

2022

SHARE INFORMATION

ISIN: DE0007830572

WKN: 783057

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

Indices: Scale All Share, DAXsector All Industrial, DAXsubsector All Renewable Energies

Selection index: Scale30

Number of shares: 5,989,500

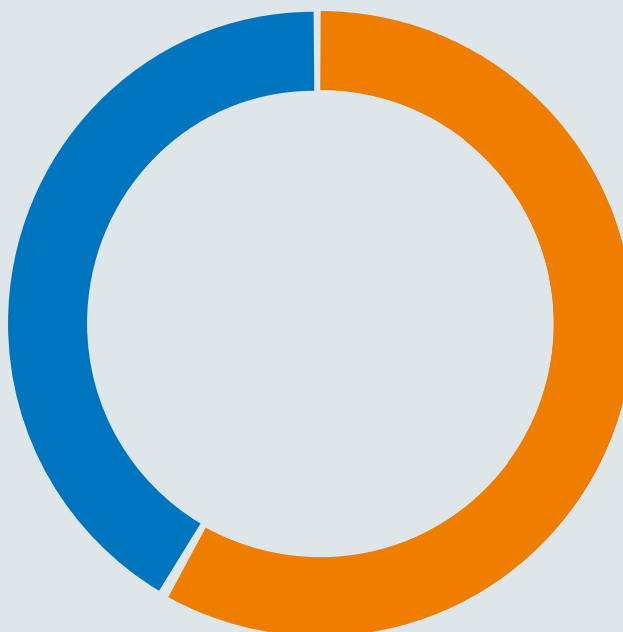
Ticker Symbol: 4DS

Fiscal Year End: 31 December

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2022

DALDRUP FAMILY: 58.43 %

FREE FLOAT: 41.57 %



DALDRUP GROUP AT A GLANCE	2022	2021	Δ
Total operating output	36.9 Mio. €	44.9 Mio. €	- 17.8 %
EBITDA	4.2 Mio. €	3.9 Mio. €	+ 7.7 %
EBIT	1.8 Mio. €	1.6 Mio. €	+ 12.5 %
Group annual net income	0.9 Mio. €	0.8 Mio. €	+ 12.5 %
Total assets	40.2 Mio. €	38.6 Mio. €	+ 4.1 %
Group equity ratio	49.7 %	49.3 %	+ 0.8 %
Employees	125	130	- 3.8 %
Order backlog	33.2 million € (May 2023)	20.2 million € (March 2022)	+ 64.4 %
Relevant market volume	203 million € (May 2023)	104 million € (March 2022)	+ 95.2 %

- 04 Foreword by the Management Board
- 06 Supervisory Board Report for Fiscal Year 2022
- 10 Daldrup & Söhne AG – Share 2022



CONSOLIDATED MANAGEMENT REPORT for the 2022 fiscal year

- 14 A. Daldrup Group
- 36 B. Results of Operations, Net Assets and Financial Position
- 44 C. Risk and Opportunities Report
- 54 D. Forecast Report
- 57 E. Disclosures on treasury shares according to Section 160(1) No. 2
of the German Stock Corporation Act (Aktengesetz, or AktG)



CONSOLIDATED FINANCIAL STATEMENTS for the 2022 fiscal year

- 62 Consolidated Income Statement
- 64 Consolidated Balance Sheet
- 66 Group Equity Statement
- 68 Consolidated Cash Flow Statement
- 70 Notes to the Consolidated Financial Statements



INDEPENDENT AUDITOR'S AUDIT CERTIFICATE

- 95 Fiscal calendar
- Investor Relations Contact
- Imprint

Please note that rounding differences may occur if rounded amounts or percentages are used due to commercial rounding practices. The content of the 2022 Annual Report in German is authoritative and binding.

FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,
dear Ladies and Gentlemen,

In a turbulent 2022 fiscal year, Daldrup & Söhne AG achieved a robust result with good capacity utilisation in all business segments despite all the geopolitical and energy policy challenges. Group operating EBIT increased by EUR 0.2 million to EUR 1.8 million compared to the previous year. The EBIT corresponds to a margin of around 5 % of the total operating output and is thus within the forecast range. At EUR 36.9 million, total operating output remained around EUR 5 million below the forecast, as revenue-driving, but low-margin services were provided by subcontractors, which were essentially not as planned at the time. Revenues totalled EUR 38.2 million after EUR 78.1 million in the previous year. The consolidated net profit for the year is positive at EUR 0.9 million. The equity ratio in the group is a comfortable 49.7 % of the balance sheet total.

In the year under review, we boosted our core business through technical innovations and expansions in our equipment fleet. We implemented these measures to increase the efficiency of our drilling activities – especially in light of the ongoing scarce personnel resources. We also continued to invest in the expansion of more efficient organisational structures and controlling applications to improve project control and cost management. With the previously implemented measures and further projects initiated to increase efficiency, we are confident that we are well on the way to successively increase the Group's earnings level, despite volatile project developments.

In the reporting period, the operational drilling services business was stable in all business segments, as expected. In Switzerland, for example, we drilled one geothermal well each for two clients. We drilled ten production wells for salt production for Schweizer Salinen AG. In Germany, we started exploratory drilling for an aquifer for the electric utility company Hamburger Energiewerke GmbH. For the city of Frankfurt am Main, we are drilling an exploratory well that will provide insights into the underground geothermal potential of the energy-needy metropolis. Driving factors in the shallow geothermal segment include the heat pump initiative as well as the currently discussed Building Energy Act, according to which 65 % of newly installed heating systems are supposed to be powered by renewable energy.

The outlook for the coming quarters is promising. As at mid-May, our Group order backlog is at a satisfactory level of EUR 33.2 million. By our calculations, the order backlog thus carries the utilisation of crews and drilling equipment into the year 2024.

The need for a heat transformation has finally reached politicians, municipal authorities and industrial companies. High, volatile energy prices, uncertainty about the availability of raw materials and fuels, as well as the ambitious climate targets for decarbonising the energy supply have changed the way we think about heat and energy. In areas where the geological conditions in the deep underground offer the possibility of tapping geothermal aquifers and making them usable, initiatives are being launched emphatically, tenders are being published and contracts are being awarded. Daldrup & Söhne AG already has numerous reference projects in the three geothermally attractive areas in Germany, the Molasse Basin around Munich, the Upper Rhine Rift and the North German Plain. We are a sought-after expert and highly regarded drilling service provider.

Moreover, we have the impression that the potential of geothermal energy as a high performer for the heat transformation is now also understood at the highest political level. For example, Chancellor Olaf Scholz visited the geothermal heating plant in Schwerin in April. The production and re-injection wells were drilled by Daldrup & Söhne AG. During his visit to Kenya, Scholz went on to say that 'geothermal energy is possible in quite a few more places in Germany than many people think today.' The Chancellor explained that Germany 'has many areas and landscapes where geothermal energy has good, natural conditions.' Daldrup & Söhne AG will support this endeavour constructively. However, in order to tap into the hitherto untapped expansion potential of deep geothermal heat, politicians urgently need to remove regulatory and legal hurdles. They include faster approval procedures and guarantees to cover exploration risks.



In November 2022, the German Federal Ministry of Economics published its first specific guidelines by releasing the key issues paper 'Geothermal energy for the heat transformation'. For the BMWK (German Federal Ministry of Economics and Climate Protection), geothermal energy is one of the key technologies for producing space heating, hot water and process heat in a secure, economical and decentralised manner. Eight measures are intended to support the sector in rapidly exploiting the potential of geothermal energy and facilitate investment. The goal is to decarbonise at least half of the heat that is currently still generated from natural gas, oil and coal (over 75 %) by 2030. According to earlier statements by the Research Ministry, at least 100 additional deep geothermal projects are expected to be initiated by 2030. The need to replace imported natural gas is particularly enormous.

The long-term order environment for a decarbonised heat supply, which is largely independent of economic developments, is conducive to the business success of Daldrup & Söhne AG – even in a generally deteriorating economic environment. 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. However, increased material and energy prices may also influence our profit and loss statement.

In the mean time, our fund for further drilling projects as part of medium-sized and large geothermal projects is growing. Around Munich and in the East Molasse, the interest in larger projects for energy and heating supply is still high. One example is the general contractor agreement awarded to us in January by MTU Aero Engines AG for the construction of a geothermal doublet, including the construction of the drilling site at the Munich location. MTU will use the geothermal energy as process and space heat in the company buildings, allowing it to save up to 88 % of the fossil fuels still used today. 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 203 million

in May 2023. The Management 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 41 million and operational EBIT margin for the Daldrup group of between 3.0 % and 5.0 % in planned business for the current year of 2023.

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

Best regards!

Oberhaching, 30 May 2023

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Chairman of the
Management Board)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)

SUPERVISORY BOARD REPORT FOR FISCAL YEAR 2022

The Supervisory Board of Daldrup & Söhne AG carried out the control and advisory tasks that it is required to complete by law and in accordance with the articles of association and internal regulations in the 2022 fiscal year. They advised the Management Board concerning the management and strategic alignment of the company and monitored them with regard to their conduct of the company's business on the basis of all information made available to it. To this end, the Supervisory Board regularly and promptly received updates about the course of business in the four business areas, the economic situation and the development of the financial and liquidity situation, the risk situation of Daldrup & Söhne AG and the Group as well as current market and corporate topics. This was done during and outside of Supervisory Board meetings by means of written or verbal reports, within the framework of in-person meetings at the company 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. The Management Board has fulfilled its duty to provide information. 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 and was able to support the Management Board in its work.

The Chairman of the Supervisory Board was also in contact with the Management Board outside of meetings and was 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.

In accordance with Section 90 (1) nos. 1 to 4 of the German Stock Corporation Act (AktG), the key aspects of the Supervisory Board's deliberations at all meetings during the reporting period included: the operating business development, the company's financial position, the liquidity situation, the organisational and personnel structures of the Daldrup Group, and prospects for the continuous development of the Daldrup business model. In advance of its meetings, the Supervisory Board received information, in particular on the economic development and the development of liquidity. Furthermore, documents were also sent out during the year. 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

In the 2022 fiscal year, five ordinary Supervisory Board meetings were held on 17 March, 19 May, 23 August, 22 September and 22 November. All Supervisory Board members personally attended all Supervisory Board meetings. The Supervisory Board members Josef Daldrup and Wolfgang Quecke participated in the Supervisory Board meeting on 19 May via video conference. The Supervisory Board meeting on 22 November was attended by Supervisory Board member Dr Michaela Daldrup-Arnold via video conference. 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 17 March was the progress reports on the ongoing drilling projects in Germany, the Netherlands and Switzerland. The corporate body also discussed the current economic and financial development as well as the development of Daldrup group's liquidity situation and the revenue and earnings projection for the 2022 fiscal year. Apart from that, the Supervisory Board and the Management Board discussed the future strategic alignment of the corporate group.

In the Supervisory Board Meeting on 19 May, the Management Board explained the annual financial statement and the consolidated annual financial statement for Daldrup & Söhne AG and the Group for the 2021 fiscal year. The auditor attended this meeting alongside the Management Board. He explained the main content of his audit of the annual financial statement, the consolidated financial statements and the management reports as at 31 December 2021 as well as the audit results. Questions from Supervisory Board members and individual issues were discussed intensively and in detail.

After receiving the final results of the audit of the annual financial statements and management reports of Daldrup & Söhne AG and the dependency report of the Management Board as at 31 December 2021, by way of resolution dated 31 May 2022, the Supervisory Board completed its own detailed examination. Based on the review, it determined that there were no objections to the financial statements and management reports. The Supervisory Board unanimously approved

the financial statements and management reports for the 2021 fiscal year submitted by the Management Board for the company and the group as well as the Management Board's dependency report. The company's annual financial statement was thus certified (Section 172 of the German Stock Corporation Act).

In the same meeting, the Supervisory Board and the Management Board discussed the strategic development of the group as well as the framework conditions for the next Annual General Meeting.

On 23 August, the Supervisory Board discussed the half-year consolidated financial statement as at 30 June 2022 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 and Switzerland and the expected development of the order situation in the coming quarters. Based on the periodically submitted documents, the Supervisory Board was also updated about the financial situation, discussions with financing banks and the liquidity situation of the group.

In the fourth Supervisory Board meeting on 22 September, the Supervisory Board and Management Board discussed organisational and personnel matters. The topics included the introduction of reporting and controlling tools and the appointment of board members. The Management Board explained key figures of the preliminary financial statements of the group and the income statement of Daldrup & Söhne AG as at 30 June 2022. The Supervisory Board was also informed about the public relations and investor relations work.

At the meeting on 22 November, the Supervisory Board and the Management Board discussed the group's financial position and liquidity situation as well as the revenue and earnings situation as at 30 September 2022. Personnel matters related to operations and the Management Board were also discussed. The discussions also covered possible adjustments to the company's organisation. The Management Board also provided information about the ongoing projects in Germany and Switzerland and presented potential strategic partnerships in this context.



ORGANISATION OF THE SUPERVISORY BOARD

The Supervisory Board included in the reporting year up to the 2022 annual general meeting Josef Daldrup (Chairman), Wolfgang Quecke (Deputy Chairman), Heinz Goßheger and Wolfgang Bosbach. At the Annual General Meeting on 25 August 2022, the shareholders elected Josef Daldrup, Heinz Goßheger and Wolfgang Bosbach as members of the Supervisory Board until the end of the Annual General Meeting in 2027.

Wolfgang Quecke was not available for another office term. The shareholders elected Dr Michaela Daldrup-Arnold as the fourth member of the Supervisory Board. She is also mandated until the end of the Annual General Meeting in 2027. In its constituent meeting on 25 August 2022, the Supervisory Board elected Josef Daldrup as Chairman of the Supervisory Board and Wolfgang Bosbach as Deputy Chairman of the Supervisory Board.

The Supervisory Board did not form any committees for reasons of efficiency. This also applies to an audit committee, the tasks of which remain unchanged from those of the overall Supervisory Board.

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

CHANGES IN THE MANAGEMENT BOARD

With the retirement of Management Board member Peter Maasewerd after 34 years with the company on 31 July 2022, the Supervisory Board appointed Karl Daldrup as a member of the Management Board as at 1 December 2022 with a contract term until 30 November 2027. Andreas Tönies, Spokesman of the Management Board, has been appointed Chairman of the Management Board with effect from 22 November 2022. His contract term ends on 31 July 2027.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2022 FISCAL YEAR

The Management Board drew up the annual financial statement, the consolidated annual financial statement and the consolidated management report for the 2022 fiscal year for Daldrup & Söhne AG according to the provisions of the German Commercial Code (Handelsgesetzbuch) under the going concern premise. Grant Thornton AG, auditors, Düsseldorf, selected as auditor in the annual general meeting on 26 August 2022, audited the annual financial statement as well as the consolidated annual financial statement and the consolidated management report for the 2022 fiscal year of Daldrup & Söhne AG, with reference to bookkeeping, and confirmed each of them without reservation. The Supervisory Board satisfied itself of the independence of the auditor and of the persons acting on behalf of the auditor. At the Supervisory Board meeting on 25 May 2023, the auditor reported on the main results of the audit and was available to provide information and explanations.

The focus of the audit for the 2022 fiscal year was on the existence and valuation of trade receivables, the existence and valuation of unfinished services, the occurrence and accuracy of sales revenues, the appropriateness of confirming the company's ability to continue as a going concern, as well as the completeness and accuracy of the consolidation entries. Further attention was paid to the correctness of the individual financial statements of the companies included in the scope of consolidation as well as the incorporation of the individual financial statements into the consolidated financial statements, the completeness of the information in the notes to the consolidated financial statements as well as the presentation of the business development and forecast information in the group management report.

The annual financial statements and the consolidated financial statements together with the management reports for the past fiscal year 2022 were submitted to all members of the Supervisory Board. By means of a resolution dated 31/05/2023, the Supervisory Board acknowledged the results of the audit and the annual financial statement and management report for Daldrup & Söhne AG as at 31/12/2022 and unanimously approved the group financial statement and group management report as at 31/12/2022. The annual financial statements for Daldrup & Söhne AG for the 2022 fiscal year have thus been adopted in accordance with Section 172 of the German Stock Corporation Act.



DEPENDENCY REPORT

According to the auditor, the Dependency Report of 31/12/2022 produced by the Management Board includes the prescribed information according to Section 312 (1) of the German Stock Corporation Act and concludes that Daldrup & Söhne AG was not disadvantaged by the legal transactions and measures described, and received reasonable consideration. The auditors therefore issued the following confirmation without reservation:

“According to our dutiful audit and appraisal, we confirm that 1. the actual details in the report are correct, 2. the company did not overpay in the transactions listed in the report, or disadvantages were settled, 3. there is no reason to appraise the measures listed in the report significantly differently to how the Management Board did.” The Supervisory Board assessed the dependent company report provided by the Management Board and the audit report provided by the financial statement auditor. According to the final finding of the Supervisory Board’s own audit of the Dependency Report, no objections were raised to the Management Board’s declaration.

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

Oberhaching, 31 May 2023

Josef Daldrup
Chairman of the Supervisory Board



DALDRUP SHARE PRICE RISES STRONGLY BY MORE THAN 40 % AGAINST THE MARKET TREND

Throughout the year under review, the Daldrup & Söhne AG share recorded a significant double-digit increase again. The share price at the beginning of the year was EUR 5.15. After weak six weeks at the beginning of the year it marked its low for the year at EUR 4.32. From then on, the share price began a continuous upward trend and reached its high for the year of EUR 8.64 in July. A correction to EUR 6.50 at the end of September was followed by a recovery in the range of EUR 7.20 and EUR 8.20. At the end of the year, the Daldrup share closed at a price of EUR 7.40. As such, from an annual perspective, the share price gained 43.7 % (previous year: 53.2 %) in value.

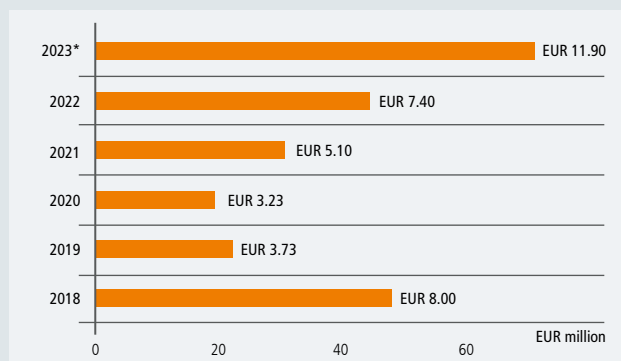
This development was supported by company reports on acquired large orders relating to geothermal projects in Germany and Switzerland. The stock rating also benefited significantly from the geopolitical and energy policy effects triggered by Russia’s war in Ukraine, including due to strong price increases for fossil primary energy sources. Geothermal energy is an environmentally friendly domestic resource that is available in lots of places, primarily for consistent heat supply. In November 2022, the Federal Ministry of Economics and Climate Protection (BMWK) presented a key issues paper on geothermal energy for the further exploitation potential of this technology. The positive trend in the share price continued in the first two quarters of the current year until mid-April 2023, exceeding EUR 11.

DALDRUP SHARE BACK IN SCALE30 SELECTION INDEX

Stock markets fell across the board in 2022, mainly driven by economic concerns, the impact of stubbornly high inflation, rising interest rates, high energy prices, China’s zero-covid policy and Russia’s war against Ukraine. The MSCI World Index gave up 17.7 % (+ 22.4 %) of its valuation. In Germany, the DAX40 lost 13.8 % (+ 15.7 %). The DAXsector All Industrial index, which is sector-specific for Daldrup & Söhne AG, fell by 14.6 % (+ 20.0 %); by contrast, the DAXsubsector All Renewable Energies increased by 12.7 % (+ 4.7 %). Deutsche Börse AG reinstated the Daldrup & Söhne AG share in the Scale30 selection index as part of an extraordinary index adjustment on 11 October 2022. In the reporting year, the index dropped 31.9 % (+ 4.3 %). With its annual performance of 43.7 %, the Daldrup share therefore outperformed the market trend in its sector environment.

Sales of the Daldrup share on the trading platforms XETRA and trade-gate as well as the regional stock exchanges were 8,000 shares on average in the reporting period (2021: around 13,900 shares). With an

unchanged share capital of EUR 5,989,500.00, the company’s market capitalisation increased to approximately EUR 44.3 million (previous year: EUR 30.5 million) as a result of the positive share price performance at year-end 2022. Daldrup & Söhne AG neither undertook nor passed any resolutions for any capital measures in the reporting year.

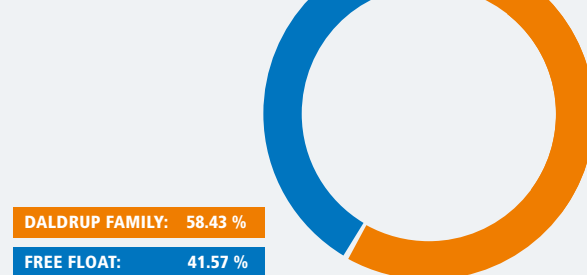


Graphic: Development of market capitalisation 2018 to 2023 in EUR million and XETRA closing prices as at 30 December

*based on the XETRA closing price on 12 April 2023

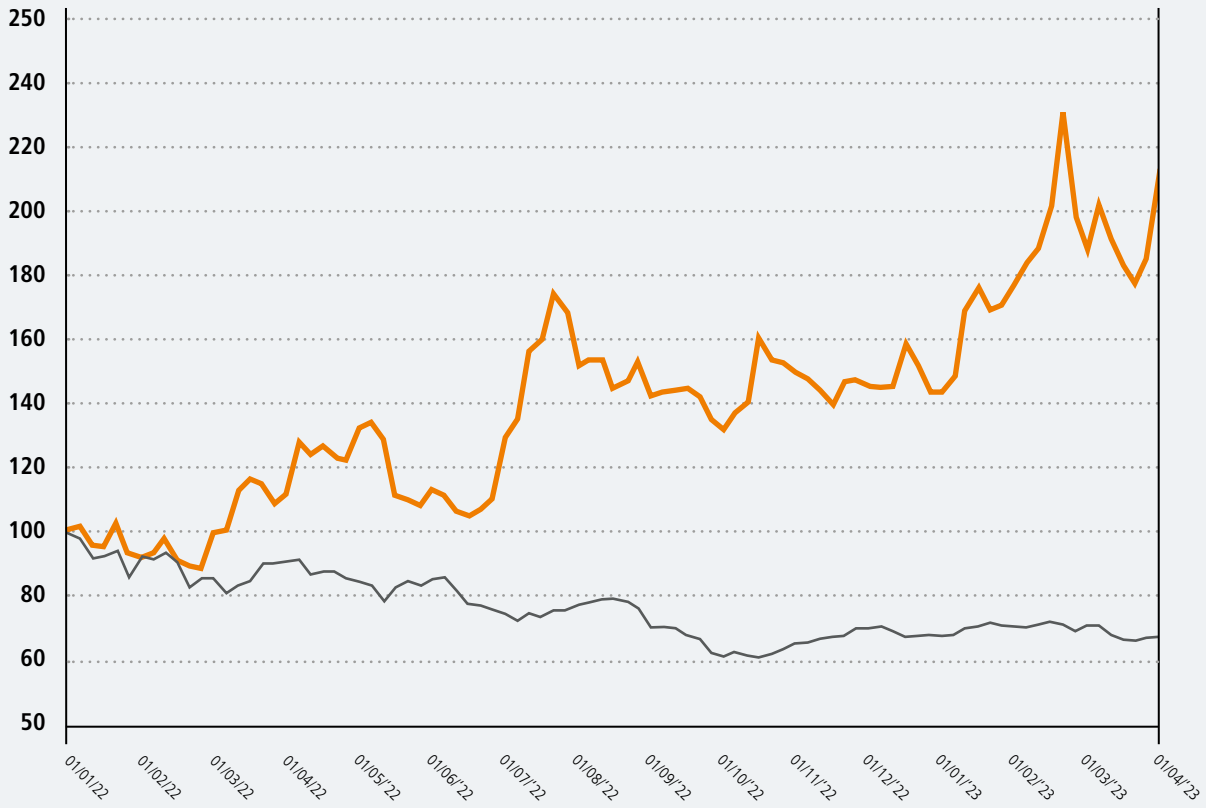
The valuations and price targets of the analyst firms Pareto Securities and SMC Research were EUR 8.00 after the presentation of the group’s half-year figures. Analysts rated the share ‘buy’.

SHAREHOLDER STRUCTURE AS AT 31/12/2022



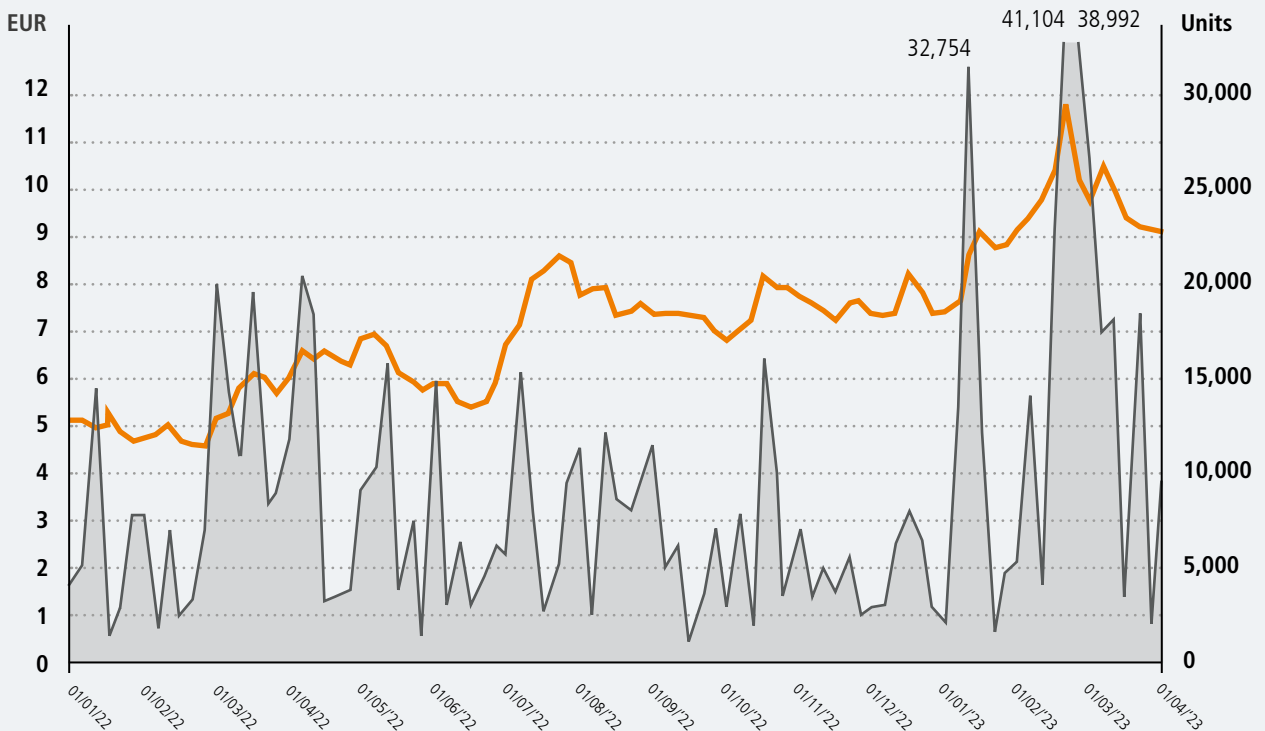
Investor relations work in the year under review focused in particular on discussions with investors and analysts on business operations and profitability, on the development of the geothermal market in Germany and Europe and the technology for acquiring geothermal energy. The board of directors of Daldrup & Söhne AG participated in the equity capital forum by Deutsche Börse AG in Frankfurt.

DALDRUP & SÖHNE AG – Indexed price development Daldrup & Söhne AG versus Scale30 2022 to April 2023



● Daldrup & Söhne AG share price ● relative Performance Scale 30

DALDRUP & SÖHNE AG – Share and unit sales development 2022 to April 2023



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



CONSOLIDATED MANAGEMENT REPORT for the 2022 fiscal year

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

- 14 1. Group Structure and Business Activities
- 20 2. Market, Competition and Customer Relationships
- 29 3. Strategy, Objectives and Company Management
- 30 4. Investments
- 30 5. Research and Development
- 31 6. Overview of the Economic Environment and the Course of Business

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

- 36 1. Results of Operations
- 38 2. Net Assets
- 41 3. Financial Position
- 43 4. General Statement on the Economic Situation

44 C. RISK AND OPPORTUNITIES REPORT

- 44 1. Strategic Risks
- 44 2. Operational Risks
- 48 3. General Economic Risks
- 49 4. Technological Risks
- 50 5. Legal Risks
- 50 6. Regulatory and Political Risks
- 51 7. Risks Connected to the effects of the war in Ukraine
- 52 8. Opportunities
- 53 9. General Statement on the Risk and Opportunity Situation

54 D. FORECAST REPORT

- 54 1. Future Corporate Strategy
- 54 2. Future Economic Environment
- 56 3. Expected Results of Operations and Financial Position

57 E. DISCLOSURES ON TREASURY SHARES ACCORDING TO SECTION 160(1) NO. 2 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ, OR AKTG)





GROUP INCOME STATEMENT

FOR THE FISCAL YEAR

FROM 1 JANUARY TO 31 DECEMBER 2022

OF DALDRUP & SÖHNE AG, OBERHACHING

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

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

As the parent company of the Daldrup Group, which contributes around 87 % to the Group's total operating output, 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 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 distinguished by high demand. The current demand level for potential orders relevant for Daldrup & Söhne AG is estimated at around EUR 203 million. 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.

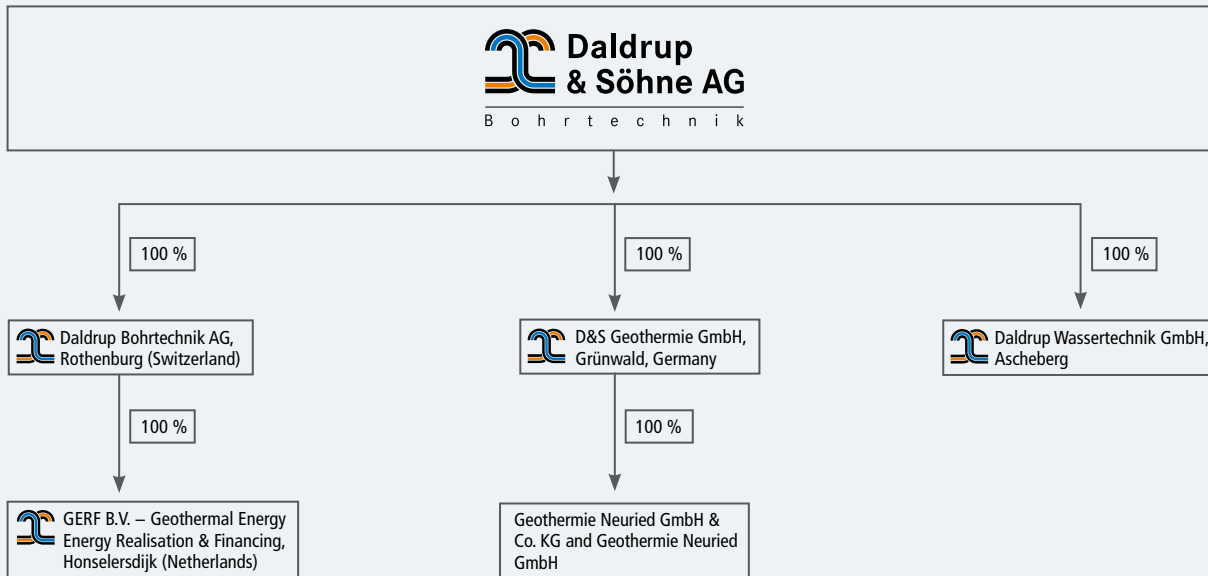
PROVIDER OF DRILLING SERVICES



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
---	----------------------	-----------------------------------	-----

GROUP STRUCTURE AS AT 31/12/2022







GEOHERMAL: A RENEWABLE, INEXHAUSTIBLE ENERGY SOURCE

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

The focus of the Daldrup Group's domestic activity is still on the geological priority regions for geothermal energy acquisition: in the Bavarian Molasse basin around the city of Munich, at the Upper Rhine Rift and in the North German Plains. In Europe, activities in the 2022 fiscal year are especially concentrated on Germany and Switzerland again. In general, the group orients its activities in Central Europe by locations with geothermal potential and corresponding market potential for electricity and heat. In addition to the DACH region (Germany, Austria, and Switzerland), this includes the Benelux countries and Italy.

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

Deep drilling to a depth of 6,000 metres always places great demands on advance planning and, during the drilling phase, on the employees, the technology and the suppliers. Daldrup has drilled over 50 such boreholes for deep geothermal projects. In the course of its company history, employees of the group have successfully carried out more than 10,000 drilling operations in various geological formations. The geothermal energy business area's share in consolidated total operating output reached a stable 38 % in 2022 (previous year: 73 %).



Deep and medium-depth geothermal energy

Shallow geothermal energy

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

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

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

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





ALTERNATIVE RISK TRANSFER CONCEPT (ART CONCEPT)

Alongside reputable partners from the insurance industry, Daldrup & Söhne AG has developed a concept to secure deposit discovery risks when drawing up deep geothermal energy projects, which has since been successfully implemented several times. This hedging concept, which is exclusively available to Daldrup & Söhne AG customers, often makes geothermal drilling and energy projects possible for medium-sized customers, as the hedging concept can be used to support the financing of geothermal projects with a high proportion of debt capital from banks. This means that geothermal drilling operations can often be financed by banks right from the start for project developers and investors. Daldrup acts neither as a financier nor as an insurer in this context. The exploration risks are borne by third parties. The ART Concept is a key tool for acquiring customers and projects in Central Europe, and remains a key USP for the Daldrup Group in the deep geothermal energy sector.

RAW MATERIALS & EXPLORATION

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

Examples for this business segment in the 2022 fiscal year included our drilling activities for NAGRA, the National Cooperative for the Storage of Radioactive Waste. The share of Daldrup Group revenue generated in 2022 by this business unit amounts to 47 % (previous year: 21 %).

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 reached 9 % (previous year: 4 %) of group revenue generated in the reporting period.

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 5 % to the group's revenue in the 2022 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. An average of 125 employees were employed within the group in 2022 (previous year: 130). Depending on the project, whenever additional employees may be needed, they are made available to Daldrup & Söhne AG and its subsidiaries flexibly and upon request by external personnel service providers.



2. MARKET, COMPETITION AND CUSTOMER RELATIONSHIPS

GEOTHERMAL ENERGY IS INEXHAUSTIBLE

Geothermal energy is the heat energy stored under the Earth's solid crust. It is now well known that this energy source is inexhaustible. It generally increases with increased drilling depth. This 'geothermal gradient' is 3 °C per 100 metres in Germany on average. Geologists estimate that temperatures in the Earth's core reach 5,000 °C to 7,000 °C. This heat stored in the Earth is inexhaustible by human standards, as a constant stream of energy rises to the surface from our planet's core, a process known as the 'terrestrial heat flow'. As a result, geothermal energy is a regenerative energy source.

The depth range between 400 metres and 1,500 metres with temperatures of between 20 °C and 60 °C is referred to as medium-depth geothermal energy. This range is particularly of interest for energy storage. From temperatures of 60 °C, i.e. from depths of 1,000 metres to 1,500 metres, it is possible to use geothermal heat directly without increasing the temperature (using heat pumps, heat transformation), especially for local and district heating.

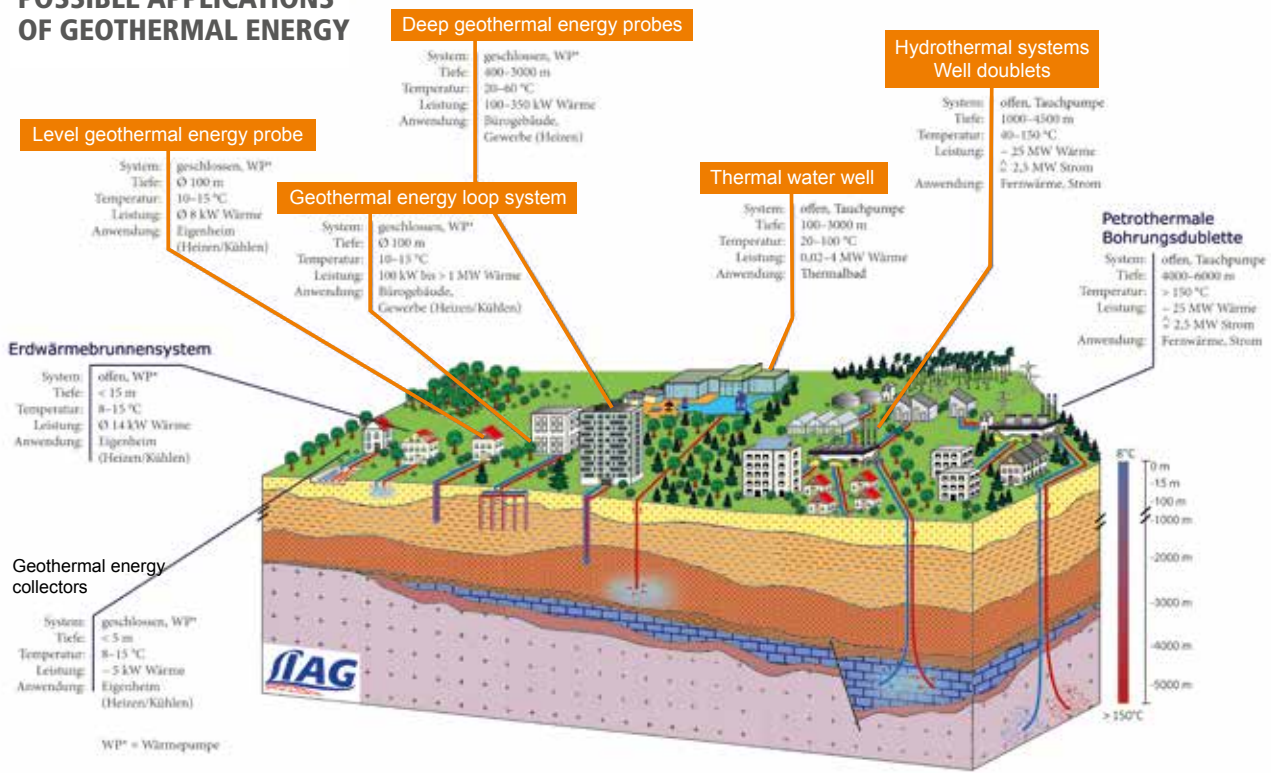
Deep geothermal energy extraction generally provides energy via a process called 'fluid delivery'. A thermal water cycle is generally realised using a geothermal doublet created using deep drilled holes, consisting of a delivery drilled hole and an injection drilled hole. The thermal water cycle is driven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

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

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



POSSIBLE APPLICATIONS OF GEOTHERMAL ENERGY



Daldrop & 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 46 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 417 MW (previous year: 349.7 MW). The average depth is about 2,500 metres.

Unlike deep geothermal energy, near-surface geothermal energy has already achieved greater market penetration. The BVG estimates that over 470,000 plants (previous year: around 420,000) (e.g. in the form of geothermal energy probes or collectors in connection with heat pumps) are in operation, providing around 4,700 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 production of geothermal heat, by contrast, is already economically viable and attractive without subsidies for local and district heating supply and for heating buildings on a broad scale.

The geothermal heat extracted can be used to provide reliable heating for residential buildings, district heating supply networks, public buildings or process heat for industry and commerce over a large part of the year (more than 8,000 hours = 91 %). According to a study by the Fraunhofer Institute and the Helmholtz Association, the BVG believes that deep geothermal energy could meet more than one quarter of the annual German heat requirement (over 300 TWh).

From a financial point of view, pure heating projects are largely local and/or district heating projects, because the investment costs for drilling operations and plant technology (heating plant) are relatively low, 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 currently save just over 1 million tonnes of CO₂ per year.



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

Germany and the EU have committed to ambitious climate targets. In order to contribute to achieving the Paris Agreement target of keeping the increase in global temperature to well below 2 °C, the German government made its climate protection provisions stricter in 2021 and embedded the goal of greenhouse gas neutrality by 2045. As early as by 2030, emissions should decrease by 65 % compared to 1990. At the EU level, the European Climate Law finalised the goal of achieving a carbon-neutral EU by 2050 within the framework of the Green Deal.

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

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





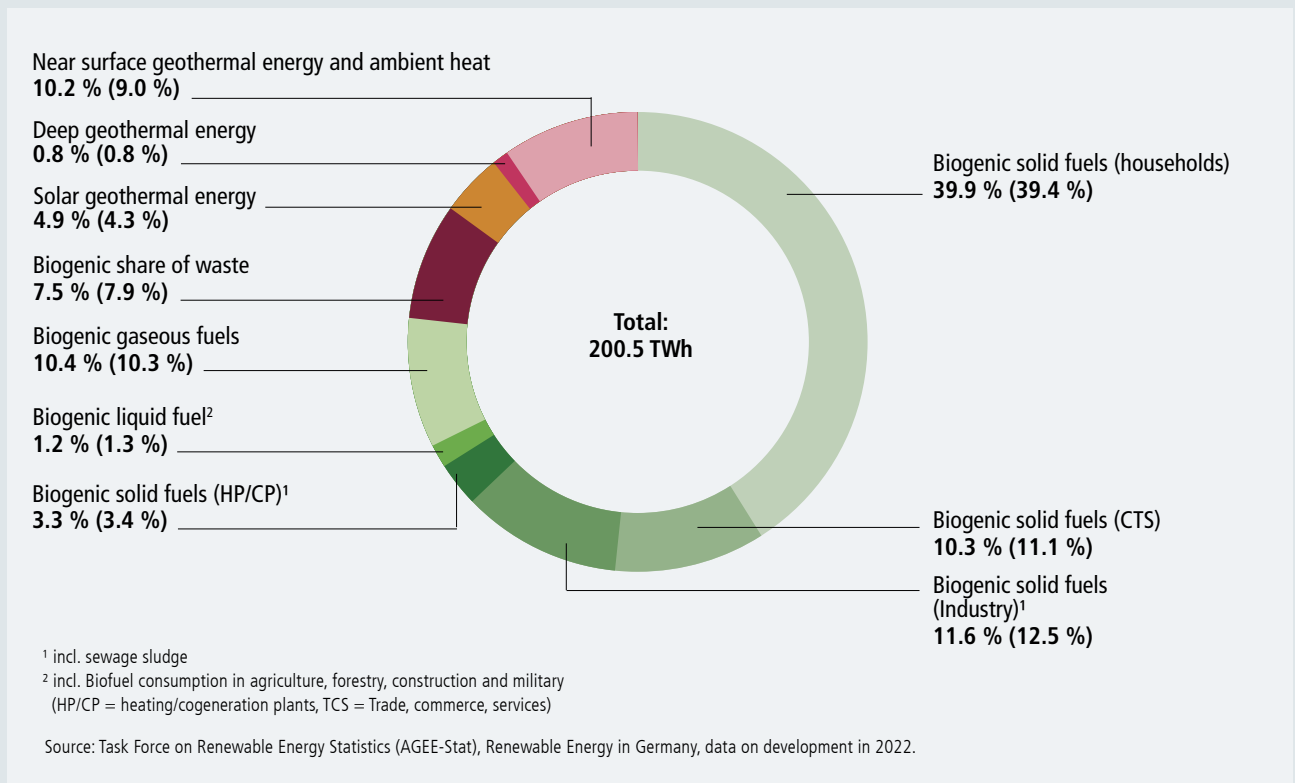
GEOHERMAL ENERGY IS FIRST CHOICE FOR THE HEATING BASE LOAD

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 2020 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. Especially since the share of renewable energy in the heat supply in Germany is only about 17 %. The energy sources making up the latter are shown in the figure 'Renewable energy for heating and cooling 2022'.

In contrast to electricity production from geothermal energy (2022: 0.2 billion kWh, corresponding to about 0.1 % of the amount of electricity generated from renewable sources), the provision of heat from environmental heat and geothermal energy gained significantly in importance in 2022 and, at 22.0 billion kWh, was 13 % above the level of the previous year (19.5 billion kWh). Overall, about 11 % of renewable heat is generated from geothermal and environmental heat. In 2000, the share was less than 4 %.

In electricity consumption, the share of renewable energy is 46.2 % after more than 20 years under the Renewable Energy Sources Act. Overall, the renewable share of final energy consumption in 2022 is 20.4 %, which is just one-fifth of consumption.

FINAL ENERGY CONSUMPTION FOR HEAT FROM RENEWABLE ENERGY SOURCES IN 2022





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

Up to now, renewable heating has been mostly generated in Germany from wood, biogenic waste and biogas. Just like the burning of fossil fuels, this generates 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. Solar thermal energy cannot be used to supply the basic thermal load all year round due to the weather-related dependency involved. We have shown here several times that geothermal energy is one of the most climate and environmentally friendly technologies for heat supply with potential for expansion.

Fossil fuels, such as coal, oil and natural gas, can be substituted by geothermal energy in many areas of the heat generation process. 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. In addition to the Renewable Energy Sources Act (EEG), this includes funding for the production of deep geothermal systems to generate electricity and/or heat, among other things through the German Building Energy Act (GEG) and the Federal Promotion of Efficient Buildings (BEG). 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".

EXPLORATORY DRILLING FOR THE SEARCH FOR A REPOSITORY AN IMPORTANT MARKET

In the year under review, Daldrup & Söhne AG successfully continued its work for NAGRA, the Swiss National Cooperative for the Disposal of Radioactive Waste, with a final exploratory drilling operation and completed it on schedule. Nagra was looking for a suitable site for a geological repository for radioactive waste in Switzerland. The wells were used to complete the overall geological picture of potential site regions, allowing a safe location to be chosen for deep storage. Daldrup has already carried out exploratory drilling as a drilling service provider for the German Bundesgesellschaft für Endlagerung mbH (BGE), which is facing a similar task. In general, these drillings are characterised by their complexity and high scientific standards, which are used as decision-making tools to obtain state-of-the-art scientific and technical data.

For more explanations concerning the BGE plans, we refer to the 2020 annual report. Daldrup & Söhne AG has exactly the knowledge and experience that 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 in the business area of Raw Materials & Exploration with this special drilling around the end storage search.



GEOHERMAL MARKET REMAINS HIGHLY COMPETITIVE

The geothermal market is characterised by the limited availability of qualified drilling capacities from companies with sufficient drilling experience in the geothermal sector, not least due to the still increasing shortage of skilled workers. The possibilities for expansion are thus limited, at least in the short to medium term. The limited number of drilling rights in Germany also limits the market. This results in stable drilling prices and sometimes intense competition. The competition in deep geothermal drilling is mostly characterised by medium-sized company structures and nationally defined focus points for activity. Along with the few specialised geothermal drilling companies, 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, personnel and sometimes excessive regulatory and administrative barriers to market entry. Daldrup confronts this competitive environment with its long years of know-how, market-ready prices, experienced drilling teams and high-quality service for planning and execution of the projects it is entrusted with by customers. The group's strong competitive position is derived from:

- decades of experience in deep geothermal operations with 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.

Deep and medium-depth geothermal energy projects are generally put out to tender throughout Europe. Consequently, they are subject to high technical and qualitative requirements and sometimes highly competitive pricing. Business with private and commercial customers has increased. In the opinion of the Daldrup & Söhne AG Management Board, an expanded government funding framework, local energy initiatives in a predominantly urban environment, and the already subsidy-free operation of heat generation plants, as well as sophisticated exploratory drilling, mark a fundamentally intact industry environment for Daldrup & Söhne AG. Moreover, the stock exchange listing ensures a high degree of transparency for our customers, suppliers, financial institutions and shareholders.



3. STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

The purpose of Daldrup & Söhne AG as the parent company of the Daldrup Group is to expand geothermal energy. This particularly involves the planning and drilling of boreholes for the aforementioned business segments as well as providing support for our customers in their sometimes demanding drilling and project plans. Daldrup & Söhne AG fulfils this purpose with its own extensive fleet of drilling rigs, the drilling teams it employs, the support of external specialists and workers, as well as decades of experience in geothermal and special drilling. Municipalities, companies and consumers in Europe demand this know-how, on the one hand to build up competitive and independent 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. The Daldrup Group wants to grow sustainably in these business segments and further expand its leading market position in Germany and Europe as an experienced drilling technology and geothermal specialist. In the short to medium term, the focus is on the operational drilling business and high-quality drilling services. One limiting factor is the existing shortage of skilled workers.

Overall, the company sees a high market potential due to the current energy policy situation, which was triggered by the Russian war of aggression in Ukraine, climate change and the corresponding political reactions and measures. In this market environment, the company wants to grow organically. However, collaborations with or acquisitions of competitors are also conceivable in this context.

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

In order to further advance the group, the pursued strategy will be tweaked to enhance sales, project organisation and finance. 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. To this end, Daldrup & Söhne AG will continue to boost digitalisation in 2023 and 2024. Among other things, an IT project was launched in 2022 to align existing IT systems with current and future requirements and to sensibly supplement them by expanding the management information system. With corresponding economic stability, Daldrup & Söhne AG can successfully and profitably participate in the structural growth market of 'geothermal heat generation' and the other future-oriented topics described in Central Europe.

4. LONG-TERM EQUITY INVESTMENTS

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

As at 31 December 2022, Daldrup & Söhne AG holds the following direct and indirect material operational shareholdings:

Daldrup Bohrtechnik AG, 6023 Rothenburg (Switzerland)

Daldrup Bohrtechnik AG operates independently in an interesting Swiss market with potential in geothermal energy. Business connections and contacts with important customer contacts are in place – some of them have been for many years. In addition to wells for the exploration of geothermal energy, special and exploratory wells, for example, for brine production and depth storage discovery, are in high demand. The processing of orders is commissioned from Daldrup & Söhne AG.

GERF – Geothermal Energy Realisation and Financing B.V., 2675 BR Honselersdijk (Netherlands)

The use of geothermal energy as a resource-conserving energy source is being well received by large greenhouse operators (vegetables, flowers, plants) in the Netherlands. The Dutch Ministry of Economics and the regional provinces are supporting this development through a programme of subsidies for investment in self-sustaining geothermal heating plants. Therefore, Daldrup has been represented with this office in the Netherlands since 2011.

Daldrup Wassertechnik GmbH, 59387 Ascheberg

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

D&S Geothermie GmbH, 82031 Grünwald

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

5. RESEARCH AND DEVELOPMENT

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

The further development of the technology field of geothermal energy is not limited to the national market, but rather offers a broad field of action in the international context as well.

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

- **Deep geothermal energy probes:**

Closed circuit within a U tube or a coaxial probe with a circulating heat transfer medium (e.g. geothermal energy project for electricity plants for the city of Zurich, Switzerland, in the Triemli District).

- **Hydrothermal systems:**

Closed circuit in which thermal water is pumped from production wells and fed back into natural aquifers via re-injection wells.

- **Petrothermal systems:**

Cracks and fissures are created or expanded in the dry subsurface using hydraulic stimulation measures, through which artificially introduced or injected water can flow. While Daldrup has successfully executed the first two systems and taken the projects into operation on several occasions, there is no petrothermal geothermal energy project in regular operation in Europe.

6. OVERVIEW OF THE ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

In the Kiel Economic Reports presented in mid-March 2023, the Kiel Institute for the World Economy (IfW Kiel) assumes slower growth of 2.5 % for the reporting year (previous year: 3.2 %). According to the Kiel Institute, the recovery of the global economy from the aftermath of the coronavirus pandemic was very restrained due to the impact of high energy prices and great geopolitical uncertainty. In response to the high inflation, the monetary policy was tightened very quickly, which also slowed things down. The Chinese economy suffered from the restrictive measures to contain the coronavirus pandemic, which did not end until December of last year. According to the experts, the uplifting momentum was apparently strong enough in the euro zone until the final quarter of 2022 to avert the feared contraction in economic output despite the extremely high energy prices in the and the correspondingly reduced purchasing power. The IfW assumes a growth rate of the gross domestic product (GDP) of 3.5 % (previous year: 5.3 %) for the European currency area in 2022. For Germany, the economic experts expect a growth rate of 1.8 % (previous year: 2.6 %).





DEMAND FOR GEOTHERMAL PROJECTS ROBUST THROUGHOUT EUROPE

The demand for projects using geothermal energy for electricity and heating supply was solid in Central Europe – in line with Daldrup & Söhne AG's expectations in the last few quarters. In addition to the incentive to decarbonise the energy supply, especially in the heating sector, Russia's war against Ukraine has highlighted the massive dependence of Germany and other EU countries on pipeline-bound natural gas. This has two main consequences. Firstly, the demand for base-load-capable, climate-friendly energy sources of domestic origin such as geothermal energy is increasing significantly. Secondly, the profitability calculations of geothermal projects are improving with the significantly increased energy price level of fossil fuel, both for electricity and for heat. Governments and the EU Commission are also making efforts to improve the funding conditions for geothermal energy by providing important incentives and secure framework conditions for municipalities and investors.

In the long term, we believe that the increasingly ambitious climate policy, which focuses on the significant reduction of greenhouse gas emissions and massive subsidy programmes, remains crucial for structural growth in the geothermal market. The EU aims to reduce greenhouse gases by at least 55 % below 1990 levels by 2030. Through the EU Emissions Trading System (EU ETS), CO₂ will be tradable and priced via a decreasing number of emission allowances. Furthermore, the ceilings for emissions from individual economic sectors such as energy and industry are lowered every year.

The EU Commission wants to promote carbon-neutral technologies more vigorously: the EU Green Deal, the REPowerEU programme and the EU's reaction to the US IRA (Inflation Reduction Act) with relaxed subsidy rules, which allow EU states to subsidise private investments in green technology up to 100 %, should lead to massive investments in green energy production. For Daldrup & Söhne AG, the willingness to implement and invest is substantiated by the vast amount of requests for proposals.

Daldrup is also operating within secure budgets. This is because the investment decisions for ongoing and pending drilling projects are made months or years earlier by our customers. Investment decisions in energy supply are also led by municipalities and private investors based on long-term considerations, and are often counted among public services. As such, the group has neither had to record a decline in demand as a result of the coronavirus pandemic, nor have orders been cancelled.

We currently see that the urgency to decarbonise heat supply, which has become apparent due to the war in Ukraine, and the equally urgent endeavour to become less dependent on individual types of energy and countries, fundamentally boosts the group's business purpose. The clients are German industrial and commercial companies, private individuals and municipalities as well as companies and public-sector enterprises from Switzerland and the Benelux countries. In the reporting period, we started the geothermal project 'Lavey-les-Bains' in the Rhone Valley in Switzerland, with a deep geothermal well up to 3,100 metres, and completed it in September 2022. This was followed by a deep geothermal well in Vinzel, Switzerland.



At the end of the reporting year, we began drilling an exploratory well for the municipal utility company 'Stadtwerke Hamburg' for the use of an aquifer storage facility. The city of Frankfurt commissioned us to drill an exploratory well to test the geological conditions for the use of geothermal energy in the city. At the turn of the year, we signed a general contractor agreement with MTU Aero Engines AG for the construction of a geothermal doublet, including the construction of the drilling site at the Munich location. Work is scheduled to begin in mid-2023. MTU will use the geothermal energy as process and space heat in the company buildings. MTU expects to be able to save up to 88 % of the current fossil energy with this concept.

Institutional and public pressure to decarbonise energy production will further increase the need for investments in climate-friendly heat and power generation. In addition, it is possible that the energy demand in the course of the energy transition will rise as a result of the electrification of lots of areas and the replacement of former fossil generation methods. Examples include the following: Electricity for heat pumps, replacement for heat extraction from coal-fired power plants, expansion of e-mobility, provision of hydrogen generation through electrolyzers, etc. for the electricity-intensive industry. In its study 'Climate Neutral Electricity System 2035', Agora Energiewende assumes an increase in gross electricity consumption in Germany to 894 TWh by 2035, which corresponds to an increase of 54 % compared to the year under review.

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



GEOTHERMAL ENERGY TURBO CHARGE FOR GERMANY: BMWK PRESENTS KEY ISSUES PAPER

Several recent studies (Roadmap for Near-Surface Geothermal Energy, Roadmap for Deep Geothermal Energy, Metastudy on the National Geothermal Energy Strategy, District Heating Supply by Using Low-Temperature Heat Sources Using Deep Geothermal Resources as an Example) by German research institutions make it clear that geothermal energy has the potential to cover a large part of Germany's heat demand. In accordance with the key issues paper 'Geothermal Energy for the heat transformation' published in November 2022, the Federal Ministry of Economics and Climate Protection (BMWK) wants to support the sector with eight measures to quickly raise this potential and facilitate investments. The goal is to decarbonise at least half of the heat that is currently still generated from natural gas, oil and coal (over 75 %) by 2030. The need to replace imported natural gas is particularly enormous.

The typically long realisation periods involved in geothermal projects mean that properly regulated remuneration nowadays is of vital importance for investors during the operating phase of their investments. 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. In Switzerland, geothermal energy is part of the strategic energy planning for decarbonising the electricity and heat supply. The performance-limiting factors in the drilling and project business in the 2022 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, Daldrup & Söhne AG achieved revenues of EUR 38.2 million in the 2022 fiscal year (previous year: EUR 78.1 million) and earned total operating output of EUR 36.9 million (previous year: EUR 44.9 million).

The following contributions to the revenue were made by the individual units of Daldrup & Söhne AG:

• Geothermal Energy:	EUR 14.5 Mio.	(38.1 %)
• Raw Materials & Exploration:	EUR 18.0 Mio.	(47.0 %)
• Water Procurement:	EUR 3.6 Mio.	(9.4 %)
• EDS:	EUR 2.1 Mio.	(5.5 %)

The sales revenues in the 2022 fiscal year were 42 % in Germany (previous year: 90 %) and 58 % in the neighbouring European countries of the Netherlands and Switzerland (previous year: 10 %). The order situation was good at the end of the fiscal year in terms of drilling rigs for medium-depth and deep geothermal wells. The same applies to drilling rigs for shallower depths. For example, they were utilised at full capacity for well drilling, in old mining activities or shallow geothermal energy for real estate. Daldrup carried out deep geothermal drilling, predominantly in Germany and Switzerland, in the reporting year. In Switzerland, Daldrup also carried out deep explorations for final storage for NAGRA (National Cooperative for the Storage of Radioactive Waste). The importance of the Swiss market has thus increased significantly for the Daldrup Group in recent years.

CAPACITIES LARGELY UTILISED IN FISCAL YEAR 2023

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

The business areas of Raw Materials & Exploration and Water Procurement were well supplied with orders. The demand situation continues to be brisk. Daldrup has also received further large drilling orders for geothermal use or for special contracts.

The shallow geothermal business is also performing well and is already at full capacity until November 2023.

All business areas have a generally comfortable backlog of orders. As at mid-May 2023, it amounts to EUR 33.2 million in the group and arithmetically utilises the production capacities until beyond the fourth quarter of 2023. Moreover, the total relevant market (assessed with probabilities of occurrence based on orders under negotiation as at May) amounts to around EUR 203 million and thus signals a continued vital interest in the services of the Daldrup Group.



B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULT OF OPERATIONS

The volatile course of projects inevitably leads to occasionally strong fluctuations in value in the income statement of the Daldrup Group. This is once again evident in the past reporting year 2022: at EUR 38.2 million (previous year: EUR 78.1 million), sales revenues returned to a 'normal size' after a lengthy major contract was settled by Daldrup & Söhne AG in the previous year, with the corresponding impact on the size of sales. However, considering only the revenues from completed and invoiced orders would give an incomplete picture of the total work completed in the fiscal year due to the partly medium-term project progress. Therefore, under consideration of German accounting standards, the changes in work in progress and work commissioned by the customer must be reflected in the assessment of the earnings position. In accordance with the principle of prudence, these changes in inventories are initially adjusted by a 12.5 % standard deduction from the value of the work performed. For example, this is done to account for construction or acceptance risks. This deduction is only realised after completion, acceptance and final invoicing of a project. The project and operating costs must, by contrast, be recorded straight away when they arrive.

The inventories of partially completed work decreased by around EUR 1.4 million (EUR - 33.2 million) after they had fallen significantly in the previous year due to the large order that was invoiced. The total operating output thus determined for the past 2022 fiscal year amounts to EUR 36.9 million (previous year: EUR 44.9 million) and falls short of the forecast made in May 2022 by around EUR 5 million. In the past year, the last major order from NAGRA in Switzerland as well as many orders in the old mining business were successfully completed and invoiced. With almost EUR 0.1 million (previous year: EUR 0.0 million), proprietary systems were capitalised, which can be produced more cost-effectively within the group.

Other operating income increased significantly to EUR 1.1 million (previous year: EUR 0.5 million) or 3.1 % (previous year: 1.0 %) of total operating output. In addition to the reversal of no longer needed interest provisions from the previous year, this item also includes income from currency translations with Swiss customers of EUR 0.2 million (previous year: EUR 0.1 million). It is offset by almost the same amount of expenses from currency translations of EUR 0.2 million (previous year: EUR 0.1 million), since significant orders or currency positions are hedged in accordance with the strict risk policy of the group.

At EUR 13.4 million (previous year: EUR 21.5 million), the cost of materials declined significantly to 36.3 % (previous year: 47.9 %). This development is also due to the significant decline in procurement of services, which amounted to EUR 9.9 million (previous year: EUR 13.5 million) or 26.8 % (previous year: 30.0 %) of the total operating output from specialised third-party companies and purchased personnel services.

Gross profit as the sum of total operating output, other operating income and cost of materials increased noticeably and reached EUR 24.6 million (previous year: EUR 21.5 million) or 66.7 % (previous year: 47.9 %) of total operating output.

However, an increase in the deployment of our employees, higher requirements of our clients for the provision of personnel at the drilling locations, wage increases and the deployment of personnel in Switzerland, which tends to involve higher expenses, led to a significant increase in personnel expenses. After slight increases in previous years, personnel expenses rose significantly by EUR 1.1 million to around EUR 10.0 million (previous year: EUR 8.9 million). It thus amounts to a high 27.0 % (previous year: 19.8 %) of the group's total operating output.

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



At EUR 2.4 million (previous year: EUR 2.4 million) or 6.5 % (previous year: 5.3 %) of the total operating output, scheduled depreciation was at the same level as the previous year in absolute terms. Depreciation mainly relates to the large drilling rigs and results from investments in the fixed assets of Daldrup & Söhne AG. The deep drilling sites are still written off on the basis of standard business service life of 15 years. Thus, the scheduled depreciation on the two large drilling rigs Bentec and Drillmec will gradually end as at 11/2023 and in the middle of 2024. In the 2022 fiscal year, around EUR 0.9 million (previous year: EUR 1.0 million) was invested in the tangible fixed assets of Daldrup & Söhne AG. The investments mainly replace equipment that was rented. This strategy will be continued in the coming years.

In absolute terms, other operating expenses decreased significantly again to EUR 10.4 million (previous year: EUR 11.0 million) or 28.2 % (previous year: 24.6 %) of the output. In percentage terms, however, they increased significantly. The Management Board of Daldrup & Söhne AG will therefore boost purchasing in 2023. Among other things, the absolute decrease results from lower transport costs for large drilling rigs, which dropped by around EUR 0.5 million compared to the previous year to around EUR 0.3 million. As the drilling rig was already in Switzerland, the sharp increase in fuel costs in the 2022 fiscal year did not affect the company in this cost item. Legal & consulting costs increased to EUR 0.7 million (previous year: EUR 0.5 million). Since currency risks are predominantly supposed to be hedged in accordance with the risk policy, other operating income from currency hedging of EUR 0.2 million (previous year: EUR 0.1 million) is offset by expenses of almost the same amount. The costs for overburden and waste removal at drilling locations declined significantly to EUR 1.1 million (previous year: EUR 1.7 million). Further details can be found in the notes to the consolidated financial statements.

The financial result amounted to EUR - 1.0 million after EUR - 0.8 million in the previous year. The main items in this partial result are interest of EUR - 0.8 million on granted loans and EUR - 0.3 million in depreciation on subordinated receivables from the sold Geysir Europe Group. Interest paid and guarantee commissions were slightly lower at EUR - 0.8 million (previous year: EUR - 0.9 million).

For the reasons described above, the consolidated net income of EUR 0.9 million (previous year: EUR 0.8 million) slightly exceeded previous year's level, corresponding to 2.3 % (previous year: 1.7 %) of the group's total operating output.

Based on earnings before taxes of EUR 0.9 million (previous year: EUR 0.8 million) and the customary addition of the financial result, a slightly increased operating group EBIT of EUR + 1.8 million is calculated for the 2022 fiscal year after EUR + 1.6 million in the previous year. The EBIT ratio is thus 4.9 % (previous year: 3.5 %) of the group's total operating output. Based on this ratio, EBITDA of EUR + 4.2 million (previous year: EUR 3.9 million) or 11.5 % (previous year: 8.7 %) of the group's total operating output was achieved in the reporting year.

With a total of EUR 36.9 million in the reporting year, the Daldrup Group did not achieve the group's target total operating output of around EUR 42.0 million forecast in May 2022 for the 2022 fiscal year. The EBIT forecast in May 2022 of between EUR 1.68 million and EUR 2.52 million, or between 4 % and 6 % of total operating output, was achieved within the forecast range at EUR + 1.8 million.

2. CAPITAL SITUATION

The balance sheet total of Daldrup & Söhne AG as at the balance sheet date of 31 December 2022 reached EUR 40.2 million (previous year: EUR 38.6 million) and increased by around EUR 1.6 million compared to the balance sheet date of the previous year.

The tangible fixed assets are mainly held in the balance sheet of Daldrup & Söhne, depreciated according to schedule, and amount to EUR 5.7 million (previous year: EUR 7.2 million). It especially includes the inventory of drilling rigs as well as the vehicle fleet and the required factory and office equipment. The change results from additions to fixed assets of around EUR 0.9 million and depreciation of EUR 2.4 million. The additions primarily include operationally essential investments, in particular the acquisition of new equipment for drilling operations and mainly replace previously rented equipment.

The financial assets totalling EUR 5.0 million (previous year: EUR 9.7 million) mainly include medium-term subordinated receivables from the sold companies of the Geysir Europe subgroup of just under EUR 4.4 million (previous year: EUR 4.7 million), which were depreciated by EUR 0.3 million in the reporting year. The medium-term financial investment receivables from J. D. Apparate- und Maschinenbau GmbH no longer exist. For further details, please refer to the explanations in the notes to the consolidated financial statements.

Raw materials, supplies and consumables as a sub-item of inventories amounted to EUR 5.5 million (previous year: EUR 4.8 million) on the balance sheet date and exceeded previous year's value. While we were able to maintain the higher inventory levels, the price of purchased goods also increased. The 'finished products and merchandise' item includes the technology components amounting to around EUR 4.0 million that were transferred to D&S Geothermie as part of the purchase price for the disposal of the Geysir Europe Group. These components were valued by an expert and are supposed to be sold off gradually. The first components were sold in 2022 for roughly EUR 0.4 million.

The unfinished services and advance payments, valued according to commercial prudence, reached a total value of EUR 28.7 million (previous year: EUR 30.1 million) on the balance sheet date, which was offset by advance payments received totalling EUR 28.2 million (previous year: EUR 28.7 million), which were deducted from the unfinished services. Of this amount, EUR 27.4 million is for advance payments for services already rendered under contractual agreements with customers of the Daldrup Group. Around EUR 0.8 million is attributable to an advance payment from a major customer.

Trade receivables increased noticeably and amounted to EUR 7.0 million (previous year: EUR 4.1 million) on the reporting date. The Management Board regards the overall default risk on these customer receivables as very low, because they are distributed across numerous creditworthy customers. Where necessary for commercial prudence, appropriate value adjustments were made.

Other assets developed according to plan and again declined slightly. They amounted to EUR 8.1 million (previous year: EUR 8.5 million) on the reporting date. This balance sheet item includes a loan to a company of the Daldrup Group amounting to EUR 5.6 million (previous year: EUR 6.0 million), which was repaid as agreed upon in 2022. It also includes EUR 1.6 million in purchase price receivables from the disposal of company shares. VAT receivables remain at a normal level of around EUR 0.5 million (from EUR 0.4 million).

Liquid funds amounted to EUR 3.1 million (previous year: EUR 3.0 million) on the reporting date and slightly exceeded previous year's level.

On the liabilities side of the balance sheet, the net income increased the group's equity to a total of around EUR 20.0 million (previous year: EUR 19.0 million) as at 31 December 2022. The equity ratio in the group as at the reporting date (31/12/2022) continued to be a comfortable 49.7 % (previous year: 49.3 %) of the group's balance sheet total.

Other provisions decreased slightly to EUR 1.1 million (previous year: EUR 1.2 million), mainly because provisions for originally contractually agreed interest of around EUR 0.3 million (previous year: EUR 0.2 million) had to be released. Further details can be found in the provisions notes in the annex.

Liabilities totalled EUR 19.1 million (previous year: EUR 18.4 million) and were thus almost at the same level as in the previous year. At EUR 7.8 million, liabilities to banks reached the level of the previous year. Medium-term financing in connection with the acquisition of necessary operating and office equipment was called up at a volume of only about EUR 0.4 million. Trade liabilities amounted to EUR 5.5 million (previous year: EUR 5.2 million) as at 31/12/2022. We mainly attribute this increase to the higher price level for raw materials, supplies and consumables. The other liabilities of EUR 5.8 million (previous year: EUR 5.4 million) are also at a constant level. Further details can be found in the schedule of liabilities in the notes.





10 M³
L.3140
B.2480
H.2740
G.20000

VECHTA-
GER
Sch...
HECTA

050000
H.3140
B.2740
G.20000



3. FINANCIAL POSITION

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

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

Extensive preparatory activities for medium-sized and large drilling projects in the 'deep geothermal energy' segment regularly require advance payments by the group or Daldrup & Söhne AG. To finance these resource requirements and to provide sureties, working capital lines, project financing lines and medium-term financing with German banks and insurance companies totalling EUR 21.5 million were available as at the balance sheet date. Furthermore, as at the balance sheet date, there is an unsecured block financing of around EUR 1.2 million (previous year: EUR 1.9 million) that is supposed to be gradually repaid.

The group's solvency was continuously monitored and updated and was secured during the 2022 fiscal year under careful consideration of the forecasts and the contractual agreements with banks and suppliers. Overall, the liquidity-related balance sheet items as at the balance sheet date on 31/12/2022 – consisting of trade receivables of EUR 7.0 million (previous year: EUR 4.1 million) and liquid funds of EUR 3.1 million (previous year: EUR 3.0 million) – amounted to EUR 10.1 million (previous year: EUR 7.1 million) as at the reporting date. The increase resulted from the conversion of the billing system. They were offset by trade liabilities of EUR 5.5 million (previous year: EUR 5.2 million), which generally have short-term due dates. The total aforementioned group assets amounting to EUR 10.1 million (previous year: EUR 7.1 million), which are close to liquidity, and the trade liabilities of EUR - 5.5 million (previous year: EUR - 5.2 million), which generally have short-term due dates, amounted to EUR 4.6 million as at the reporting date on 31 December 2022.

The Daldrup Group will process the acquired orders as planned in the 2023 fiscal year. The order backlog of EUR 33.2 million as at mid-May 2023 is expected to utilise capacities to the greatest possible extent beyond the fourth quarter of 2023. Considering these orders and the forecasts, the company expects regular sales revenues and easily planable cash inflows from the deep geothermal energy segment and the general drilling business if they are processed according to plan. Based on this expectation and the explanations in the section 'Financing risks – Risks to the company as a going concern', the solvency of the group is also secured beyond the 2023 fiscal year.

There are also ambitious plans for the 2023 fiscal year, which so far do not appear to be at risk despite the war in Ukraine. Since rising prices cannot always be passed on to customers, there is a risk of margin losses. Moreover, the various interest rate steps taken by central banks have made financing more expensive, which will also have an impact on the group's profitability. The value of subordinated loans to Geysir Europe Group companies is assessed in the event of changes in circumstances, with a further risk (for example, based on changes in strategy on the part of the investor) not affecting liquidity. Existing IT systems are being expanded to improve project control and cost management and will be replaced by a new system in 2024. Two IT projects were therefore initiated in the 2022 fiscal year, which should have a positive effect on profitability in the medium term. Furthermore, the shortage of skilled workers is supposed to be countered with suitable measures.





4. GENERAL STATEMENT ON THE ECONOMIC SITUATION

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

However, the higher energy price level and inflation caused the costs on the construction sites for materials, such as steel and cement, and operating supplies, such as electricity and diesel, to rise significantly during the reporting year. Logistics expenses also increased. We were able to pass some of these cost increases on to the clients.

The subordinated receivables from the companies of the former Geysir sub-group still exist in the amount of approximately EUR 4.4 million and EUR 1.6 million from a claim for purchase price payment as part of the disposal of shares in the Geysir Europe Group. Overall, Daldrup & Söhne AG has reduced receivables from the former companies of the Geysir Europe Group by around EUR 33 million – a significant reduction.

The shortage of skilled workers continued to have a limiting effect on growth and earnings in 2022. We are trying to counteract this deficit by gradually deploying more modern and efficient drilling equipment, training our own staff and expanding our collaboration with personnel service providers. We are also actively hiring new suitable employees in Germany and other European countries.

The framework conditions for the renewable energy market in the electricity and heat sectors are being gradually improved by the German government and the EU. Russia's war against Ukraine has given new urgency to the move away from primary fossil energy sources in order to break free from dependence on individual supplier countries and fossil raw materials as quickly as possible.

The Management Board of Daldrup & Söhne AG strongly believes that the heat transformation, which has yet to be completed, continues to offer a promising market environment. Under this condition, the unchanged high interest of municipalities, companies and financial investors in geothermal heating and power plant projects should continue.

As at mid-May 2023, the group's order backlog for geothermal and other drilling projects in Germany and other European countries remains at a satisfactory level of around EUR 33.2 million. The Management Board also remains overall confident about the market volume of around EUR 203 million relevant for Daldrup, which is assessed with probabilities of occurrence.

In summary, the business development and the result of Daldrup & Söhne AG continued to be positively impacted by the satisfactory capacity utilisation, the regulatory environment and the partly high energy price level in the target markets of Germany, Switzerland and the Benelux countries as well as the social environment – despite the significantly increased interest rate level. Therefore, the Management Board continues to assess the economic development as overall satisfactory based on the economic environment.

C. 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.

As at the reporting date and at the creation time of the management report, the following risks were identified, under consideration of the existing management and control measures. They are presented in descending order of importance. This order of importance also includes the assessment of the risks arising from the war in Ukraine, which are described separately. The COVID-19 pandemic has become endemic in the markets relevant to Daldrup & Söhne AG in the reporting year and no longer significantly restricts economic activities. The negative effects on global trade and production should thus gradually dissipate. Overall, we do not see any restrictions on the continuation of long-term drilling contracts, nor do we see any restrictions in the areas of 'procurement' and 'personnel', which were discussed in the previous year.

The current risk system, risk environment and risk potential for the Daldrup Group are described below (list is not exhaustive):

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 asset, 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 disposal of the Geysir Europe Group has meanwhile significantly minimised these risks overall in 2019 and 2020, there are residual risks in the form of recognised subordinated loans and purchase price receivables.

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

2. BUSINESS RISKS

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

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

SUBSOIL RISK

The subsoil risk, i.e. the risk of known and unforeseeable effects and difficulties originating from the subsoil (all underground, geological risks), is in (legal) building practice regulated in the contracts between the parties. This is generally within the sphere of responsibility of the client. Daldrup & Söhne AG as the contractor in drilling contracts bears the risk for technical drilling operations. In the deep wells drilled by Daldrup, this risk can be mitigated through 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. If machines or drilling rigs are serviced or repaired by third parties outside the group, there is a risk that – despite careful maintenance – defective parts, wear components or equipment could have a negative impact directly on performance or on the earnings power of the Daldrup Group through necessary provisions for repairs or even litigation risks or similar.

Separate machine insurance (including lost-in-hole) secures potential damage to deep drilling plants as well as to all peripheral machines and devices on a first-loss basis. The risk of business interruption due to damage can be insured normally. Blowout risks are, in principle, to be assigned to the subsoil risk, but can also be covered, in individual cases, via increased cover as part of business liability insurance.

The best insurance against blowouts is the use of modern and functional blowout preventers, which are regularly used by Daldrup. In the view of the Management Board, and based on annual strategic discussions with our industrial insurance partner, no special risk areas exist beyond the scope of normal business liability risks. Using a rigorous and certified quality and safety concept to avoid risk and damage is accorded high importance in the operational business of the Daldrup Group. The existing insurance policies and their cover are reviewed during the course of annual strategic discussions and adjusted where necessary.





UNSUCCESSFUL EXPLORATION

Within the framework of the ART concept, special policies from insurance consortia cover the downtime risk in the event of unsuccessful deep drilling. The parameters for successful exploration here are defined unambiguously with the quantity of fill, the temperature and the lowering of the static water level. In assessing the insurance risk, the insurability and the level of premiums for a project, the experience and references of the drilling company commissioned and the likelihood of a strike as confirmed by external reports all play a critical role. Geothermal projects planned, drilled and implemented by the Daldrup Group have regularly been and remain at the present time commercially insurable. Although the ART concept cannot eliminate time delays in the event of unsuccessful exploration and their financial impact on Daldrup & Söhne AG, it does reduce the associated exploration risk for our customers, improves the feasibility of deep geothermal projects and thus significantly supports the customer acquisition of Daldrup & Söhne AG 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. Risk-oriented supplier management attempts to reduce procurement risks or stabilise them at the lowest possible level by diversifying our business partners and exploring new suppliers and service providers. However, some parts of the service chain are dependent on suppliers.

APPROVAL RISKS

Every extraction plant and well for the exploration and extraction of natural resources, whether for geothermal energy, water extraction or raw materials exploration, is subject to comprehensive preliminary approval procedures carried out by the competent supervisory authorities. The approval of the various boreholes and extraction plants, such as building and operating a heating plant, is subject to the provisions of the German Federal Mining Act (Bundesberggesetz, BBergG), the German Federal Excavation Act (Abgrabungsgesetz), the requirements of the German Federal Water Act (Wasserhaushaltsgesetz, WHG) and state water laws and building regulations. The requirements imposed on Daldrup Group are increasing, and must therefore be updated, and regular consultations held with the regional authorities, state offices of geology and mining, and the water authorities.

Corresponding approval processes may be more complex and long-winded than expected and significantly delay projects, thus leading to downtime costs for 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 the group.

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

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

PERSONNEL RISKS

Daldrup employs key personnel across all divisions (project managers, engineers, experienced drilling rig operators, accounting staff) whose long-standing contacts or expertise are essential to the company's success. The loss of key employees (e.g. through poaching, illness, accident) could promptly, even if only temporarily, create longer gaps that could also have a negative impact on deadlines to be met. The prevailing shortage of certified skilled personnel for the operation of the extensive drilling rig fleet and in commercial divisions has worsened again compared to the previous year and cannot be remedied in the short term through in-house training and qualification measures or Europe-wide acquisition. The group's growth path is limited by the worsening shortage of well-trained, agile employees. We are now trying to recruit qualified workers across Europe through targeted acquisition measures. With an attractive work environment and incentives, we tried to especially attract and retain key employees. Moreover, we are closely monitoring strategic holdings, acquisitions and joint ventures and assessing opportunities.

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. For planned order processing and procurement in foreign currencies, situational currency and price hedging instruments as well as foreign exchange futures with lifetime option and tomorrow next. This relates to micro hedges. The Daldrup Group only enters into these derivative transactions if there is an underlying transaction to be hedged and only with banks with very good credit ratings. The effectiveness of the hedging relationships is ensured by using identical parameters (critical terms) for the underlying transaction and the hedge. The hedging relationships are shown in the annual financial statement as valuation units. Despite the use of such financial instruments, negative effects cannot be completely avoided, including in conjunction with project postponements. Speculative interest rate, currency and/or commodity transactions were not concluded during the fiscal year and are not planned analogous to 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.

If necessary, we utilise instruments that are customarily used in international business to hedge creditworthiness, payment and delivery risks through guarantees and letters of credit. To limit losses from payment defaults, guarantees are requested from our customers or their lenders whenever possible. 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 attempts to counter this risk with a generally broad selection of possible alternative suppliers and monitoring of critical components in the production process, among other things through extensive quality assurance measures and checking the production process.



In the context of the disposal of the Geysir Group, significant parts remain in the form of subordinated loans for many years via Daldrup & Söhne AG in the amount of approximately EUR 4.4 million (previous year: EUR 4.7 million). There is a risk that these subordinated loans totalling around EUR 4.4 million (previous year: EUR 4.7 million) will not be repaid in full and that the value adjustments that would then become necessary could gradually have a significant negative impact on the business results of the reporting company or the Daldrup Group. In the worst case scenario, it could also negatively impact the business results in full or continue to do so in the future.

As part of the Geysir disposal, the subsidiary D&S Geothermie GmbH received a purchase price claim as well as ownership of parts of the former components of the Taufkirchen power plant as a further purchase price component, which were valued by an expert. The Management Board of Daldrup & Söhne AG applied further discounts to these appraised values, e.g. for recycling and transport. The appraised values determined in this manner still amount to EUR 4 million after the first components were sold at the appraised value level in March 2022. The Management Board therefore expects further proceeds at this level from the disposal of these components. However, there is a risk, for example, that the estimated values will not be reached, that the sale will take longer than expected or that further depreciations on the recognised values may become necessary in the future.

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

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.

4. TECHNOLOGICAL RISKS

The drilling technology used is state of the art and is not subject to rapid technological change, meaning therefore that there is no specific risk potential. Networked technologies or artificial intelligence still play a subordinate role in operational drilling.

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

Efficiency-enhancing IT projects were initiated in 2022. There is a risk that these projects will be completed late, insofar as calculated or considered advantages for the group will only become tangible after a possibly significant delay and significantly higher costs will be incurred for the creation of the IT environment. On the other hand, these systems are a necessary intermediate step for the creation of systems that use artificial intelligence.

5. LEGAL RISKS

Legal disputes may arise due to the payment process and within the framework of guarantees, as well as in the framework of generally existing contracts. Different expectations or interpretations of project contracts may result in legal disputes. These disputes can also be settled without legal advice. In some matters, court proceedings cannot be avoided to legitimately protect the interests of the Daldrup Group. Regardless of the nature of any settlement of legal disputes, external specialist lawyers are entrusted with the task of representing the interests of the Daldrup Group.

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

Contract management is organised to the extent that there is a balanced distribution of opportunities and risks 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 key figure, it must be taken into account that it is not based on concluded contracts with customers, but rather on weighted – albeit subjective – probabilities of occurrence with regard to potential order placement. These probabilities of occurrence 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. Due to the increasing willingness to take legal action, the legal risks also tend to increase for Daldrup & Söhne AG or its group companies. A claim was threatened in a notable case. Daldrup & Söhne AG is also a defendant in another notable case and is defending itself in these proceedings. Daldrup cannot conclusively estimate the outcome of these proceedings. From today's perspective,

the circumstances giving rise to a claim in these proceedings, which are material for Daldrup, have not been proven or have not been proven sufficiently, which is why the Management Board continues to rate a successful claim as unlikely. An unfavourable outcome in the proceedings could have a massive impact on the economic parameters of Daldrup & Söhne AG. Daldrup is represented by a renowned law firm for this case. Provisions for occurring legal costs have been built up.

The company has taken out D&O insurance for the board members, the Supervisory Board and for managing directors of legally independent subsidiaries.

6. REGULATORY AND POLITICAL RISKS

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

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

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

Moreover the actionism and citizens' initiatives against geothermal projects can delay or endanger project development and approval procedures and deter investors. Close communication with political decision-makers and active measures such as participation in public hearings, the public presentation of projects and discussions with the media to broaden awareness of the advantages of geothermal energy are preventative instruments designed to avoid risks.



Diversification of regional sales markets serves to mitigate potential negative effects. In keeping, Daldrup Group is regularly active not only in Germany, but in the Netherlands, Belgium and Switzerland and perhaps in the future in Italy, and encounters very different funding 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 IN CONNECTION WITH THE EFFECTS OF THE WAR IN UKRAINE

On 24 February 2022, Russia attacked Ukraine and has been waging a war of conquest ever since. On the Ukrainian side, this has led to millions of refugees and, progressively, to large-scale destruction of cities and supply infrastructures. Ukraine's economic performance is at least severely limited for the foreseeable future. The Western nations have imposed manifold and extensive sanctions against Russia affecting persons as well as the movement of goods and money. Russia has been the largest exporter of fossil primary energy sources (coal, oil, natural gas) for Europe and to some extent for the global economy, and a significant supplier of other industrial and agricultural raw materials.

The uncertainty triggered by the war, the resulting shortages due to the sanctioned movement of goods and money, the availability of labour, especially in the logistics industry and at our drilling sites, and the significant price increases for fossil primary energy sources and agricultural goods had negative economic consequences worldwide in the reporting year.

As at the end of May 2023, Daldrup does not see any significant risks for its business model from Russia's war against Ukraine. Revenues were not based on either of the two warring parties. In most cases, it was possible to purchase raw materials from other sources. The volatilities on the energy markets triggered by the war have directly and indirectly raised costs on the construction sites for operating materials and supplies. However, at no time during the reporting year did they reach a magnitude that could have jeopardised the success of the drilling sites.

FORECASTING RISKS

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

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

FINANCING RISKS/RISKS TO THE COMPANY AS A GOING CONCERN

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

With an increasing risk situation and significantly higher interest rates, there is also a growing risk that individual or several of our long-standing financing partners will no longer be available to us in the same way and scope with project financing and, especially in project-related business, with guarantees that 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.



The company (and thus the group) mainly obtained financing through short-term external loans, which are structured in the form of credit lines or current account or guarantee agreements with fixed limits. They were generally granted as 'until further notice financing' (working capital lines).

An Independent Business Review (IBR) prepared by an external auditing firm was last updated in July 2022. In this context, the planning for the fiscal years 2022 and 2023 was submitted, plausibility was checked within the framework of the IBR and various restructuring measures were agreed with the lenders. At the time of preparation, the majority of these measures had been implemented, but not yet in full. The specific measures that have not yet been fully implemented are mentioned here:

- Expansion of management information system/project controlling
- Expansion of project and capacity utilisation planning
- Professionalisation of warehouse management.

From the lenders' perspective, Daldrup & Söhne AG is in the restructuring process until at least 31 December 2023. Thereafter, the process will only be completed when the measures agreed between the lenders and Daldrup & Söhne AG have been fully and successfully implemented.

The prepared liquidity planning does not result in any additional liquidity requirements in the planning horizon until 31 May 2024. Nonetheless, the agreements reached with the lenders could result in the loans that were granted until further notice being terminated by the lenders. However, the lenders are prepared to uphold their commitments. Should the measures not be implemented or not be implemented in full and, consequently, the lenders possibly exercise their right of termination and should the company not succeed in concluding appropriate follow-up or alternative financing, the company's continued existence would be jeopardised.

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. Its advantages are its availability as a local, infinite resource, its base load capability, and its low GHG emissions.

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

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. The abolition of the EEG levy, which was decided on 1 July 2022, will lower the electricity price for geothermal heat pumps and deep pumps. 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, the energy and heat transformation measures already set out in the coalition agreement are supposed to be implemented with higher priority in the medium term. The draft catalogue of measures of the ad hoc task force 'Gas Reduction' from the Federal Ministry of Economics and Climate Protection (BMWK) contains some important points to massively accelerate the expansion 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 deep geothermal energy could cover more than a quarter of Germany's annual heating demand (over 300 TWh). According to the Roadmap's estimates, hydrothermal geothermal energy (possibly combined with large-scale heat pumps) as a heat source for district heating networks could cover around a quarter of Germany's total heat demand, i.e. around 300 terawatt hours of annual output with 70 gigawatts of installed capacity.

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

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

9. GENERAL STATEMENT ON THE RISK AND OPPORTUNITY SITUATION

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



D. FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

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

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

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

2. FUTURE ECONOMIC FRAMEWORK CONDITIONS

MACROECONOMIC FRAMEWORK CONDITIONS SLOWED BY INFLATION AND RESTRICTIVE MONETARY POLICY

In its Kiel Economic Report for 2023, published in mid-March 2023, the IfW assumes that global economic development will slow down overall. This is in spite of the fact that some of the unfavourable framework conditions that were largely responsible for the weakening of the global economy in the past year have recently improved. Commodity prices, especially for energy, have fallen significantly again. As a result, inflation has dropped somewhat. With the abandonment of the zero-COVID policy in China, the prospects that the economic development there can stabilise have improved, and supply bottlenecks hindering economic progress are slowly diminishing. As a result, the mood among businesses and households around the world has brightened. However, according to the IfW, the decisive factor for the still subdued economic outlook is the drastic tightening of monetary policy, which has led to significantly higher financing costs and is curbing the propensity to spend. For 2023, the economic experts only expect global GDP growth of 2.5 %. For 2024, they expect growth to accelerate to 3.2 %.

With energy prices dropping across the board in the meantime – in conjunction with a weakening headwind from the global economic environment – the economy in the Eurozone should gradually regain its footing in the current year, according to the IfW. This is also indicated by surveys on the confidence of companies and consumers, who are finally somewhat more optimistic about the future than they were in autumn, according to the experts. In the forecast period, the economy is likely to be characterised by stronger private consumption, but overall economic momentum is likely to remain subdued due to the significant tightening of monetary policy. Overall, the GDP will likely grow by 1.1 % in the current year, followed by growth of 1.6 % next year, according to the IfW.



The German economy is struggling to emerge from the energy crisis. Overall economic production will only increase modestly. Overall, the GDP is expected to increase by 0.5 % in the current year and by 1.4 % in 2024, according to the IfW. The economic consequences of the war in Ukraine have stalled the recovery from the pandemic and noticeably subdued the GDP level. According to the experts, inflation will remain persistently high for some time. The IfW expects consumer price increases of 5.4 % for the current year and 2.1 % for 2024. No major impulses are emerging from the global economy and, according to the IfW, construction investments will slow down significantly due to the worsening financing conditions.

INDUSTRY OUTLOOK

Apart from the volatile development of energy prices, Russia's war against Ukraine did not have a negative impact on the order situation. Municipal and private clients continue to move forward with planning, especially for geothermal heating projects. The focus here is on reducing dependence on natural gas and other fossil primary energy sources for heat generation and accelerating decarbonisation. This is supported by a whole series of measures aimed at strengthening Germany's import independence and energy sovereignty through the increased promotion of renewable energy. The framework conditions are supposed to be further improved by the BMWK. 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.

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

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

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



3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The group's drilling and project business has been characterised for several years by high utilisation and a satisfactory order situation in all four business areas. Although the current climate towards geothermal energy in society and politics can be classified as very friendly, drilling operations are also associated with uncertainties and the outlined risks which cannot be hidden. Despite the most careful planning and coordination with project partners and authorities, however, time delays, for example in approval and tender procedures, changing legal requirements, changes in infrastructure conditions which are generally special and the terms of project financing and uncertainties in geology can never be excluded. This is because the exploitation of geothermal energy is a relatively new discipline. In addition, each project must be planned individual since the geology of the subsoil can differ a lot. The interest rate level has risen again in the meantime, which also has a competitive effect, as alternative forms of investment appear more interesting again. Due to the aforementioned uncertainties, effects on the earnings and financial position of the Daldrup Group cannot be ruled out and will continue to impact its business performance 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. 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.

The economic development in 2023/2024 will still be evaluated as overall satisfactory by the Management Board at the end of April 2023, taking into consideration the economic environment and the effects of the war in Ukraine. The drilling and services business of the Daldrup & Söhne AG Group is likely to be temporarily hampered in the coming quarters by potential price volatility (triggered by inflation and the war in Ukraine) for raw materials, supplies and consumables.

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

Around Munich, the interest in larger geothermal projects in molasse for energy and heating supply is still high. For example, at the beginning of 2023, we already received a general contractor order from MTU Aero Engines AG for the construction of a geothermal doublet, including the construction of the drilling site at the Munich location. The order pipeline of potential future orders is developing positively and reached a level of around EUR 203 million in May 2023.

Although further value adjustments of the significantly reduced receivables from the companies of the former Geysir subgroup cannot be ruled out and could even increase in the coming years, the Management Board of Daldrup & Söhne AG assumes overall that the Daldrup Group will achieve a total operating output of approximately EUR 41 million in the 2023 fiscal year again. This assumption reflects the aforementioned points and the well utilised drilling rig capacities as well as the satisfactory order situation, which arithmetically has an order range beyond the fourth quarter of 2023, as well as the existing order potential. Due to existing market, procurement and price risks arising from the Ukraine war, the board is currently expecting an operational earnings margin before interest and taxes (EBIT) of between 3.0 % and 5.0 % of total operating output.



E. DISCLOSURES ON TREASURY SHARES ACCORDING TO SECTION 160(1) NO. 2 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ, OR AKTG)

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

Oberhaching, 30 May 2023

Daldrup & Söhne AG
The Management Board

Andreas Tönies
(Chairman of the
Management Board)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)





**NON-FINANCIAL PERFORMANCE INDICATORS –
NOT PART OF THE ANNUAL AUDIT 2022**

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

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

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success of our work and customer satisfaction. The standard SCC certification is therefore as much a matter of course as the performance and regular revision of quality management in accordance with DIN ISO 9001. Daldrup & Söhne AG is particularly proud of being one of the first medium-sized companies to be certified in accordance with the new SCC standard 'SCC-VAZ 2021' in March 2022.



DALDRUP AG
Tiefbohrungen



CONSOLIDATED ANNUAL FINANCIAL STATEMENT
for the 2022 fiscal year

62	CONSOLIDATED INCOME STATEMENT
64	CONSOLIDATED BALANCE SHEET
66	CONSOLIDATED EQUITY STATEMENT
68	CONSOLIDATED CASH FLOW STATEMENT
70	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
70	General Disclosures on the Consolidated Financial Statements
70	Consolidation Methods
72	Foreign Currency Translation
74	Accounting Policies
75	Notes to the Balance Sheet and Income Statement
86	Other Mandatory Disclosures

AUDITOR'S OPINION





CONSOLIDATED INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022

	01/01/2022 - 31/12/2022 EUR	01/01/2021 - 31/12/2021 EUR
1. Sales revenue	38,183,689.97	78,060,021.64
2. Increase/decrease in work in progress	- 1,364,367.13	- 33,199,057.48
3. Capitalised personal contributions	50,389.00	0.00
Total operating output	36,869,711.84	44,860,964.16
4. Other operating income – of which from currency translation: EUR 188,147.89 (previous year: EUR 93,627.01)	1,128,074.87	465,690.35
5. Cost of materials		
a) Cost of raw materials, supplies and purchased goods	- 3,511,421.97	- 8,000,746.99
b) Expenses for services procured	- 9,883,111.77	- 13,469,481.59
	- 13,394,533.74	- 21,470,228.58
6. Personnel expenses		
a) Wages and salaries	- 8,298,318.89	- 7,368,849.73
b) Social contributions and expenses for retirement benefit and support – of which retirement benefit: EUR 5,079.54 (previous year: EUR 1,825.99)	- 1,656,220.93	- 1,507,119.80
	- 9,954,539.82	- 8,875,969.53
7. Amortisation of intangible fixed assets and depreciation and amortisation of property, plant, and equipment	- 2,409,857.13	- 2,364,342.17
8. Other operating expenses – of which from currency translation: EUR 237,306.05 (previous year: EUR 64,433.47)	- 10,393,122.98	- 11,032,838.13
9. Other interest and similar income	161,303.98	170,135.17
10. Revenue from additions to financial assets	0.00	4,400,000.00
11. Depreciation of long-term financial assets	- 303,000.00	- 4,440,000.00
12. Interest and similar expenses	- 820,428.31	- 903,031.71
13. Taxes on income and revenue	0.00	2,765.09
	883,608.71	813,144.65
14. Profit after taxes	883,608.71	813,144.65
15. Other taxes	- 31,893.07	- 28,397.75
16. Consolidated net income for the year	851,715.64	784,746.90
17. Minority interests	0.00	0.00
18. Consolidated loss carried forward	- 22,711,386.98	- 23,496,133.88
19. Consolidated balance sheet loss	- 21,859,671.34	- 22,711,386.98



CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

ASSETS	31/12/2022 EUR	31/12/2021 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	5,575.00	9,007.00
II. Property, plant and equipment		
1. Land, land rights and buildings including buildings on third party land	4,760.00	5,361.00
2. Technical equipment and machinery	3,043,319.50	4,579,192.50
3. Other plants, factory and office equipment	2,589,796.50	2,569,120.50
4. Prepayments and assets under construction	34,923.95	-
	5,672,799.95	7,153,674.00
III. Financial assets		
1. Shares in affiliated companies	2.00	2.00
2. Other loans	4,957,000.00	9,660,000.00
	4,957,002.00	9,660,002.00
	10,635,376.95	16,822,683.00
B. Circulating assets		
I. Inventories		
1. Raw materials, consumables and supplies	5,466,275.78	4,783,842.70
2. Work in progress	28,717,260.88	30,081,628.01
3. Payments received on account of orders	- 28,151,430.39	- 28,685,385.03
4. Finished products and merchandise	4,023,000.00	0.00
5. Prepayments	655,356.20	0.00
	10,710,462.47	6,180,085.68
II. Receivables and other assets		
1. Trade receivables	6,952,496.19	4,100,897.16
2. Receivables from affiliated companies	448,449.80	0.00
3. Other Assets	8,114,438.91	8,452,830.88
	15,515,384.90	12,553,728.04
III. Cash on hand and credit balances at banks	3,118,982.67	3,031,879.79
	29,344,830.04	21,765,693.51
C. Deferred expenses and accrued income	177,373.72	50,351.83
Total assets	40,157,580.71	38,638,728.34



LIABILITIES	31/12/2022 EUR	31/12/2021 EUR
A. Equity		
I. Subscribed capital	5,989,500.00	5,989,500.00
Treasury shares	- 3,012.00	- 4,012.00
	5,986,488.00	5,985,488.00
II. Capital reserves	36,355,875.01	36,355,875.01
III. Retained earnings		
1. Legal reserve	25,000.00	25,000.00
2. Other revenue reserves	384,303.57	372,884.91
IV. Currency conversion adjustments	- 918,318.10	- 987,610.76
V. Balance sheet loss	- 21,859,671.34	- 22,711,386.98
	19,973,677.14	19,040,250.18
B. Provisions		
1. Tax provisions	17,162.59	32,617.06
2. Other provisions	1,060,069.06	1,186,209.93
	1,077,231.65	1,218,826.99
C. Liabilities		
1. Liabilities to banks	7,788,850.42	7,764,205.92
2. Trade payables	5,504,176.88	5,202,879.22
3. Other liabilities	5,807,551.39	5,409,178.17
– of which from taxes: EUR 408,712.97 (previous year: EUR 155,695.76)		
– of which within the framework of social security: EUR 91,152.87 (previous year: EUR 68,342.39)		
	19,100,578.69	18,376,263.31
D. Deferred income and accrued expenses	6,093.23	3,387.86
Total assets	40,157,580.71	38,638,728.34



CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022

	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								
Version 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 translation	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	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
As at 01/01/2022	5,989,500	- 4,012	5,985,488	36,355,875	25,000	372,885	397,885	36,753,760
Group annual net income	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Changes to the consolidation scope	0	0	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0	0	0
Profit distribution	0	0	0	0	0	0	0	0
Other changes	0	1,000	1,000	0	0	11,419	11,419	11,419
As at 31/12/2022	5,989,500	- 3,012	5,986,488	36,355,875	25,000	384,304	409,304	36,765,179

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	
- 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
- 987,611	- 22,711,387	19,040,250	0	0	0	19,040,250
0	851,716	851,716	0	0	0	851,716
0	0	0	0	0	0	0
0	0	0	0	0	0	0
69,293	0	69,293	0	0	0	69,293
0	0	0	0	0	0	0
0	0	12,419	0	0	0	12,419
- 918,318	- 21,859,671	19,973,678	0	0	0	19,973,678



CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2022 FISCAL YEAR

	01/01/2022 - 31/12/2022 EUR	01/01/2021 - 31/12/2021 EUR
1. Cash flow from ongoing business activity		
Result for the period including third-party shares	851,715.64	784,746.90
Scheduled depreciation of fixed assets	2,712,857.13	2,364,341.17
Increase/reduction in provisions	- 126,140.87	- 46,552.83
Other non-cash expenses and income	458,711.32	- 4,346,216.11
Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	- 3,596,055.54	- 3,695,221.22
Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	702,376.25	- 643,362.74
Profit/loss from disposal of fixed assets	5,322.26	4,439,680.85
Interest expenses	820,428.31	903,031.71
Interest income	- 161,303.98	- 170,135.17
Other investment income	0.00	0.00
Income tax expense/income	0.00	2,765.09
Income tax refunds/payments	- 15,454.47	- 6,898.19
Cash flow resulting from ongoing business activity	1,652,456.05	- 413,820.54
2. Cash flow from investing activities		
Inflows from outgoings of tangible and intangible fixed assets	45,309.24	213,805.59
Outflows for investments into intangible and tangible fixed assets	- 976,182.58	- 1,232,303.17
Proceeds from disposal of financial assets	0.00	2,145,324.40
Interest received	161,303.98	170,135.17
Dividends received	0.00	0.00
Cash flow from investing activities	- 769,569.36	1,296,961.99
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	- 587,468.59	1,996,758.79
Outflows from the repayments of bonds and (financial) loans	- 384,309.17	- 1,140,032.50
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	- 820,428.31	- 903,031.71
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	- 1,792,206.07	- 46,305.42
4. Cash and cash equivalents at the end of period		
Cash change in cash and cash equivalents (Subtotals 1 - 3)	- 909,319.38	836,836.03
Changes in cash and cash equivalents due to effects of consolidated entities	0.00	0.00
Cash and cash equivalents at the start of the period	- 1,912,620.43	- 2,749,456.46
Cash and cash equivalents at the end of period	- 2,821,939.81	- 1,912,620.43
5. Composition of the cash and cash equivalents		
Cash on hand and credit balances at banks	3,118,982.67	3,031,879.79
Liabilities to banks (current account liabilities)	- 5,940,922.48	- 4,944,500.22 *
Cash and cash equivalents at the end of the period	- 2,821,939.81	- 1,912,620.43

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

Current account liabilities	- 5,940,922.48
Loan liabilities	- 1,221,502.62
Other financing	- 626,425.32
Liabilities to banks	- 7,788,850.42



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2022

GENERAL COMMENTS REGARDING 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 it is possible to exercise options with regard to disclosures in the consolidated balance sheet, the consolidated income statement or the notes to the consolidated financial statements, it was chosen to make comments in the balance sheet or in the income statement. 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 annual financial statement includes as at 31 December 2022 not only the parent company, but also two domestic and two foreign subsidiaries. Two 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	Type of involvement
Parent company:			
Daldrup & Söhne AG, Oberhaching			F
Subsidiaries:			
Daldrup Bohrtechnik AG, Rothenburg (formerly Baar)/Switzerland	100.00		F
D&S Geothermie GmbH, Grünwald, Germany	100.00		F
Daldrup Wassertechnik GmbH, Ascheberg, Germany	100.00		F
GERF B.V., Honselersdijk, The Netherlands		100.00	F
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany		100.00	N
Geothermie Neuried GmbH & Co KG, Ascheberg, Germany		100.00	N

The subsidiaries marked with "F" were included by means of full consolidation. The subsidiaries marked with "N" were not included in the consolidated annual financial statement.



FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSLATIONS	Exchange rate EUR 1 =	Annual average exchange rate as at 31/12/2022	Closing rate as at 31/12/2022
Swiss francs	CHF	1.0047	0.9847



ACCOUNTING POLICIES

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

ASSETS

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

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

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

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

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

The unfinished services from drilling orders are generally valued retroactively from the order value, taking into account the degree of completion on the balance sheet reporting date and a flat deduction in the amount of 12.5 % for the as-yet-unrealised profit share and the costs which cannot be activated. Orders where manufacturing costs can be directly allocated are valued progressively. By contrast, the valuation of unfinished services from 'day rate orders', which include several larger orders as at the balance sheet date, is based on the actual expenses incurred at fixed cost rates. An appropriate billing

system is agreed with the customer, who also bears the completion risk. Billing is carried out on an ongoing basis. Due to the nature of the service, a flat-rate deduction is not made here, meaning that pro-rata profit margins are gradually included for these orders.

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

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

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

LIABILITIES

Subscribed capital has been recognised at par value.

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

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

Liabilities have been recognised at their settlement amount.

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



NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

I. BALANCE SHEET

FIXED ASSETS

The consolidated statement of changes in fixed assets as at 31 December 2022 is presented on page 90 of this report.

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

SHARES IN AFFILIATED COMPANIES

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

SHARES IN AFFILIATED COMPANIES

NAME AND REGISTERED OFFICE OF THE COMPANY	Ownership share in %	Currency	Equity kEUR	Result for the last fiscal year kEUR
Geothermie Neuried GmbH & Co. KG, Ascheberg, Germany*	100.00	kEUR	- 107	0
Geothermie Neuried Verwaltungs GmbH, Ascheberg, Germany*	100.00	kEUR	4	2

*Values as at 31/12/2021

OTHER LOANS

Geysir Europe GmbH, Grünwald	kEUR 3,621
Geox GmbH, Ascheberg	kEUR 736
GeoWeb Calefornie B.V., The Netherlands	EUR 600k
Total	kEUR 4,957

The loans to Geysir Europe GmbH and Geox GmbH are associated with subordinations: Daldrup & Söhne AG's loan amount as well as the accrued interest and all associated rights rank below all current, future and conditions claims of all existing higher ranking creditors and IKAV Invest S.a.r.l. (IKAV) and other IKAV Group companies, as well as IKAV Investment concerning all receivables, including IKAV's profit distributions, interest receivables and dividend claims vis-à-vis Geysir Group.

The valuation of the loans to Geysir Europe GmbH and Geox GmbH is based on a cash flow-based forecast model due to earn-out agreements and a cash flow return from the power plant companies. The loans to Geysir Europe GmbH were impaired by kEUR 115 and to Geox GmbH by kEUR 188.

CIRCULATING ASSETS

INVENTORIES

Payments received are openly deducted from inventories. In the 2022 fiscal year, finished products and merchandise amounting to kEUR 4,023 were recognised. Other loans to J. D. Apparate- und Maschinenbau GmbH decreased by the same amount. These are technology components that D&S Geothermie GmbH received as part of the purchase price for the disposal of the Geysir Europe Group and are supposed to be gradually sold.

RECEIVABLES

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



OTHER ASSETS

OTHER ASSETS AS AT 31/12/2022 IN KEUR				
Description	Total amount	with a remaining term of up to 1 year	due after more than one year	Total amount in previous year
1. Loan receivables against affiliated companies	5,619	5,619	0	6,016
2. Purchase price claim from company share purchases	1,600	1,600	0	1,600
3. VAT receivables	489	489	0	365
4. Other	406	406	0	472
Total other Assets	8,114	8,114	0	8,453

3. includes input tax receivables in the amount of kEUR 235, which will be incurred only in 2023.

Loan receivables against affiliated companies exist in relation to J. D. Apparate- and Maschinenbau GmbH, Ascheberg, Germany, in the amount of kEUR 5,612 (previous year: kEUR 6,016). There is a subordinate claim of kEUR 800 behind the claims of all other creditors of the company.



EQUITY

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

SHARE CAPITAL

The share capital amounts to kEUR 5,989.5 (31/12/2021: kEUR 5,989.5), and is divided up into 5,989,500 bearer shares (31/12/2021: 5,989,500) without a nominal amount (no-par-value shares). The approved capital as at 31/12/2022 was kEUR 2,994.75 (31/12/2021: kEUR 2,994.75).

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





CAPITAL RESERVES

The capital reserve remains the same as the previous year, at kEUR 36,356 (31/12/2021: kEUR 36,356).

LEGAL RESERVE

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

OTHER REVENUE RESERVES

The other profit reserves amount to kEUR 384 (31/12/2021: kEUR 373).

CONSOLIDATED NET RETAINED PROFITS

For the previous fiscal year, the Management Board suggested that Daldrup & Söhne AG's annual surplus of kEUR 1,078 be carried forward to the new bill.

For profit distribution purposes, it is generally not the Consolidated Balance Sheet profit, but rather the balance sheet profit from the parent company's individual annual financial statement. The balance sheet loss in Daldrup & Söhne AG's annual financial statement amounts to kEUR 21,365 as at 31/12/2022.

TAX PROVISIONS

Tax provisions amounted to kEUR 17 (31/12/2021: kEUR 33).





OTHER PROVISIONS

PROVISIONS STATEMENT AS AT 31/12/2022 IN KEUR					
Description	01/01/2022	Utilisation	Reversal	Allocations	31/12/2022
Personnel provisions	466	459	7	553	553
Global provision for warranties	227	0	23	1	205
Other provisions	493	176	175	160	302
Total other provisions	1,186	635	205	714	1,060

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 31/12/2022 IN KEUR					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount previous year
1. Liabilities to banks	7,789	6,848	941	0	7,764
2. Trade payables	5,504	5,504	0	0	5,203
3. Liabilities to affiliated companies	1,463	303	1,160	0	1,679
4. Tax liabilities	1,823	1,823	0	0	1,305
5. Other liabilities from company share purchase	1,329	154	616	559	1,329
6. Loan Geothermie Neuried GmbH & Co. KG	280	280	0	0	275
7. Remaining other liabilities	913	859	54	0	821
Total Liabilities	19,101	15,771	2,771	559	18,376



There are **liabilities to banks** totalling EUR kEUR 7,163 from the use of operating loans und liabilities to banks from the financing of tangible assets exist in the amount of kEUR 626.

Approved current account, guarantee credit lines and other credit lines of the report company amount to a total of kEUR 21,500. With the long-term affiliated banks and guarantee credit providers of the report company, in May 2020 a security trust agreement to secure these by the transfer of ownership of drilling systems and machines, as well as inventories and debt assignment was concluded. The agreement contains a flexibility clause in favour of the report company with regard to future project financing lines. The overall lines include the emergency credit line from a creditor in the amount of kEUR 5,000, which is also hedged by the mortgaging of bank credit of kEUR 500. Moreover, as at the balance sheet date there is project financing of kEUR 375 (previous year: kEUR 1,500), which still needs to be gradually repaid, as well as further unsecured medium-term loan financing of a lender in the amount of kEUR 1,222 (previous year: kEUR 1,850) made available in the reporting year.

The liabilities to **affiliated companies** relate to the granting of a loan by GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, in the amount of kEUR 1,463 plus accrued interest.

The **other liabilities contain liabilities** from wages and salaries (kEUR 433), liabilities relating to social security (kEUR 91), loans to boards (kEUR 115) and miscellaneous liabilities (kEUR 274).



II. INCOME STATEMENT

The total cost format was selected for the income statement.

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

DIVISION OF REVENUE INTO AREAS AT ACTIVITY IN KEUR				
Business unit	2022	Share in %	2021	Share in %
Geothermal energy	14,545	38 %	57,142	73 %
Raw Materials/Exploration	17,971	47 %	16,252	21 %
Water procurement	3,575	9 %	3,350	4 %
EDS	2,093	6 %	1,316	2 %
Total	38,184	100 %	78,060	100 %

TURNOVER SPREAD BY MARKET GEOGRAPHY IN KEUR				
Business unit	2022	Share in %	2021	Share in %
Domestic	16,129	51 %	70,391	90 %
Foreign	22,055	49 %	7,669	10 %
Total	38,184	100 %	78,060	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 additionally stated as kEUR 19,229 (corresponding to 52.1 %) at home (previous year, kEUR 29,794 / 66.4 %) and kEUR 17,640 (47.9 %) abroad (previous year, kEUR 15,067 / 33.6 %).





Other operating income is broken down as follows:

OTHER OPERATING INCOME	2022	2021
Income from currency differences	kEUR 188	kEUR 94
Insurance compensation	kEUR 313	kEUR 273
Other income	kEUR 422	kEUR 94
Income from dissolution of reserves (outside period)	kEUR 205	kEUR 5
Total	kEUR 1,128	kEUR 466

OTHER OPERATING EXPENSES	2022	2021
Individual valuation allowances and losses of receivables	kEUR 205	kEUR 296
Insurance policies and contributions	kEUR 551	kEUR 517
Spoil and waste removal	kEUR 1,140	kEUR 1,670
Hire for movable assets	kEUR 869	kEUR 1,096
Advertising, travel, employee accommodation	kEUR 999	kEUR 1,052
Repairs and maintenance	kEUR 953	kEUR 861
Legal and consultancy costs	kEUR 723	kEUR 526
Vehicle costs	kEUR 680	kEUR 727
Cost of premises	kEUR 584	kEUR 520
Expenses from currency differences	kEUR 237	kEUR 65
Licence fees	kEUR 350	kEUR 350
Construction site costs	kEUR 832	kEUR 622
Workshop costs	kEUR 247	kEUR 163
Other	kEUR 2,023	kEUR 2,567
Total	kEUR 10,393	kEUR 11,032

The item individual value adjustment and losses on bad debts includes extraordinary expenses and expenses relating to other periods from losses on bad debts in the amount of kEUR 205 (previous year: kEUR 296).

The unplanned depreciation and amortisation on the financial assets amount to kEUR 303 (previous year: kEUR 40). The depreciation results from a revaluation of the subordinated loan receivables from Geysir Europe GmbH and Geox GmbH.



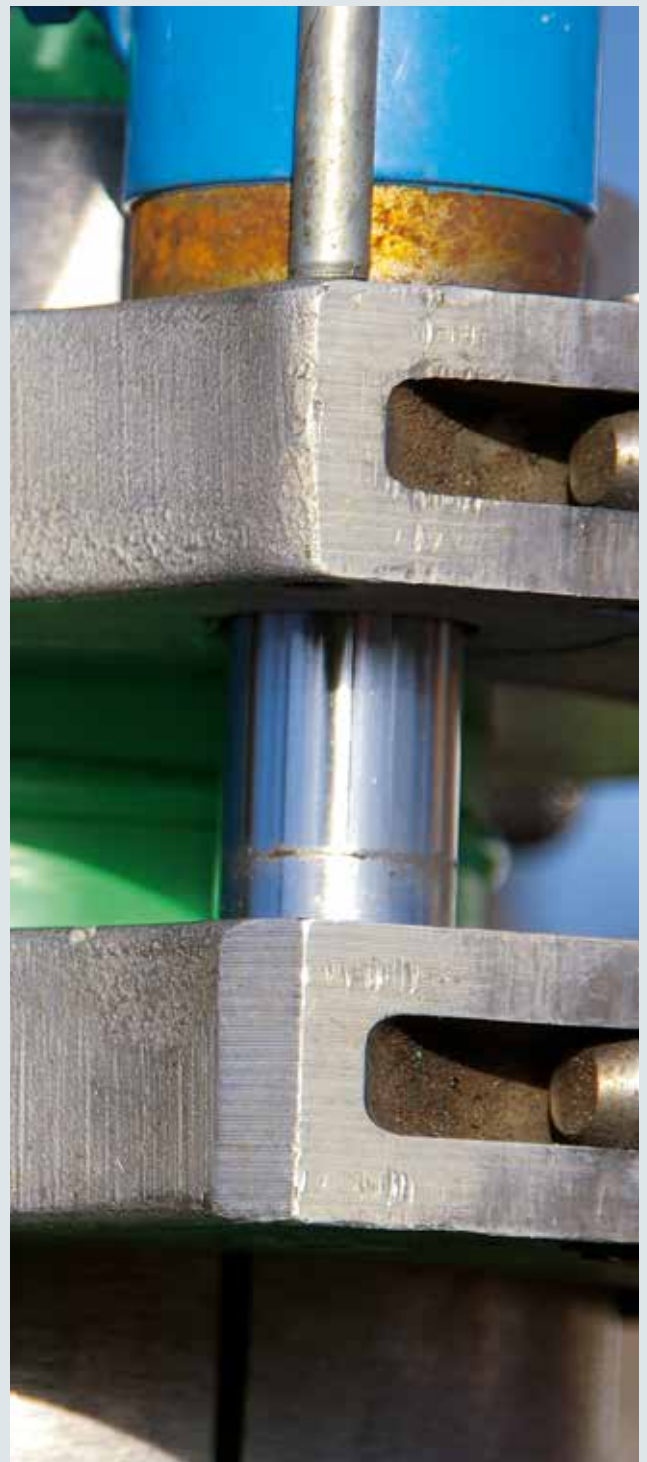
III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial liabilities from rental and leasing contracts in the amount of kEUR 186. The obligations in the amount of kEUR 158 have terms of up to one year and terms of between one and five years in the amount of kEUR 27. Furthermore, obligations arising from a licence agreement exist in the amount of kEUR 3,300, of which kEUR 350 is payable within one year, kEUR 1,400 within a period of between one to five years and kEUR 1,550 after five years.

The total amount of other financial obligations of the group thus amounts to kEUR 3,485, of which payable:

- due within one year: kEUR 508
- due between one and five years: kEUR 1,427
- due within more than five years: kEUR 1,550





TRANSACTIONS NOT CONTAINED IN THE BALANCE SHEET

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

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

HEDGING OF FOREIGN CURRENCY RISKS/VALUATION UNITS

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

In the 2022 fiscal year, additional hedges of foreign currency risks from contracts with credit institutions were established for the 2022 and 2023 fiscal years. As at 31/12/2022, five 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 (5 transactions)	Currency risk/ micro hedge	kCHF 2,880	kCHF 2,880	01.11.2022 (earliest start date) 29/05/2023 (latest end date)

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

AUDITOR'S TOTAL FEE

The fee for financial statement audit services charged by Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, for fiscal year 2022 is kEUR 60, kEUR 0 of which relates to the previous year. This is attributable to audits of the financial statements.

PROPOSED APPROPRIATION OF PROFITS

The Management Board proposes carrying forward the consolidated balance sheet loss to the next accounting period.

OTHER MANDATORY DISCLOSURES

NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

Name, role	Areas of responsibility
Andreas Tönies Spokesperson of the Management Board until 21/11/2022, Chairman of the Management Board since 22/11/2022	Business segments Strategy, Key Accounts, Communication, Personnel and Law
Bernd Daldrup Member of the Management Board	Business segments Deep Geothermal Energy, Logistics/ Product Management and Purchasing
Peter Maasewerd Member of the Management Board (until 31 February 2022)	Business segments Raw Materials & Exploration, Water Extraction, EDS Near-Surface & Medium-Depth Geothermal as well as the IT department, Contract & Claims Management
Stephan Temming Member of the Management Board	Finance, Controlling, Investor Relations and Business Development
Karl Daldrup Member of the Management Board (as at 01/12/2022)	Business segments Raw Materials & Exploration, Water Extraction, EDS Near-Surface & Medium-Depth Geothermal as well as the IT department, Contract & Claims Management

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

Name, role	Administrative, management or Supervisory Board mandates or partnerships
Josef Daldrup Chairman of the Supervisory Board	Merchant Delegate of the Administrative Board of Daldrup Bohrtechnik AG, Rothenburg/Switzerland
Wolfgang Quecke (until 25 August 2022)	Graduate engineer none
Heinrich Goßheger	Retired bank director none
Wolfgang Bosbach	Lawyer Member of the Signal Iduna Supervisory Board Allgemeine Versicherung AG, Dortmund
Dr Michaela Daldrup-Arnold (as at 25/08/2022)	Project manager none







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

The total emoluments granted to the Management Board for their work in the 2022 fiscal year amounted to kEUR 1,010.

The overall earnings of the Supervisory Board for activities in the 2022 financial year were kEUR 100.

There is a clearing account with the former Chairman of the Management Board and current Chairman of the Supervisory Board, Mr Josef Daldrup, which shows a receivable from the reporting company of kEUR 66 (previous year: kEUR 15) as at 31 December 2022 and is to be repaid in three instalments. Interest on the clearing account is charged at 6.0 % annually.

Liabilities exist towards the board members in the amount of a total of kEUR 115 (previous year: kEUR 173).

AVERAGE NUMBER OF EMPLOYEES DURING THE CURRENT YEAR

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

GROUPS OF STAFF	2022	2021
Labourer	106	109
Salaried employees	18	20
Part-time employees	1	1
Total	125	130

Oberhaching, 30 May 2023

Daldrup & Söhne AG

The Management Board

Andreas Tönies
(Chairman of the
Management Board)

Bernd Daldrup
(Board member)

Karl Daldrup
(Board member)

Stephan Temming
(Board member)



Appendix 1 to the Notes

GROUP STATEMENT OF ASSETS

GROUP STATEMENT OF ASSETS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022

	ACQUISITION COSTS					As at 31/12/2022 EUR
	As at 01/01/2022 EUR	Exchange rate differences EUR	Additions EUR	Outgoings EUR	Transfers EUR	
I. Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets and values, as well as licences for such rights and assets	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 and buildings	48,718.33	0.00	0.00	0.00	0.00	48,718.33
2. Technical equipment and machinery	27,632,615.52	0.00	260,317.50	25,625.76	0.00	27,867,307.26
3. Other plants, factory and office equipment	13,885,440.48	0.00	680,941.13	425,764.71	0.00	14,140,616.90
4. Prepayments and assets under construction	0.00	0.00	34,923.95	0.00	0.00	34,923.95
	41,566,774.33	0.00	976,182.58	451,390.47	0.00	42,091,566.44
III. Financial assets						
1. Shares in affiliated companies	2.00	0.00	0.00	0.00	0.00	2.00
2. Other loans	21,217,280.24	0.00	0.00	0.00	- 4,400,000.00*	16,817,280.24
	21,217,282.24	0.00	0.00	0.00	- 4,400,000.00	16,817,282.24
	62,877,420.87	0.00	976,182.58	451,390.47	- 4,400,000.00	59,002,212.98

*Disclosed under current assets.



DEPRECIATION AND AMORTISATION					BOOK VALUES	
As at 01/01/2022 EUR	Exchange rate differences EUR	Additions EUR	Outgoings EUR	As at 31/12/2022 EUR	As at 31/12/2022 EUR	As at 31/12/2021 EUR
84,357.30	0.00	3,432.00	0.00	87,789.30	5,575.00	9,007.00
84,357.30	0.00	3,432.00	0.00	87,789.30	5,575.00	9,007.00
43,357.33	0.00	601.00	0.00	43,958.33	4,760.00	5,361.00
23,053,423.02	0.00	1,796,190.00	25,625.26	24,823,987.76	3,043,319.50	4,579,192.50
11,316,319.98	0.00	609,634.13	375,133.71	11,550,820.40	2,589,796.50	2,569,120.50
0.00	0.00	0.00	0.00	0.00	34,923.95	0.00
34,413,100.33	0.00	2,406,425.13	400,758.97	36,418,766.49	5,672,799.95	7,153,674.00
0.00	0.00	0.00	0.00	0.00	2.00	2.00
11,557,280.24	0.00	303,000.00	0.00	11,860,280.24	4,957,000.00	9,660,000.00
11,557,280.24	0.00	303,000.00	0.00	11,860,280.24	4,957,000.00	9,660,002.00
46,054,737.87	0.00	2,712,857.13	400,758.97	48,366,836.03	10,635,376.95	16,822,683.00

AUDITOR'S OPINION

To Daldrup & Söhne Aktiengesellschaft, Oberhaching

AUDIT OPINIONS

We have audited the consolidated financial statements prepared by Daldrup & Söhne AG, Oberhaching, and its (group) subsidiaries, comprising the consolidated financial statements as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2022 to 31 December 2022, including the accounting policies and valuation methods. We have also audited the Consolidated Management Report of Daldrup & Söhne AG, Oberhaching, Germany, for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the content of the other disclosures in the group management report on healthcare, environmental and quality standards.

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

- the attached consolidated financial statements comply in all material respects with German legal requirements and give a true and fair view of the group's net assets and financial position as at 31 December 2022 as well as its results of operations for the fiscal year from 1 January 2022 to 31 December 2022 in accordance with German principles of proper accounting, 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. Our audit opinion on the group management report does not cover the above-mentioned components of the group management report that were not audited as to their content.

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

BASIS FOR OUR AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW). Our responsibility in accordance with these regulations and principles is further outlined in the section entitled "Responsibility of the auditor for auditing the consolidated financial statements and Group management report" in our auditor's report. We are independent of the consolidated companies in

accordance with German commercial and professional law and have fulfilled our other German professional duties in accordance with these requirements. In our opinion, the auditing evidence we have obtained are sufficient and appropriate to serve as a basis for our audit opinions on the Consolidated Annual Financial Statement and the Consolidated Management Report.

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

We refer to the information in section 'II. Accounting Policies' in the notes to the consolidated financial statements as well as the information in section 'C. Risk and Opportunity Report', subsection 'Financing Risks/Risks Threatening the Company's Existence' of the Group Management Report, in which the legal representatives describe that the financing of the group, the provision of guarantees customary in the industry as well as the hedging of currency risks from orders are generally provided without any changes via the parent company Daldrup & Söhne AG. From the perspective of the lenders, Daldrup & Söhne AG, the main part of the Daldrup Group, is undergoing restructuring until at least 31 December 2023. Thereafter, the process will only be completed when the measures agreed between the lenders and Daldrup & Söhne AG have been fully and successfully implemented. Furthermore, the legal representatives state that the prepared liquidity planning does not result in any additional liquidity requirements in the planning horizon until 31 May 2024. Nonetheless, the agreements reached with the lenders could result in the loans that were granted until further notice being terminated by the lenders. However, the lenders are prepared to uphold their commitments. Should the measures not be implemented or not be implemented in full and, consequently, the lenders possibly exercise their right of termination and should the company not succeed in concluding appropriate follow-up or alternative financing, the continued existence of Daldrup & Söhne AG and thus of the group would be jeopardised.

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

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

OTHER DISCLOSURES

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

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

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

Our audit opinions 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 and assessing whether the other disclosures

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

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

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

The legal representatives are responsible for preparing the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements give a true and fair view of the assets, financial

and earnings situation of the group in accordance with the generally accepted German accounting principles. These legal representatives are also responsible for the internal controls they deem necessary in accordance with German principles of proper accounting to enable the preparation of Consolidated Financial Statements that are free from material misrepresentations due to fraud (i.e. manipulation of financial reporting and misappropriation of assets) or errors.

In preparing the consolidated financial statements, the Company's legal representatives are responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing matters related to its business activities as a going concern provided these are relevant. In addition, they are responsible for financial reporting based on the going concern accounting principle, provided no actual or legal circumstances conflict therewith.

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

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



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

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

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

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

Düsseldorf, Germany, 30 May 2023

Grant Thornton AG
Auditors

FISCAL CALENDAR for Daldrup & Söhne AG

31 May 2023:	Publication of consolidated financial statements as at 31/12/2022
31 August 2023:	Annual General Meeting
29 September 2023:	Publication of Consolidated Interim Report as at 30/06/2023

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

