 1.7 million), liabilities from a previously interest-free COVID-19 programme in the Netherlands, a trade loan from a contemporary share purchase (EUR 1.3 million) and value added tax liabilities from invoiced customer orders.



LIABILITIES	31/12/2021 EUR k	31/12/2020 EUR k
A. Equity		
I. Subscribed capital	5,989,000.00	5,989,000.00
Treasury shares	- 4,012.00	- 4,012.00
	5,984,988.00	5,984,988.00
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	372,884.91	234,027.75
IV. Currency conversion adjustments	- 987,110.76	- 902,537.49
V. Consolidated balance sheet loss	- 22,711,386.98	- 23,496,133.88
	19,040,250.18	18,201,719.39
B. Provisions		
1. Tax provisions	32,617.06	36,750.16
2. Other provisions	1,186,209.93	1,232,762.76
	1,218,826.99	1,269,512.92
C. Liabilities		
1. Liabilities to banks	7,764,205.92	7,735,595.21
2. Trade payables	5,202,879.22	5,201,047.05
3. Other liabilities	5,409,178.17	6,053,654.11
– of which from taxes: EUR 155,695.76 EUR (previous year: EUR 1,214,000.00)		
– of which within the framework of social security: EUR 68,342.39 (previous year: EUR 83,368.49)		
	18,376,263.31	18,990,296.37
D. Deferred income and accrued expenses		
	3,387.86	4,106.83
Total assets	38,638,728.34	38,465,635.51



3. FINANCIAL POSITION

The cash flow statement can be found on page 68 of this management report.

The finances of the Daldrup Group primarily remain unchanged via the parent company Daldrup & Söhne AG, which controls the financing activities on a group-wide basis in coordination with the operationally active management boards.

Medium-sized and large drilling projects require high monetary payments from 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. Furthermore, on the balance sheet date, project financing to be amortised gradually amounting to still around EUR 0.4 million (previous year: EUR 1.5 million) existed, as well as a newly agreed, unsecured loan financing from a new creditor made available amounting to around EUR 1.85 million (previous year: EUR 0.0).

The group's solvency was monitored on an ongoing basis, updated for planning and was secured taking into consideration the forecasts provided during the 2021 financial year. The balance from the high liquidity assets of EUR 7.1 million and the trade payables generally to be paid promptly of EUR 5.2 million amounted to EUR 1.9 million on the balance sheet date.

Daldrup will process the acquired orders according to the schedule in the 2022 financial year. The order inventory of EUR 20.2 million will use the production capacities for the 2022 financial year in full, which is forecast to be the case until the end of the third quarter of 2022. From these orders, taking into account the forecasts, with scheduled processing, the company expects regular revenue and predictable liquidity flows from all segments of the group. On this basis, the solvency of the group is also secured beyond the 2022 financial year.

The group also has ambitious plans for the 2022 financial year, which do not currently appear to be endangered despite the increased number of COVID-19 cases in the autumn and the war in Ukraine. Due to the sale of the Geysir Europe Group, notable liquidity challenges no longer apply since the 2021 financial year, even if direct or indirect effects, e.g. by reduced goods procurement for operational areas, cannot be excluded. The recoverability of the subordinated loans to the companies of the Geysir Europe Group will be evaluated on an ongoing basis in the event of changes in circumstances, whereby there is a further risk, not encumbered by liquidity, depending on, for example, strategy changes by the investor. The ambitious plans for the 2021 financial year and subsequent years, in particular in project management and cost management, must be achieved in order to continue improving the group's situation. Furthermore, suitable measures must be taken to eliminate the lack of specialist staff.





4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The coronavirus pandemic posed an enormous challenge to the German economy in 2020 and 2021. Whilst economic performance did improve significantly in the report year again (+ 2.6 % compared to 2020), supply bottlenecks, disruptions in logistics chains and increasing raw material prices led to new challenges and uncertainty, however. This market environment largely did not affect Daldrup & Söhne AG.

A largely economy-independent, long-term oriented order environment and positive regulatory framework conditions for geothermal energy create a stable market environment. Business operations and the earnings of Daldrup & Söhne AG in the report year were positively influenced by the regulatory environment and the overall economic development in the target markets of Germany, Switzerland and the Benelux countries. The good utilisation of all business areas, but in particular the operation of two of the three large drilling sites, moved Daldrup & Söhne AG into an overall more satisfactory position in the report period than back in the 2020 financial year.

Our supplier and service chains worked punctually in 2021 except for short-term disruptions. Project success on the drilling sites was not endangered at any time. As an alternative, multiple suppliers are available for key drilling equipment and construction components. 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.

The subordinated receivables from companies in the former Geysir part of the group apply directly or indirectly to D&S Geothermie GmbH in the amount of around EUR 4.7 million and were reduced to a limited extent in the 2021 financial year within the framework of money received of EUR 2.5 million by the investment company of the Geysir Group within the framework of the agreement concluded in January 2021 with IKAV. Overall, Daldrup & Söhne AG thus notably reduced payables of at the time around EUR 33 million. The shortage of specialist workers also had a growth-limiting and profit-limiting effect in 2021. We are endeavouring to counteract this shortage by the successive use of more modern and efficient drilling devices and an increase in temporary workers.

The company has taken appropriate measures from the perspective of the management board with its own COVID-19 protocol in order to protect employees, service providers and customers despite the uncertainties to the greatest extent possible and to limit the effects on operational drilling activities overall.



C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup is committed to complying with high health, safety and environmental protection standards. In this regard, Daldrup & Söhne AG places most value on compliance with industry standards, the respective valid national laws and valid regulations relating to safety, health and environmental protection by its employees. 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 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.



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. 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. The risk system, the risk environment and potential threats to the Daldrup Group are described below:

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 and an existing health risk potential from the COVID pandemic, as well as geopolitical and economic risks due to Russia's war in Ukraine are leading to a trend of the risks of the Daldrup Group's business model increasing in the previous financial years.

Company shareholdings and joint ventures may have a significant negative effect on the assets, financial and income situation of the Daldrup Group on an integration-related basis due to lack of investment and incorrect assessment by opportunities and risks. 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, residual risks remain in the form of balanced subordinated loans and purchase price receivables.

The management board of the company and the local management boards partially work with the support of consultants and suppliers with geothermal experience with regard to the completion of the drilling work and projects to be handed over turnkey.

2. OPERATIONAL 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. In principle, five hazard or risk areas should be highlighted which exist in connection with deep drilling by the report company and in the project business of the group company:

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 bears the risk for technical drilling processes. 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.

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. Beyond the scope of standard occupational liability risks, in the opinion of the management board and within the framework of annual strategy discussions with our industry insurance partners, there are no special areas of risk. Risk and damage prevention via a consistent and certified quality and safety concept have a high priority within the Daldrup Group's operational business. 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 cannot eliminate time delays in the event of non-discovery and its financial effects for Daldrup & Söhne AG, it reduces the discovery risk for our customers, contributing to better implementation potential of deep geothermal projects and thus significantly supports customer acquisition in this niche. 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. The risk-oriented supplier management endeavours to reduce the procurement risks and stabilise these at the lowest possible level by means of the diversification of business partners and exploration of 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 Daldrup & Söhne AG. 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 brand and its market position are key competitive advantages of Daldrup & Söhne AG.

The future utilisation of the Daldrup Group is evaluated and published via the key figure "Market relevant to Daldrup" (previously: order pipeline). When evaluating this key figure, it should be taken into account that, by definition, it is not based on contracts which have been concluded with customers but carefully considered yet ultimately subjective probabilities of occurrence with regard to possible commissioning. These probabilities of occurrence may fluctuate depending on how current discussions pan out and fail in the event of an award to a competitor, for example.

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

In all business areas, Daldrup & Söhne AG employs key employees (e.g. project managers, engineers and experienced drilling device operators) and their long-standing contacts and specialist knowledge are important for the company's success. The loss of key employees – e.g. due to being enticed away, illness or accident – might create a gap, at least temporarily. The current shortage of specialist personnel for the operation of the large fleet of drilling devices and in commercial areas has worsened again and cannot be solved on a short-term basis by the company's own education and qualification measures. Therefore, strategic holdings, acquisitions and potentially joint ventures will be pursued with interest and opportunities evaluated.

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. These derivative transactions are only entered into by the Daldrup Group in the event of the existence of a basic business to be hedged and exclusively with banks with good solvency. The effectiveness of the hedging relationships is ensured by the use of respective identical parameters (critical terms) in basic and hedging transactions. 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. Where required, the standard instruments in international business are used to hedge solvency, payment and supply risks by means of guarantees and letters of credit. In order to limit damages due to failure to pay, wherever 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 confronts this risk with a generally broad choice of possible replacement suppliers and monitoring of critical components in the manufacturing process, including comprehensive quality assurance measures and control of the manufacturing process.

In the course of the sale of the Geysir Group, noteworthy parts remain as subordinated loans in the long term via the granted loans of Daldrup & Söhne AG and the subsidiary D&S Geothermie GmbH. Here, there is a risk that these subordinated loans, still amounting to around EUR 4.7 million, will not be paid back in full and then value adjustments which will become necessary could also influence the financial results of the reporting company and the Daldrup Group to a notable negative extent in the future.

Within the framework of the Geysir sale, in the 2021 financial year a further purchase price of EUR 2.5 million went to Daldrup & Söhne AG, the whereabouts of which is subject to certain conditions. Negotiations are ongoing currently between the parties. Should these conditions not be met due to a failure to conclude suitable agreements, the above-mentioned amount is to be paid back to the acquirer of the receivables in return for restitution of the sold receivables.



Within the framework of the Geysir sale, the subsidiary D&S Geothermie GmbH also received ownership of parts of the former components of the Taufkirchen power station, which were valued, as purchase price components. These valuations and further deductions made by management were included in the evaluation of the Geysir subordinated loans. 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. However, in this regard, there is the risk that the values, taking the values calculated by the management, are not achieved and in the future further depreciation on the receivables could be required.

The continuously recurring discussion about the solvency of some countries in the eurozone and the effects of the COVID-19 pandemic could, like with national debt and the financial crisis in the years 2007 to 2009, lead to a significantly reduced willingness of banks to provide finance and the realisation of numerous drillable geothermal projects being made more difficult or prevented, since they will then increasingly be competing with higher interest rate investment forms again. This could, even if only temporarily, lead to hindrances to the growth of the geothermal energy market overall.

With the banks and emergency guarantee lenders with long-standing business connections to Daldrup & Söhne AG, in May 2020 a comprehensive agreement to ensure bilateral granted operating equipment credit lines for current account and guarantee credits was concluded. The agreement includes a flexibility clause relating to any project finance lines which become necessary in the future, which can be secured by respective securities individual to the project, including outside the agreement. A new creditor provided a loan in 2021 on an unsecured basis with a medium term.

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 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 is still, in principle, an external attack point. Further regular data backups are carried out. We are supervised by external specialists with regard to technical updates and the expected development of the internal IT systems.

5. LEGAL RISKS

Legal disputes may arise on the basis of the service process and within the framework of guarantees and general contracts which are in existence. Different expectations or interpretations of project contracts may lead to 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.

Contract management is organised such that a balanced distribution of opportunities and risks exists for Daldrup from a legal, technical and commercial perspective. The current order backlog is subject to these perspectives from contract management. The future potential utilisation of the Daldrup Group is evaluated and published via the key figure "Relevant market evaluated with probabilities of occurrence". When evaluating this indicator, it should be borne in mind that it is based by definition not on concluded contracts with customers, but rather carefully weighted but ultimately subjective probabilities concerning possible issuing of orders. These probabilities of occurrence may fluctuate depending on how current discussions pan out and, for example, fail completely in the event of an award to a competitor.

Civic initiatives and requests as well as opponents to technology can influence policies significantly. 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. Daldrup & Söhne AG is currently being sued in two notable cases and is defending itself in these proceedings.



Daldrup cannot conclusively estimate the outcome of these proceedings. In particular, in a key case, circumstances justifying the claim are not or are no longer substantiated sufficiently from today's perspective, so the management board still sees its success as improbable. An unfavourable outcome in a case could have massive effects on the Group's financial parameters. Daldrup is represented by renowned law firms here. Provisions for occurring legal costs have been built up. A claim was threatened in a notable case. The other non-notable cases do not have a significant influence on the financial parameters of the Daldrup Group on the basis of the current state of knowledge.

Daldrup & Söhne AG has obtained a D&O insurance policy for the management boards, the supervisory board and for the managing directors of legally independent subsidiaries and adapted the insurance sum in the 2021 financial year in line 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.

Political efforts associated with civilian initiatives against geothermal projects can delay or endanger project development and licencing processes or scare investors off. 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 Italy in future too, all with very different subsidy regimes. In the Netherlands, geothermal as a thermal energy is already in a position to compete with conventional energy sources without the need for subsidies. 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 too.

7. RISKS CONNECTED TO THE COVID-19 PANDEMIC AND THE EFFECTS OF THE WAR IN UKRAINE

Although significant opening by the political decision makers has occurred in recent times, globally companies and the population are still affected by significant restrictions, although these are currently tending to be reduced, both directly and indirectly in connection with the COVID-19 pandemic in their economic and occupational lives. The decline in economic performance across a broad front in all economies is due to sometimes draconian measures to contain the COVID-19 pandemic and the resulting uncertainty, the lack of demand, the decline of production in parts of industry, the closure of service businesses and a broad reluctance to invest. Until the vaccines authorised in the report year and this year have led to a non-endemic situation, it cannot be excluded that the lockdowns and quarantine, depending on the infection statistics, may again have a long-term negative effect on regional and global demand and willingness to invest.



Daldrup & Söhne AG sees the COVID-19 pandemic as primarily being associated with risks in the continuation of long-term drilling orders in the areas of "Procurement" and "Personnel" covered in the risks and opportunities report and evaluates these risks as follows:

PROCUREMENT RISKS

Daldrup considers the availability of products and services for drilling projects to be secured on a limited basis. To date, suppliers have been handling the orders in a reliable manner. Also, the company can have recourse to alternative suppliers for almost all components and services and is geographically essentially focused on the DACH region and Benelux, such that logistical risks also seem manageable. However, direct or indirect effects, e.g. due to restricted goods acquisition, on operational business activities cannot be excluded. The processing of the current order backlog with the existing products and components is not deemed to be at risk according to Daldrup & Söhne AG. The customer base is very diversified: It ranges from private individuals in the fields of well building and flat geothermal energy to companies for environmental and exploratory drilling to municipalities and financial investors for deep geothermal energy projects.

PERSONNEL RISKS

As well as protecting all employees, since the beginning of the pandemic the management board has been focusing on securing business operations to the greatest extent possible and fulfilling customer orders. The management board regularly holds meetings on the situation on all building sites, in sales and in administration and evaluates the protective measures which have been announced and the changing circumstances in order to be able to respond quickly and flexibly. The aim is to protect and safeguard the health of employees and customers in order to secure the Company's competitiveness.

FORECASTING RISKS

Although the Daldrup Group has come through the COVID-19-related restrictions to economic life so far, due to the extraordinary situation

and a complex and uncertain data situation, the forecast for the 2021 financial year is associated with a great deal of uncertainty. In addition, since February 2022, this risk has been exacerbated by the risk of significant market issues due to Russia's attack on Ukraine. The effects and areas affected by this cannot yet be evaluated. However, this situation makes it clear that new challenges are arising for the import independence of fossil primary energy sources and energy control within the framework of the energy transformation.

The level of the forecasting risk correlates with the further course of the COVID-19 pandemic and the effects of the war in the markets which are relevant for Daldrup and the measures taken to counteract the war with regard to the flow of goods and money and raw material supply. Order delays or significant price changes resulting from this generally also lead to a change in payment flows and financial/economic performance parameters.

FINANCING RISKS

With an increasing risk situation, the risk also increases that individual or many of our long-time financing partners will no longer be available to us in the same way and scope with working capital loans and project financing as well as in project-specific business with surety loans, which are sometimes widely needed. The failure to grant lines of credit may make it difficult to complete entire projects or put them at risk in their entirety. Daldrup & Söhne AG is countering this risk by making a timely approach to potential lenders, establishing comprehensive and satisfactory information in a timely manner in advance of any lending decisions to be made and concluding the aforementioned lending agreements with regarding to the hedging of granted lines of credit.

To date, neither COVID-19 loan programmes by the credit bank for rebuilding, loan programmes by regional German funding banks or COVID-19 subsidies from the states have been applied for or taken.



8. 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 a local infinite 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 field of heat continues to face major challenges, which probably can only be tackled with generous instruments consisting of regulatory incentives and flanking investment funding. The central goal of the new German government from the climate protection programme of achieving almost climate-neutral existing buildings by 2045 will not further help to implement 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.

With the revised EEG which came into force on 18 December 2020, the economic environment for investors in geothermal projects has been improved and clients and operators have planning and legal security.

Due to the existing EEG reallocation charge and the electricity tax intended for environmental protection purposes, however, paradoxically the development of environmentally friendly technologies like geothermal energy was blocked. In total, the price for electricity for geothermal heating was more than doubled by taxes and levies. By means of the abolishment of the EEG reallocation charge resolved on 1 July 2022, the electricity price for geothermal heat pumps and deep pumps will be reduced. Energy production from near-surface and deep geothermal energy will therefore become even cheaper and take pressure off consumers. The economic parameters which have been improved in this way will trigger new investments.

According to the BVG, in the medium term, the measures defined in the coalition agreement on the energy and heat transition are to be implemented with a high priority level⁹. The draft of a new catalogue of measures from the ad-hoc working group "Gas reduction" from the Federal Ministry for Economic Affairs and Climate Action includes a few important points to massively accelerate the development of geothermal energy.

The proposals include risk protection for geothermal projects and a national exploration campaign to effectively reduce the use of natural gas for heat generation.

The joint roadmap by researchers from the Fraunhofer Institute and the Helmholtz Association recently showed that geothermal energy could provide more than a quarter of the annual German heat demand (over 300 TWh). Hydrothermal geothermal energy (sometimes combined with large heat pumps) as a heat source for the national heat grid could cover around a quarter of Germany's total heat demand according to estimates in the roadmap, i.e. around 300 terawatt hours of work annually at 70 Gigawatt installed power.

⁹ German Geothermal Association, Press release, Crisis plan for accelerating the heat transition, 28/02/2022

The Daldrup Group can profit from this as a specialist drilling service provider throughout the value chain for turnkey geothermal heat and power plants. 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 Daldrup & Söhne AG the continued good order situation and processing and the many years of transparency thanks to the stock exchange listing, as well as the established market position in Central Europe as a reliable partner may well lead to new opportunities in the market in the current economic and political situation.

9. OVERALL STATEMENT ON THE RISK AND OPPORTUNITY SITUATION

The company management is geared towards organisational and, above all, financial stability when there is an intentional risk strategy with 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. Entrepreneurial opportunities and potential risks have been balanced.



E. 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. Holdings in heating plants or power plants are desired on a long-term basis as minority shareholdings insofar as they comply with the medium-sized alignment and scope of the 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, Daldrup 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 continuous further development of the internal structures within the group, as well as management and control mechanisms. The organisational structure in the group, order controlling, management, risk identification and reporting tools, as well as the bases of the business models, will gradually be adapted to the requirements of the business model and adjusted proportionally in order to reliably lead the group into the future.

Despite the ongoing effects of the COVID-19 pandemic and the ultimately uncertain consequences of Russia's war in Ukraine, in the coming months Daldrup & Söhne AG expects significant demand for drilling orders, in particular for geothermal heat projects. Despite a probable further rise in interest rates in the coming quarters, according to expert opinions the interest rate level in the euro zone can be kept to a relatively low level overall. With this in mind in particular, the continued high level of interest from financial investors as a customer group, as well as municipalities, municipal plants and industrial companies, in geothermal power and heating projects is expected to remain.

2. FUTURE ECONOMIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT CHARACTERISED BY A WIDE RANGE OF UNCERTAINTIES

In its Kiel economic report published in mid-December 2021, the IfW anticipated global economic recovery in 2022. The regional and global economic effects of Russia's war against Ukraine have not yet been considered. The experts expect an increase in world production by 4.5 % for 2023, with the IfW expecting a 4.0 % increase. The dynamics of the global economic recovery in 2021 as a consequence of new COVID-19 waves and problems in the supply chains have slowed down significantly. However, in its report the IfW notes that the pandemic and supply bottlenecks will have less influence as the year goes on. In addition, the waves of infection are becoming less and less synchronised and are starting to differ more regionally. In particular in countries with a high vaccination level, higher incidence levels will now be tolerated without preventive measures being taken.

In advanced economies, further fiscal stimuli are supporting the economy. The extensive extra expenses, economic programmes and tax deferrals introduced to reduce the effects of the pandemic will significantly reduce as economic activity continues to normalise. However, in parallel, public investment and programmes will be introduced, which the IfW says aim to counteract structural challenges such as climate change. As such, overall the fiscal brake effects based on the phasing out of the support programmes introduced in connection with the pandemic are moderate and, according to the IfW, politicians should act cautiously in possible consolidation steps in order to not endanger economic recovery.

The large central banks in the advanced economics will conceivably gradually streamline their monetary policy to the significant rise in inflation. In the euro zone as well, a decrease in expansive monetary policy and increase in base rates is being seen.

Economic recovery in the euro zone will, according to estimates by the IfW, gain traction again in the spring after a setback in the winter half-year of 2021/22. Continued supply bottlenecks which significantly impair industrial activity are expected to gradually dissipate over 2022 and enable significant value creation increases in production over the course of the year. As such, the gross domestic product in the euro zone is set to increase by 3.5 % in the coming year and by 3.1 % in 2023.



For the German economic area as well, the IfW believes that the phasing out of the pressures caused by the pandemic from spring 2022 will cause a significant economic recovery. Economic activity is then also set to be particularly dynamic for this reason because the supply bottlenecks causing a massive impact on industrial production are expected to be reduced. For 2022, the IfW expects an increase in the gross domestic product of 4.0 % and 3.3 % for 2023.

POSITIVE INDUSTRY OUTLOOK DESPITE THE ONGOING CORONAVIRUS PANDEMIC

On the one hand, in our industry, the COVID-19 pandemic has overall only led to more minor project delays, in particular in the implementation phases. Approval phases were drawn out. To date, we have not recorded any significant negative effects of the coronavirus pandemic with regard to incoming orders or ongoing drilling operations on the building sites. Both municipal and private clients are continuing to drive forwards plans, in particular for geothermal heat projects. A significant relaxation of the restrictive coronavirus measures can be seen in the current report year. On the other hand, the effects of Russia's war against Ukraine are currently difficult to predict. Significant price increases for fossil energy sources and thus energy costs are, however, already leading to a whole package of measures which are intended to support the import independence and energy independence of Germany with increased funding for renewable energies. The economic environment is set to be further improved by the Federal Ministry for Economic Affairs and Climate Action with a new EEG version in the first half of the year. This strengthens planning and investment security and, according to our assessment, is expected to lead to increased demand for flat and deep geothermal energy projects for Daldrup & Söhne AG.

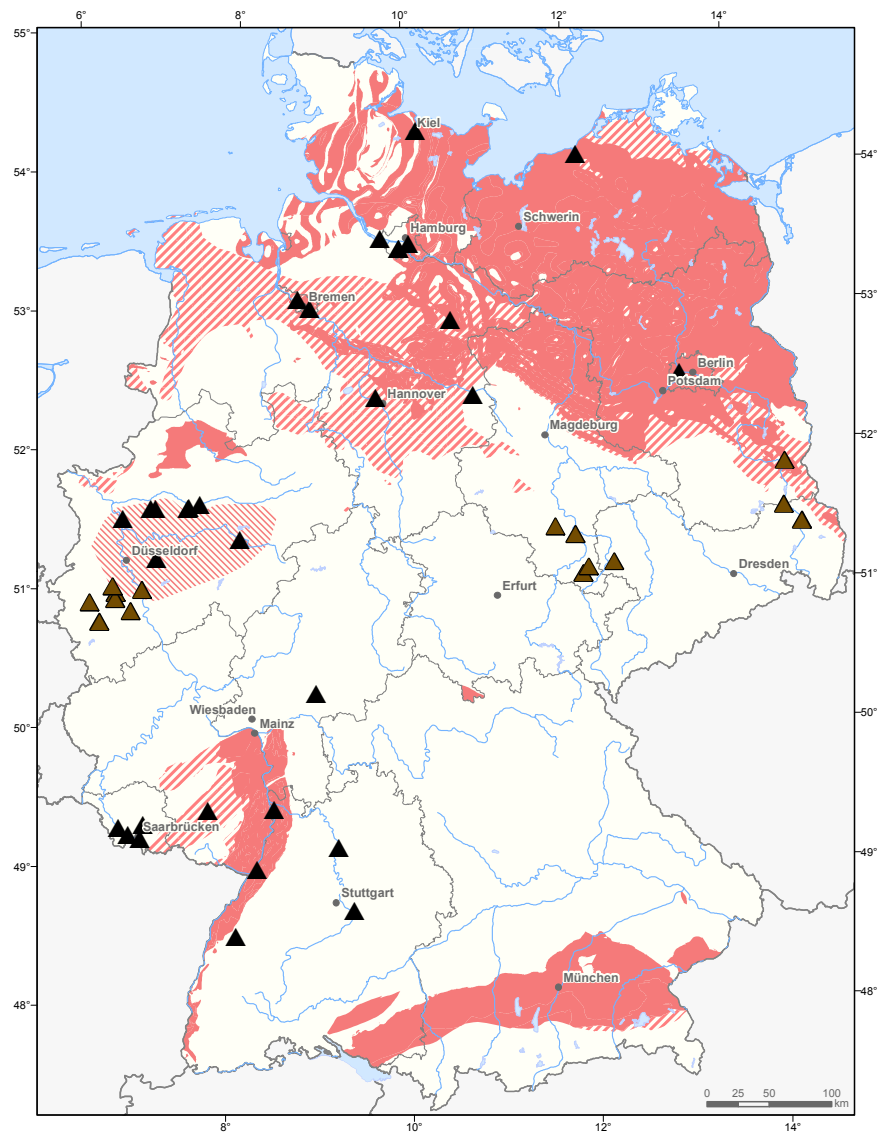
Overall, the regulatory environment for the development and application of geothermal energy in Europe and in Germany has continued to improve. Driving parameters within the goal of the energy transition are the decarbonisation of all energy production forms, i.e. not just electricity generation, and sector coupling, as well as the significant reduction of dependence on imports of fossil primary energy sources.

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. Its value creation takes place on a regional basis. 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.






The German Geothermal Society takes a clear position. "Geothermal energy offers a route out of the current dilemma of energy policy. The technology is able to reliably provide warmth, cold and electricity independent of the time of day and year and political crises with price stability and in an extremely environmentally friendly manner. In particular in the heat market, to which more than half of the total national primary energy demand, the development of the use of geothermal energy can significantly reduce dependence on energy imports because the wealth of heat residing under our feet is enormous. A current study by the Fraunhofer Institute and the Helmholtz Association came to the conclusion that geothermal energy has the potential to cover more than a quarter of annual German heat demand."¹⁰ Our current goal is said to be using the huge energy potential of geothermal quickly and efficiently. "We need to act now and explore the heat source under our feet. Geothermal energy makes a key contribution to security of supply, climate protection and price stability," according to the Association President Helge-Uve Braun.

The map of Germany depicted shows the geographical congruence of the use of geothermal heat as a (partial) replacement for remaining coal-fired power stations.

¹⁰ German Geothermal Association, Press release "Expand geothermal energy now – ensure security of supply and price stability!", 24 February 2022



Hydrothermisches Potenzial ab 60°C

- | | |
|---|--|
|  vorhanden | Heizkraftwerke |
|  vermutet |  Braunkohle |
|  untersuchungswürdig |  Steinkohle |



The Leibniz Institute of Applied Geophysics, in a position paper “60 % renewable heat” in 2018¹¹, modelled a long-term scenario for geothermal energy in Germany. Although each project is planned on an individual basis with regard to the use of geothermal energy and the differences in thermal output may differ greatly by region, the Institute believes there is the potential for annual increases in drilling activity for geothermal projects over the next 30 years.

Around 104.5 TWh of heat generated from deep underground per year would then be generated in 2050, ready to be used for heating, hot water or as process heating. According to data from the Federal Environment Agency, the resources in Germany which can be exploited geothermally are 2.5 times higher. We gave further explanations of the position paper in the 2019 Annual Report.

In total, according to the Leibniz Institute, by 2050, deep geothermal energy could cover around 17 % of the heat demand in Germany. The cost reduction potential which exists in project development and in technology can be explored by the numerous upcoming projects and associated research, meaning that costs of geothermal electricity and heat generation in the coming years will rapidly approach an economically favourable level.

Geothermal technology has already become industrially standardised in lots of areas. It can be controlled and planned. Due to its own competence and expertise, the Daldrup Group demonstrates, as part of lots of projects, that the high safety requirements of the population and the licencing authorities can and will be met.



¹¹ Leibniz Institute for Applied Geophysics, The role of deep geothermal energy in the heat transition – how Germany could generate 60% renewable heat by 2050, page 8 et seq., 27 April 2018

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The drilling and project operations of Daldrup & Söhne AG have, for a few years, been characterised by high utilisation and a satisfactory order situation in all four business areas. Although the current geothermal environment in society and politics can be categorised 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 individually since the geology of the subsoil can differ a lot. 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 an impact on the course of business of Daldrup & Söhne AG in the future.

With the sale of Geysir Europe GmbH and the geothermal power plants, by the start of 2020 Daldrup & Söhne AG had significantly reduced its risk exposure in the form of subordinated loans and huge obligations arising from liabilities. Noteworthy liquidity flows to the sold power plant projects will cease in the future. As such, the company 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. In February 2021, Daldrup & Söhne AG made an important step towards this in a further agreement with the buyer of Geysir Group regarding the conditional purchase of subordinate receivables. After the successive dismantling of risky subordinated loans and other claims from the former power plant companies, these companies still have a volume of a total of EUR 4.7 million with terms up to January 2027. In the course of the agreement, Daldrup & Söhne AG acquired liquid funds of around EUR 2.8 million, EUR 2.5 million of which as a conditional purchase price payment. These funds increased its liquidity and were partially used in the expansion and modernisation of drilling capacities, invested in the strengthening of the core business and used as deposit funding.

The economic development in 2021/2022 will still be evaluated as satisfactory overall by the management board at the end of May 2022, taking into consideration the economic environment and overall economic effects of the COVID-19 pandemic and the effects of the

war in Ukraine, even if direct or indirect effects due to, for example, reduced goods procurement to operational business activities cannot be excluded.

To date, the drilling and service business of Daldrup & Söhne AG has only been affected by the COVID-19 pandemic to a negligible extent. For example, the drilling for Nagra in Switzerland was carried out as planned. In the coming months, the economic environment, as a result of the price increases caused by inflation and the war in Ukraine, for raw, auxiliary and operating materials is likely to be temporarily hindered, in particular the purchase of diesel and steels. To date, these risks have been categorised as low but were not predictable to this extent and were therefore not hedged. Currently, a flattening out of diesel prices can be seen, meaning that we are categorising these special effects as temporary. With regard to the increased steel prices, we are, for example in coordination with our customers, endeavouring to replace steel with other suitable materials to reduce this effect.

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. Against this backdrop, the order pipeline is developing positively and, by the end of February 2022, will reach around EUR 96 million.

Even if value corrections to the significantly reduced claims from companies belonging to the former Geysir part of the group cannot be excluded, the management board of Daldrup & Söhne AG, taking into consideration the above points and the well-utilised drilling system capacities, in particular in flat geothermal energy, and the satisfactory order situation, which is expected to have orders into the third quarter of 2022, and the existing order potential overall, assumes that Daldrup & Söhne AG will achieve overall performance of around EUR 42 million in the 2022 business year. Due to existing market, procurement and price risks arising from the Ukraine war, the board is currently continuing to expect an operating margin before interest and taxes (EBIT) of between 4.0% and 6.0 % of total operating output.



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

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

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

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

Oberhaching, 31 May 2022

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Spokesman of the Board)

Peter Maaserwerd
(Board member)

Bernd Daldrup
(Board member)

Stephan Temming
(Board member)





CONSOLIDATED FINANCIAL STATEMENT
for the fiscal year 2021

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AUDITOR'S OPINION



GOLDRUP
Beruf Tiefbohrung

CONSOLIDATED INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

	01/01/2021 - 31/12/2021 EUR	01/01/2020 - 31/12/2020 EUR
1. Sales revenue	78,060,021.64	26,188,532.54
2. Increase/decrease in work in progress	- 33,199,057.48	21,299,948.67
Total operating output	44,860,964.16	47,488,481.21
3. Other operating income – of which from currency conversion: EUR 93,627.01 (previous year: EUR 301,276.35)	465,690.35	4,336,996.07
4. Cost of materials		
a) Cost of raw materials, supplies and purchased goods	8,000,746.99	9,691,106.13
b) Expenses for services procured	13,469,481.59	15,646,499.55
	21,470,228.58	25,337,605.68
5. Personnel expenses		
a) Wages and salaries	7,368,849.73	7,350,615.71
b) Social contributions and expenses for retirement benefit and support – of which retirement benefit: 1,825.99 (previous year: EUR 1,914.08)	1,507,119.80	1,482,588.74
	8,875,969.53	8,833,204.45
6. Amortisation of intangible fixed assets and depreciation and amortisation of property, plant, and equipment	2,364,342.17	2,308,061.61
7. Other operating expenses – of which from currency conversion: EUR 64,433.47 (previous year: EUR 379,350.79)	11,032,839.13	13,455,642.82
8. Other interest and similar income	170,135.17	182,210.06
9. Revenue from additions to financial assets	4,400,000.00	0.00
10. Depreciation of financial assets	4,440,000.00	6,352,682.37
11. Interest and similar expenses	903,031.71	721,362.63
12. Taxes on profit – of which from deferred taxes: Expenses EUR 0.00 (previous year: Income EUR 152,916.88)	2,765.09	172,735.51
13. Profit or loss after taxation	813,144.65	- 5,173,607.73
14. Other taxes	28,397.75	30,145.79
15. Consolidated net income/loss	784,746.90	- 5,203,753.52
16. Loss attributable to other shareholders	0.00	- 20,174.48
17. Consolidated loss carried forward	- 23,496,133.88	- 18,272,205.88
18. Consolidated balance sheet loss	- 22,711,386.98	- 23,496,133.88



DALDRUP AG
Tiefenbohrungen



CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

ASSETS	31/12/2021 EUR	31/12/2020 EUR
A. Fixed assets		
I. Intangible fixed assets		
Acquired concessions, industrial property rights and similar rights and assets, and licences for such rights and assets	9,007.00	12,439.00
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third party land	5,361.00	5,962.00
2. Technical equipment and machinery	4,579,192.50	6,072,361.48
3. Other plants, factory and office equipment	2,569,120.50	2,220,653.50
4. Prepayments and assets under construction	-	196,789.46
	7,153,674.00	8,495,766.44
III. Financial assets		
1. Shares in affiliated companies	2.00	2.00
2. Shares in associates	0.00	0.00
3. Loans to associates	0.00	0.00
4. Other loans	9,660,000.00	11,845,324.40
	9,660,002.00	11,845,326.40
	16,822,683.00	20,353,531.84
B. Circulating assets		
I. Inventories		
1. Raw materials, consumables and supplies	4,783,842.70	4,701,632.07
2. Work in progress	30,081,628.01	63,173,554.02
3. Advance payments received on orders	-28,685,385.03	-66,515,996.27
	6,180,085.68	1,359,189.82
II. Receivables and other assets		
1. Trade receivables	4,100,897.16	4,020,174.94
2. Other assets	8,452,830.88	9,663,822.01
	12,553,728.04	13,683,996.95
III. Cash on hand and credit balances at banks	3,031,879.79	3,023,159.34
	21,765,693.51	18,066,346.11
C. Deferred expenses and accrued income	50,351.83	45,757.56
D. Active latent taxes	0.00	0.00
Total assets	38,638,728.34	38,465,635.51



LIABILITIES	31/12/2021 EUR	31/12/2020 EUR
A. Equity		
I. Subscribed capital	5,989,000.00	5,989,500.00
Treasury shares	- 4.012,00	- 4.012,00
	5,984,988.00	5,985,488.00
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	372,884.91	234,027.75
IV. Currency conversion adjustments	- 987,110.76	- 902,537.49
V. Balance sheet loss	- 22,711,386.98	- 23,496,133.88
	19,040,250.18	18,201,719.39
B. Provisions		
1. Tax provisions	32,617.06	36,750.16
2. Other provisions	1,186,209.93	1,232,762.76
	1,218,826.99	1,269,512.92
C. Liabilities		
1. Liabilities to banks	7,764,205.92	7,735,595.21
2. Trade payables	5,202,879.22	5,201,047.05
3. Other liabilities	5,409,178.17	6,053,654.11
– of which from taxes: EUR 0.00 (previous year: EUR 1,956,161.02)		
– of which within the framework of social security: EUR 0.00 (previous year: EUR 51,759.39)		
	18,376,263.31	18,990,296.37
D. Deferred income and accrued expenses	3,387.86	4,106.83
Total assets	38,638,728.34	38,465,635.51

CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

	PARENT COMPANY							
	(Amended) Subscribed capital			Reserves				
	Subscribed capital	Treasury shares	Total	Capital reserves		Retained earnings		Total
				Capital reserves	Legal reserve	Other revenue reserves	Total	
in EUR								
As at 01/01/2020	5,989,500	- 4,012	5,985,488	36,355,875	25,000	234,028	259,028	36,614,903
Consolidated loss for the year	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 conversion	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Other changes	0	5	5	0	0	0	0	0
As at 31/12/2020	5,989,500	- 4,012	5,985,488	36,355,875	25,000	234,028	259,028	36,614,903
As at: 01/01/2021	5,989,500	- 4,012	5,985,488	36,355,875	25,000	234,028	259,028	36,614,903
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 conversion	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	138,857	138,857	138,857
As at: 31/12/2021	5,989,500	- 4,012	5,985,488	36,355,875	25,000	372,885	397,885	36,753,760

PARENT COMPANY			NON-CONTROLLING INTERESTS			Group equity
Equity difference from currency translation	Consolidated balance sheet profit/loss	Total	Non-controlling share prior to equity difference from currency translation	Equity difference from currency translation attributable to non-controlling shares	Total	
- 1,025,617	- 18,272,206	23,302,568	19,935	0	19,935	23,322,503
0	- 5,223,928	- 5,223,928	20,175	0	20,175	- 5,203,753
0	0	0	0	0	0	0
0	0	0	- 40,110	0	- 40,110	- 40,110
123,079	0	123,079	0	0	0	123,079
0	0	0	0	0	0	0
0	0	0	0	0	0	0
- 902,538	- 23,496,134	18,201,719	0	0	0	18,201,719
- 902,538	- 23,496,134	18,201,719	0	0	0	18,201,719
0	784,747	784,747	0	0	0	784,747
0	0	0	0	0	0	0
0	0	0	0	0	0	0
- 85,073	0	- 85,073	0	0	0	- 85,073
0	0	0	0	0	0	0
0	0	138,857	0	0	0	138,857
- 987,611	- 22,711,387	19,040,250	0	0	0	19,040,250



CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2021 FISCAL YEAR

	01/01/2021- 31/12/2021 EUR	01/01-31/12/2020 EUR
1. Cashflow from ongoing business activity		
Result for the period including third-party shares	784,746.90	- 5,203,753.52
Scheduled depreciation of fixed assets	2,364,341.17	2,308,061.61
Increase/reduction in provisions	- 46,552.83	- 658,518.30
Other non-cash expenses and income	- 4,346,216.11	6,852,682.37
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	- 3,695,221.22	68,478.18
Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	- 643,362.74	- 1,132,948.02
Profit/loss from disposal of fixed assets	4,439,680.85	- 1,519,578.05
Interest expenses	903,031.71	787,335.06
Interest income	- 170,135.17	- 248,182.49
Other investment income	0.00	0.00
Income tax expense/income	2,765.09	172,735.51
Income tax refunds/payments	- 6,898.19	188,837.51
Cashflow resulting from ongoing business activity	- 413,820.54	1,615,149.86
2. Cash flow from investing activities		
Inflows from outgoings of tangible and intangible fixed assets	213,805.59	151,209.47
Outflows for investments into intangible and tangible fixed assets	- 1,232,303.17	- 762,440.05
Proceeds from disposal of financial assets	2,145,324.40	1,000,000.00
Interest received	170,135.17	248,182.49
Dividends received	0.00	0.00
Cash flow from investing activities	1,296,961.99	636,951.91
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	1,996,758.79	232,250.08
Outflows from the repayments of bonds and (financial) loans	- 1,140,032.50	- 1,615,762.24
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	- 903,031.71	- 787,335.06
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	- 46,305.42	- 2,170,847.22
4. Cash and cash equivalents at the end of period		
Cash change in cash and cash equivalents (Subtotals 1 - 3)	836,836.03	81,254.55
Changes in cash and cash equivalents due to effects of consolidated entities	0.00	- 128,562.33
Cash and cash equivalents at the start of the period	- 2,749,456.46	- 2,702,148.68
Cash and cash equivalents at the end of the period	- 1,912,620.43	- 2,749,456.46
5. Composition of the cash and cash equivalents		
Cash on hand and credit balances at banks	3,031,879.79	3,023,159.34
Liabilities to banks (current account liabilities)	- 4,944,500.22	- 5,772,615.80 *
Cash and cash equivalents at the end of the period	- 1,912,620.43	- 2,749,456.46

* 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	- 4,944,500.22
Loan liabilities	- 2,234,451.07
Other financing	- 585.254,63
Liabilities to banks	7,764,205,92



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM
1 JANUARY TO 31 DECEMBER 2021

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Daldrup & Söhne AG is entered in the commercial register of Munich District Court under HRB 187005. It is a company which was set up in Germany 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

The consolidated financial statement to 31 December 2021 includes 2 domestic and 2 foreign subsidiaries as well as the parent company. 2 subsidiaries are not included in the consolidation. Overall, the consolidation scope is composed as follows:

NAME AND REGISTERED OFFICE OF THE COMPANY	Capital Direct	Capital Share	Nature of involvement
Parent company:			
Daldrup & Söhne AG, Grünwald, Germany			F
Subsidiaries:			
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00		F
D&S Geothermie GmbH, Grünwald	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 31/12/2021	Value date price as at 31/12/2021
Swiss francs	CHF	1.0811	1.0331





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.

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.

The evaluation of unfinished services from "day rate orders" to which a large order also belongs on the balance sheet date which comprises a significant amount of the unfinished services takes place in accordance with the actual incurred expenses at defined 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. In accordance with the accounting guidelines for the Daldrup Group- "day rate orders" are shown in unfinished orders until conclusion of the respective project.

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 group asset information as at 31/12/2021 is set out on pages 90 and 91.

The list of direct and indirect shareholdings of all participating interests is shown on page 92.

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	Participation rate in %	Currency	Equity EUR k	Result for the last fiscal year EUR k
Geothermie Neuried GmbH & Co. KG, Ascheberg, Germany*	100.00	EUR k	- 107	- 8
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany*	100.00	EUR k	2	- 1

*Values as at 31/12/2020

OTHER LOANS

Geysir Europe GmbH, Grünwald	EUR 3,736k
J.D. Apparate- und Maschinenbau	EUR 4,400k
geox GmbH, Ascheberg	EUR 924k
GeoWeb California B.V., The Netherlands	EUR 600k
Total	EUR 9,660k

The loans to Geysir Europe GmbH and geox GmbH are associated with subordinations: With the loan amount and the incurred interest and all rights associated with this, Daldrup & Söhne AG steps back from all existing, future and conditional claims for all current priority creditors and IKAV Invest S.à r.l. (IKAV) and other companies in the IKAV Group and IKAV Investment with regard to all claims, including disbursements, interest claims and dividend entitlements of IKAV to the Geysir Group. The other loans to Geysir Europe have primarily been reduced by amortisation payments from a compensation agreement of EUR 1,904k.

The extraordinary depreciations of the financial assets amount to EUR 4,440k (previous year: EUR 6,369k). The depreciation is due to a transfer of debt of a long-term loan to the former group company Geysir Europe GmbH from a compensation agreement dated 5 February 2021. This depreciation of EUR 4,400k is contrasted by earnings from additions to the financial assets from the issuing of an abstract debt relationship by J.D. Apparate- und Maschinenbau GmbH in the same amount. For more details on this matter, we refer to Section IV. Other details – Transactions with affiliated persons in the consolidated notes.

CIRCULATING ASSETS

INVENTORIES

Payments received are openly deducted from inventories.

RECEIVABLES

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



OTHER ASSETS

OTHER ASSETS AS AT 31/12/2021 IN EUR K				
Description	Total amount	due within within 1 year	due within more than one year	Total amount in previous year
1. Loan receivables against affiliated companies	6,016	6,016	0	6,526
2. Purchase price receivable from sale of shares	1,600	1,600	0	1,800
3. VAT receivables	365	365	0	689
4. Other	472	472	0	649
Total other Assets	8,453	8,453	0	9,664

3. contains the pre-tax receivables which were first incurred in 2022 in the amount of EUR 27k.

Loan receivables from affiliated companies exist with J.D. Apparate- und Maschinenbau GmbH, Ascheberg, in the amount of EUR 6,016k (previous year: EUR 6,526k). Like the previous year, there was a postponement of priority behind the claims of all the company's other creditors.



OTHER ASSETS

OTHER ASSET ITEMS AS AT 31/12/2020 IN EUR K				
Description	Total amount	due within within 1 year	due within more than one year	Total amount in previous year
1. Loan receivables against affiliated companies	6,526	6,526	0	7,286
2. Loan receivables against investment companies	0	0	0	3,976
3. Purchase price receivable from sale of shares	1,800	1,800	0	1,600
4. VAT receivables	689	689	0	353
5. Other	649	649	0	689
Total other Assets	9,664	9,664	0	13,904

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 (31/12/2020: EUR 5,989.5k) and is divided into 5,989,500 (31/12/2020: 5,989,500) no-par-value bearer shares (ordinary shares). The approved capital to 31/12/2021 is EUR 2,994.75k (31/12/2020: EUR 2,994.75k).

Treasury shares: The subsidiary Daldrup Bohrtechnik AG, Baar, holds 4,012 shares in Daldrup & Söhne AG, corresponding to EUR 4,012 of share capital, or 0.1 %.



CAPITAL RESERVES

The capital reserve remains unchanged from the previous year at EUR 36,356k (31/12/2020: EUR 36,356k).

LEGAL RESERVE

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

OTHER REVENUE RESERVES

Other revenue reserves amount to EUR 373k (31/12/2020: EUR 234k).

CONSOLIDATED NET RETAINED PROFITS

For the past financial year, the board proposes presenting the annual net profit of Daldrup & Söhne AG in the amount of EUR 785k on a new invoice.

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 the annual accounts of Daldrup & Söhne AG amounts to EUR 22,444k to 31/12/2021.

TAX PROVISIONS

The tax provisions amount to EUR 33k (31/12/2020: EUR 37k).





OTHER PROVISIONS

PROVISIONS STATEMENT AS AT 31/12/2021 IN EUR K					
Description	01/01/2021	Utilisation	Reversal	Allocations	31/12/2021
Personnel provisions	631	631	0	466	466
Global provision for warranties	142	0	0	85	227
Other provisions	460	342	5	380	493
Total other provisions	1,233	973	5	931	1,186

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

LIABILITIES STATEMENT AS AT 31/12/2021 IN EUR K					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount previous year
1. Liabilities to banks	7,764	6,276	1,488	0	7,736
2. Trade payables	5,203	5,203	0	0	5,201
3. Liabilities to affiliated companies	1,679	303	1,214	162	1,911
4. Tax liabilities	1,305	1,305	0	0	1,956
5. Other liabilities from company share purchase	1,329	154	616	559	1,379
6. Loan Geothermie Neuried GmbH & Co. KG	275	275	0	0	0
7. Remaining other liabilities	821	689	132	0	807
Total Liabilities	18,376	14,205	3,450	721	18,990



LIABILITIES STATEMENT					
AS AT 31/12/2020					
IN EUR K					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount previous year
1. Liabilities to banks	7,736	7,447	289	0	8,748
2. Trade payables	5,201	5,201	0	0	6,854
3. Liabilities towards affiliated companies	1,911	303	1,214	394	1,910
4. Tax liabilities	1,956	1,956	0	0	1,214
5. Other liabilities arising from company share purchase	1,379	154	616	609	1,545
6. Remaining other liabilities	807	807	0	0	904
Total Liabilities	18,990	15,868	2,119	1,003	21,175

There are liabilities to banks totalling EUR EUR 7,151k from the use of operating loans und liabilities to banks from the financing of tangible assets exist in the amount of EUR 585k.

Approved current account, guarantee credit lines and other credit lines of the report company amount to a total of EUR 21,500k. With the long-term 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 EUR 5,000k, which is also hedged by the mortgaging of bank credit of EUR 500k.

Furthermore, on the balance sheet date, there was still project financing to be amortised gradually in the amount of EUR 375k (previous year: EUR 1,500k) and a further medium-term loan financing from a new creditor newly approved in the reporting year and unsecured, still in the amount of EUR 1,850k (previous year: EUR 0.00).

The liabilities to affiliated companies relate to the granting of a loan by GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, in the amount of EUR 1,645k plus accrued interest.

The other liabilities contain liabilities from wages and salaries (EUR 388k), liabilities relating to social security (EUR 68k), loans to boards (EUR 172k) and miscellaneous liabilities (EUR 193k).



 Daldrup
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Bohrtechnik



II. INCOME STATEMENT

The total cost method was chosen for the income statement.

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

DIVISION OF REVENUE INTO AREAS OF ACTIVITY IN EUR K				
Business unit	2021	Share in %	2020	Share in %
Geothermal energy	57,142	73 %	18,984	72 %
Raw Materials/Exploration	16,252	21 %	3,152	12 %
Water procurement	3,350	4 %	3,540	14 %
EDS	1,316	2 %	513	2 %
Total	78,060	100 %	26,189	100 %

TURNOVER SPREAD BY MARKET GEOGRAPHY IN EUR K				
Business unit	2021	Share in %	2020	Share in %
Domestic	70,391	90 %	13,350	51 %
Foreign	7,669	10 %	12,839	49 %
Total	78,060	100 %	26,189	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 total operating output is specified at EUR 29,794k (corresponding to 66.41 %) in Germany (previous year: EUR 18,360k/ 38.66 %) and at EUR 15,067k (33.59 %) abroad (previous year: EUR 29,129k/61.34 %).





OTHER OPERATING INCOME IS BROKEN DOWN AS FOLLOWS:	2021	2020
Income from attributions of Geysir Group receivables	EUR 0k	EUR 2,001k
Income from the disposal of shares	EUR 0k	EUR 1,500k
Income from currency differences	EUR 94k	EUR 301k
Insurance compensation	EUR 273k	EUR 233k
Other income	EUR 94k	EUR 214k
Income from dissolution of reserves (outside period)	EUR 5k	EUR 88k
Total	EUR 466k	EUR 4,337k

OTHER OPERATING EXPENSES ARE BROKEN DOWN AS FOLLOWS:	2021	2020
Individual valuation allowances and losses of receivables	EUR 296k	EUR 1,687k
Insurance policies and contributions	EUR 517k	EUR 1,586k
Spoil and waste removal	EUR 1,670k	EUR 1,521k
Hire for movable assets	EUR 1,096k	EUR 1,226k
Advertising, travel, employee accommodation	EUR 1,052k	EUR 1,015k
Repairs and maintenance	EUR 861k	EUR 846k
Legal and consultancy costs	EUR 526k	EUR 749k
Vehicle costs	EUR 727k	EUR 612k
Cost of premises	EUR 520k	EUR 572k
Expenses from currency differences	EUR 65k	EUR 379k
Licence fees	EUR 350k	EUR 350k
Construction site costs	EUR 622k	EUR 286k
Workshop costs	EUR 163k	EUR 227k
Other	EUR 2,567k	EUR 2,400k
Total	EUR 11,032k	EUR 13,456k

In the item individual value adjustment and losses on bad debts include extraordinary expenses and expenses relating to other periods from losses on bad debts in the amount of EUR 296k (previous year: EUR 1,687k).

The extraordinary depreciations of the financial assets amount to EUR 4,440k (previous year: EUR 6,369k). The amortisation is based on a claim assignment of a long-term loan to the former group

company Geysir Europe GmbH from a compensation agreement dated 5 February 2021.

Earnings from additions to the financial assets result from an absolute promise to pay from J.D. Apparate- und Maschinenbau GmbH in the amount of EUR 4,400k. For further explanations, reference is made to the details in IV. Other details – transactions with affiliated persons.



III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial liabilities from rental and leasing contracts in the amount of EUR 266k. The obligations in the amount of EUR 202k have terms of up to one year and terms of between one and five years in the amount of EUR 64k. Furthermore, obligations arising from a licence agreement exist in the amount of EUR 3,650k, of which EUR 350k is payable within one year, EUR 1,400k within a period of between one to five years and EUR 1,900k after five years.

The total amount of other financial obligations of the Group thus amounts to EUR 3,916k, of which payable:

- due within one year: EUR 551k
- due between one and five years: EUR 1,465k
- due within more than five years: EUR 1,900k

TRANSACTIONS WITH AFFILIATED COMPANIES

Within the framework of a compensation agreement with IKAV Invest S.a.r.l. (IKAV) dated 5 February 2021, D&S Geothermie GmbH received the right to exploit components of the Kalina technology, which were originally constructed for installation in the Taufkirchen power plant. This power plant belongs to the group division of Geysir Europe GmbH, which was sold to IKAV between 2019 and 2020. The corresponding components are stored by D&S Geothermie and the components were valued at one euro in the acquisition valuation.

The corresponding components are based on a valuation by ENEX Power Germany GmbH, Nuremberg, dated 26/04/2021, which valued the market value of the components at EUR 6.29 million at this time. The board gave these components a value of EUR 4.4 million on the deadline date in order to appropriately take the use risk into account. On 4 February 2021, an agreement on these components was concluded with J.D. Apparate- und Maschinenbau GmbH (hereinafter referred to as JD). J.D. Apparate- und Maschinenbau GmbH is an affiliated entity. The managing directors of J.D. Apparate- und Maschinenbau GmbH, Ascheberg, Mssrs. Bernd, Karl and Thomas Daldrup, each hold one third of the shares and are directors of the company with sole right of representation. The company largely works for the company Daldrup & Söhne Aktiengesellschaft, which is dependent on Mr Josef Daldrup, and this company is the parent company of D&S Geothermie GmbH.

The main features of the agreement are as follows:

1. In exchange for remuneration, JD shall take over the sale of the components and participate in the income which is generated with a flat percentage rate of the sale price. Furthermore, JD shall separately participate in any profit surplus. The sale is made on the account of D&S Geothermie GmbH.
2. JD shall take over an absolute promise to pay in the amount of the estimated value of the components of EUR 4,400k. The promise to pay is only reduced with each sale which is brokered, taking into consideration the net sale price and has a limited term to 13 January 2027.

In order to secure the rights arising from this agreement, the Kalina components were assigned as security from the owner D&S Geothermie GmbH, Grünwald, to JD within the framework of an area protection contract. On the basis of the absolute promise to pay, a long-term claim was justified which is balanced under other loans in the financial assets. With regard to the question of the recoverability of the balanced claim, reference is made to the above opinion. The management board confirms that the value of the components has not decreased in the financial year due to any technological developments. Furthermore, the first components were sold at a profit in the 2022 financial year compared to the valuation of the components. The board considers the balanced claim amounting to EUR 4,440k as recoverable.

The abovementioned agreement is not a common market transaction with affiliated persons within the meaning of Section 285 No. 21 Commercial Code. This point is justified in the assumption that an external third party would not have given an absolute promise to pay to secure the claims from the sales agreement. This granted benefit expires according to assumptions as time passes on with the expected sale of the components with the corresponding profit surpluses.

TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

In the 2016 financial 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 EUR 5,400k net and has since been renting this back for an annual licence fee of EUR 350k. The annual rent is credited to the purchase price.



The patent has a term until January 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 EUR 2,800k net with a purchase and rental agreement dated 30/06/2015 between Daldrup & Söhne AG (seller) and J.D. Apparate & Maschinenbau GmbH (buyer). In the same contract, the drilling system was rented back for economic and operational use on the basis of a flat monthly rate of EUR 17k plus VAT to Daldrup & Söhne AG. The monthly rent was credit to the purchase price. The purpose of the transaction was to realise hidden reserves. No other significant opportunities or risks are seen.

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 2021 financial year, no further hedging of foreign currency risks took place with banks for the 2021 and 2022 financial years. As at 31/12/2021, 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 (4 transactions)	Currency risk/micro hedge	TCHF 3,880	TCHF 3,880	01/01/2022 (earliest start date) 31/05/2022 (latest end date)

Underlying transaction/hedging instrument	Risk/type of valuation unit	Amount collected	Amount of hedged risk	Hedging time frame
Hedging of the report company of incoming payments of a subsidiary from drilling orders in a third country/forward exchanging dealing with term options (3 transactions)	Currency risk/micro hedge	TCHF 1,250	TCHF 1,250	15/02/2022 (earliest start date) 15/08/2022 (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 Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, for fiscal year 2021 is EUR 60k, EUR 0k 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.

REPORT ON POST-BALANCE SHEET DATE EVENTS

On 24 February 2022, Russia started its war against Ukraine and its aggressive actions continued up to the point of the preparation of the annual accounts. The risk arising from this is evaluated as being low, even though direct or indirect effects, e.g. due to restricted goods procurement for operational business, cannot be excluded. For more information, reference is made to the management report. There were no events of particular significance which occurred after the end of the financial year and these are therefore not included in either the income statement or the balance sheet.



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, practised profession
Andreas Tönies	Spokesperson for the board (business areas of Strategy, Key Accounts, Communication, Staff and Law)
Bernd Daldrup	Board member (business areas of Deep Geothermal, Logistics/Merchandise Management and Purchasing)
Peter Maasewerd	Board member (business areas of Raw Materials & Exploration, Water Collection, EDS, Near-Surface and Mid-Depth Geothermal Energy and the departments of EDP/IT, Contract and Supplemental services management)
Stephan Temming	Board member (Finance, Controlling, Investor Relations and Company Development)

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, Baar, Switzerland
Wolfgang Quecke	Managing Director of terra-concept GmbH, Marl
Heinrich Goßheger	Retired bank director None
Wolfgang Bosbach (since 27/09/2021)	Lawyer Member of the supervisory board of Signal Iduna Allgemeine Versicherung AG, Dortmund



MARTIN-DECKER WEIGHT INDICATOR

MARTIN-DECKER CO.

FOR EIGHT LINES USE REVERSE SIDE

USE WITH WIRE LINE AND DAMPEN TOTAL LOAD POINTER AND ROLLY CLOSE VERNIER DAMPER WHILE TRIPPING AND JARRING

LOAD IN KILOGRAMS

THOUSAND



WEIGHT ON BIT
THOUSAND KILOGRAMS

LEAD OF DIAL BEHIND WHITE VERNIER HAND WITH TYPE OF ROTATION FOR EIGHT LINES USE REVERSE SIDE

SIX LINES

SIX LINES





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

The overall earnings of the management board for activities in the 2021 financial year were EUR 886k.

The overall earnings of the supervisory board for activities in the 2021 financial year were EUR 85k.

The chairman of the supervisory board, Josef Daldrup, had a clearing account with a liability of EUR 15k as at 31/12/2021. Interest on the clearing account is charged at 6 % annually.

Liabilities exist towards the board members in the amount of a total of EUR 173k (previous year: EUR 210k).

AVERAGE NUMBER OF EMPLOYEES DURING THE CURRENT YEAR

The following groups of staff were employed in the Company on average during the fiscal year:

GROUPS OF STAFF	2021	2020
Labourer	109	109
Salaried employees	20	20
Part-time employees	1	1
Total	130	130

Grünwald, 31 May 2022

Daldrup & Söhne AG

The Management Board

Andreas Tönies
(Spokesman of the Board)

Peter Maasewerd
(Board member)

Stephan Temming
(Board member)

Bernd Daldrup
(Board member)



Appendix 1 to the Notes

GROUP STATEMENT OF ASSETS

GROUP STATEMENT OF ASSETS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

	ACQUISITION COSTS					As at 31/12/2021 EUR
	As at 01/01/2021 EUR	Currency conversion EUR	Additions EUR	Outgoings EUR	Transfers EUR	
I. Intangible fixed assets						
Fee-based concessions, industrial property rights and similar rights, assets and values, as well as licenses for such rights and assets	93,364.30	0.00	0.00	0.00	0.00	93,364.30
	93,364.30	0.00	0.00	0.00	0.00	93,364.30
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third party land	48,718.33	0.00	0.00	0.00	0.00	48,718.33
2. Technical equipment and machinery	27,341,970.92	0.00	234,633.46	12,898.48	68,909.62	27,632,615.52
3. Other equipment as well as operating and office equipment	12,960,478.89	0.00	630,976.76	3,798.50	297,783.33	13,885,440.48
4. Prepayments and assets under construction	196,789.46	0.00	173,301.15	3,397.66	- 366,692.95	0.00
	40,547,957.60	0.00	1,038,911.37	20,094.64	0.00	41,566,774.33
III. Financial assets						
1. Shares in affiliated companies	2.00	0.00	0.00	0.00	0.00	2.00
2. Other loans	18,962,604.64	0.00	4,400,000.00	2,145,324.40	0.00	21,217,280.24
	18,962,606.64	0.00	4,400,000.00	2,145,324.40	0.00	21,217,282.24
	59,603,928.54	0.00	5,438,911.37	2,165,419.04	0.00	62,877,420.87



DEPRECIATION AND AMORTISATION				
As at 01/01/2021 EUR	Additions EUR	Outgoings EUR	Transfers EUR	As at 31/12/2021 EUR
80,925.30	3,432.00	0.00	0.00	84,357.30
80,925.30	3,432.00	0.00	0.00	84,357.30
42,756.33	601.00	0.00	0.00	43,357.33
21,269,609.44	1,783,813.58	0.00	0.00	23,053,423.02
10,739,825.39	576,494.59	0.00	0.00	11,316,319.98
0.00	0.00	0.00	0.00	0.00
32,052,191.16	2,360,909.17	0.00	0.00	34,413,100.33
0.00	0.00	0.00	0.00	0.00
7,117,280.24	4,440,000.00	0.00	0.00	11,557,280.24
7,117,280.24	4,440,000.00	0.00	0.00	11,557,280.24
39,250,396.70	6,804,341.17	0.00	0.00	46,054,737.87

BOOK VALUES	
As at 31/12/2021 EUR	As at 31/12/2020 EUR
9,007.00	12,439.00
9,007.00	12,439.00
5,361.00	5,962.00
4,579,192.50	6,072,361.48
2,569,120.50	2,220,653.50
0.00	196,789.46
7,153,674.00	8,495,766.44
2.00	2.00
9,660,000.00	11,845,324.40
9,660,002.00	11,845,326.40
16,822,683.00	20,353,531.84



Appendix 2 to the notes

SHAREHOLDINGS

LIST OF SHAREHOLDINGS PURSUANT TO SECTION 285 NO. 11 COMMERCIAL CODE FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

NAME AND REGISTERED OFFICE OF THE COMPANY IN EUR	Capital Direct	Capital Indirect	Equity	Annual Net Profit(+) / Annual Net Loss (-)	Currency	Year	Exchange rate 31/12/2021 EUR =
Daldrup Bohrtechnik AG, Baar, Switzerland	100.00		1,417,400.91	83,870.99	CHF	2021	CHF 1.0331
D&S Geothermie GmbH, Grünwald, Germany	100.00		796,834.42	- 1,963.99	EUR	2021	
Daldrup Wassertechnik GmbH, Ascheberg, Germany	100.00		47,496.20	- 19,355.44	EUR	2021	
GERF B.V., Honselersdijk, The Netherlands		100.00	- 3,187,953.34	227,350.46	EUR	2021	
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany		100.00	1,748.26	-1,057.34	EUR	2020	
Geothermie Neuried GmbH & Co. KG, Ascheberg, Germany		100.00	-107,168.02	- 7,851.51	EUR	2020	



AUDITOR'S OPINION

To Daldrup & Söhne Aktiengesellschaft, Grünwald, Germany

AUDIT OPINIONS

We have audited the consolidated financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, and its subsidiaries (of the group), consisting of the group balance sheet as at 31/12/2021, the group profit and loss statement, the group equity statement and the consolidated cash flow statement for the financial year from 01/02/2021 to 31/12/2021 and the consolidated notes, including the list of accounting and evaluation methods. Furthermore, we audited the consolidated management report for Daldrup & Söhne Aktiengesellschaft, Grünwald, for the financial year from 01/02/2021 to 31/12/2021.

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

- the included consolidated financial statements comply in all material respects with the German commercial law regulations and, taking into account the German principles of proper bookkeeping, convey a true and fair view of the net assets and financial situation of the Group as at 31 December 2021 as well as its earnings situation for the financial year from 1 January 2021 to 31 December 2021 and
- the accompanying consolidated management report presents fairly, in all material respects, the financial position of the Group. In all material respects, this consolidated management report is consistent with the consolidated annual financial statements, complies with German statutory provisions and accurately depicts the opportunities and risks of future development.

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.

OTHER DISCLOSURES

The legal representatives and/or the Supervisory Board are responsible for other disclosures. Other disclosures include the other parts of the Annual Report provided to us in provisions form after the date of this Auditor's Opinion, but not the Consolidated Annual Financial Statement, not the Consolidated Management Report, and not our associated Auditor's Opinion.

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

Our audit opinions with regard to the consolidated financial statements and the consolidated management report do not cover other information and, accordingly, we deliver neither an audit opinion nor any other form of audit conclusion on the latter.

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

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

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. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the generally accepted German accounting principles in order to facilitate preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

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. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a consolidated management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the consolidated management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group 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 intentional or unintentional false representations, 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. Misstatements 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, intentional or unintentional, in the consolidated financial statements and the consolidated management report, we plan and perform procedures in response to those risks, and obtain audit evidence sufficient and appropriate to form the basis of our audit opinion. The risk of material misstatements not being detected is higher for violations than for inaccuracies, as violations may include fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the overriding of internal control.
- We obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the consolidated management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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 material uncertainty exists, we are obliged to draw attention in our audit report to the related disclosures in the consolidated financial statements and the consolidated management report or, if these disclosures are inappropriate, to modify our respective audit 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 operational results of the Group in accordance with the generally accepted German accounting principles.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to enable us to express an opinion on the consolidated financial statements and the consolidated management report. We are responsible for directing, monitoring and performing the audit of the consolidated financial statements. 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 perform audit procedures on the future-oriented statements made by the company's 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 deficiencies in the internal control system that we identify during our audit with the individuals who are responsible for oversight.

Düsseldorf, 31/05/2022

Grant Thornton AG
Auditors

Marc A. Sahner
Public accountant

Matthias Holz
Public accountant

FISCAL CALENDAR for Daldrup & Söhne AG

31 May 2022:	Publication of consolidated financial statements as at 31/12/2021
25 August 2022:	Annual General Meeting
30 September 2022:	Publication of Consolidated Interim Report as at 30/06/2022

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

Grünwald

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

