



ANNUAL REPORT 2014

2014



B o h r t e c h n i k



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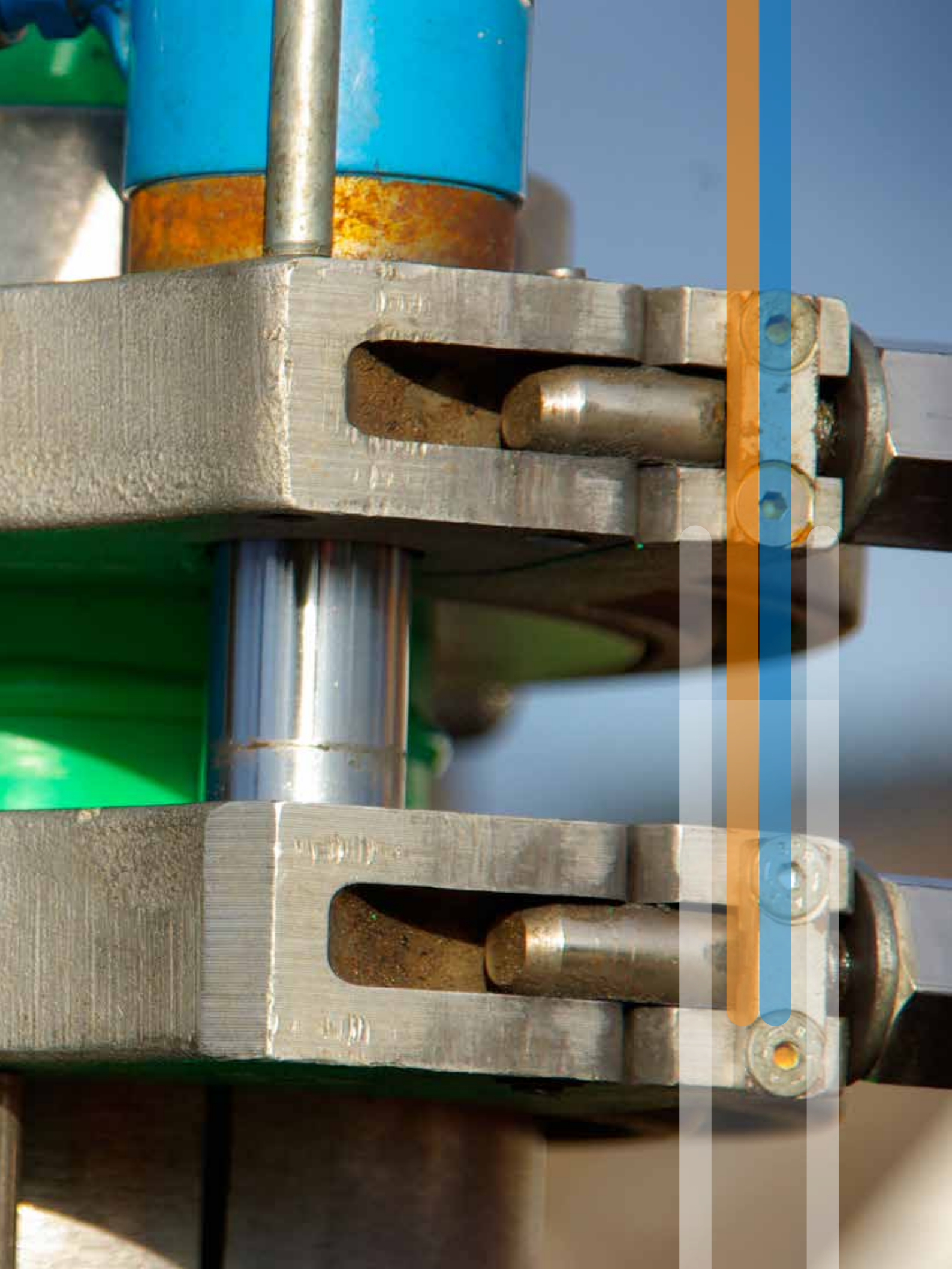
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GROUP MANAGEMENT REPORT

FOR THE FISCAL YEAR FROM
1 JANUARY TO 31 DECEMBER 2014

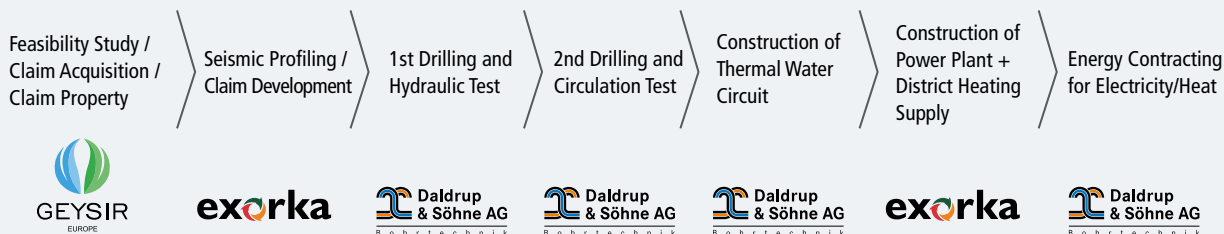
A. COMPANY – BUSINESS ACTIVITIES, COMPETITIVE POSITION AND ENVIRONMENT

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

Daldrup & Söhne AG, a company whose history goes back decades, is one of the leading providers of drilling and environmental services, deep geothermal power plant projects and power plant operators in Germany and in Central Europe. The Company's activities are organised into the business units of Geothermics, Raw Materials & Exploration, Water Procurement as well as Environment, Development & Services (EDS). As a result of building up strategic investments and partnerships, the Daldrup Group now occupies all positions in the value chain

for geothermal projects, from holding the permits for exploration of geothermal energy in a particular area, from field development through to drill readiness, from execution of the drilling, constructing the power station through to energy contracting and power plant operation. The aim of the Daldrup Group is to promote and drive forward the development of energy supplies using geothermal renewable energy sources in order to ultimately provide a competitive alternative to the increasingly scarce fossil fuels.

VALUE CHAIN OF A DEEP GEOTHERMAL ENERGY PROJECT

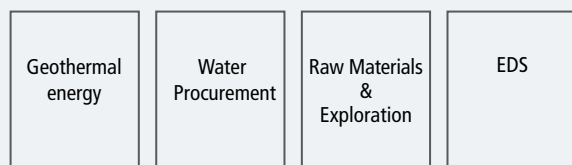


The Daldrup Group's range of services enables it to offer turnkey geothermal energy power plant projects at a fixed price "from a single source".

PROVIDER OF DRILLING SERVICES



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



GEOTHERMAL PROJECT DEVELOPER & IPP¹

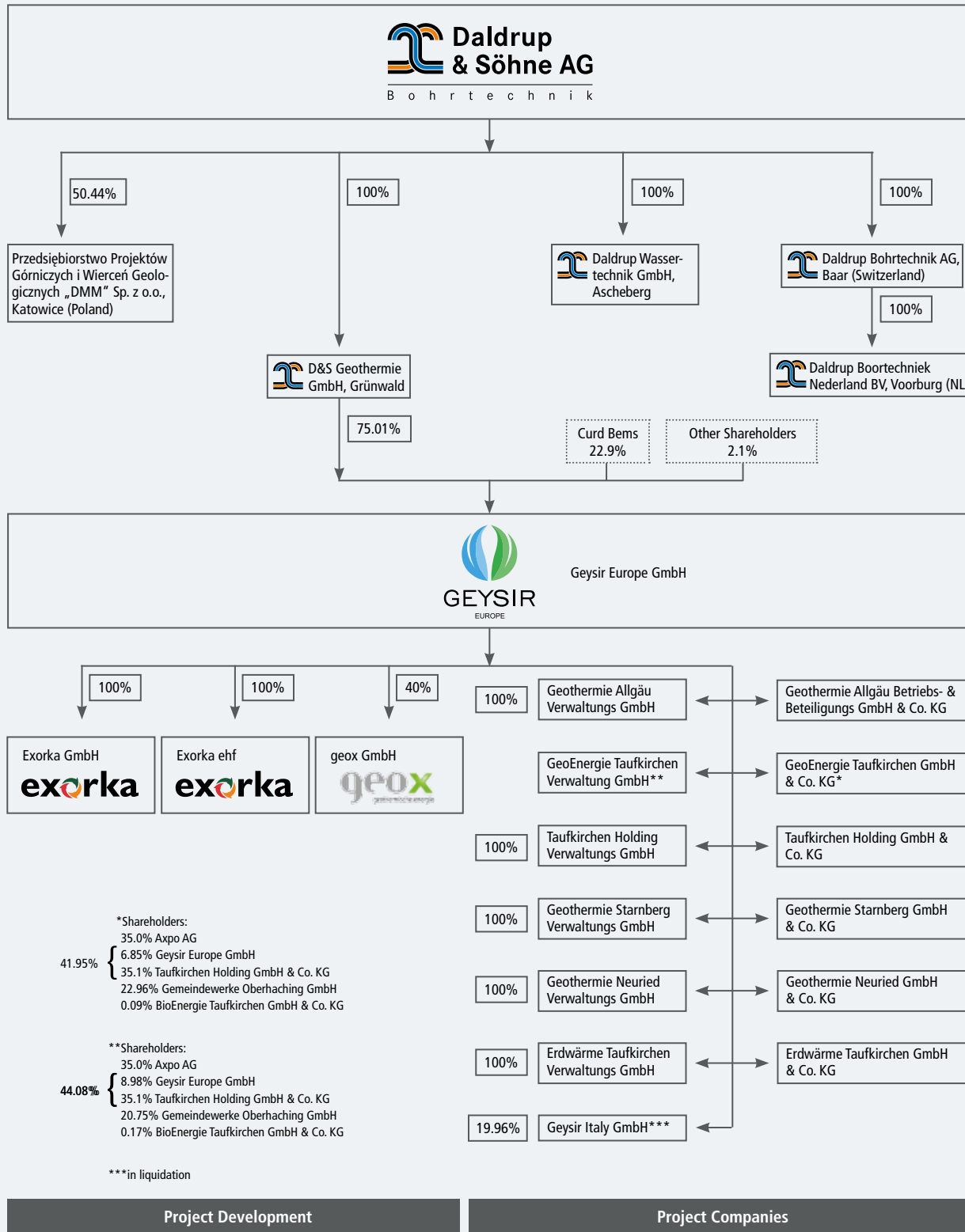


- The company's own exploration rights (claims) for the active implementation of its own deep geothermal projects regarding electricity and heat generation.
- Worldwide licence to use the power plant technology of the Kalina process and exclusive rights to use it in Germany.
- The Daldrup Group combines the expertise of the entire value chain for a deep geothermal energy project.

Through partnerships and cooperative ventures with energy supply companies, public services and investors, Daldrup will develop its own geothermal energy projects (participation in power plant operation) and obtain stable long-term income from the generation of electricity and heat.

¹IPP = Independent Power Producer

GROUP STRUCTURE ON 31.12.2014





ORGANISATION

All Group companies are bound by rules of procedure and/or by catalogues of transactions requiring approval and are subject to the strategic orientation of the Daldrup Group.

BUSINESS ACTIVITIES

Services within the Daldrup Group are brought together at two levels. One level relates to Daldrup & Söhne AG with its direct equity investments, while the second level groups the activities of Geysir Europe GmbH and its direct subsidiaries. In this respect, the Geysir-Europe Group forms a subgroup within the Daldrup Group.

The company operations of Daldrup & Söhne AG include the Geothermal Energy, Raw Materials & Exploration, Water Procurement and Environment, Development & Services (EDS) business units.

The **Geothermal Energy** business unit provides drilling services for near-surface geothermal energy (particularly geothermal probes for heat pumps) but above all, drilling services for deep geothermal energy. The utilisation of deep geothermal energy requires drilling to depths of up to 6,000 metres so that the geothermal energy that then becomes accessible can be used for electricity and/or heat generation. Geothermics is becoming increasingly important globally in terms of the generation of heat and electricity as a component of renewable energies within the overall energy mix. Particular preference here is given to countries that have high enthalpy deposits (sites in which high temperatures (over 200 °C) and/or pressures can be found at relatively shallow depths (< 2,000 m)). In low enthalpy regions such as Germany, deeper wells and processes called binary power plant circulation processes are used to generate electricity from geothermal energy.

Furthermore, the direct use of geothermal energy for heating and cooling superstructures in terms of both new construction projects and as part of energy-efficient building renovation in Germany cannot be ignored. Reservoirs with thermal water temperatures that are lower than 110 degrees Celsius and that generally require drilling depths of between 1,000 and 3,000 metres can be used in this manner. In addition to this, 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 through measures which include the new Renewable Energies Heat Act (EEWärmeG), the Market Incentive Programme (MAP) and the Energy Saving Ordinance (EnEV). Further details of this can be found in Chapter 2, "Market and Competition".

The main focus of the Daldrup & Söhne AG German operations is currently in the Bavarian Molasse basin to the south of Munich, the Upper Rhine Rift Valley, and at a later stage, in the North German Plain. During the 2014 fiscal year international activities particularly focussed on the Netherlands, Switzerland and Poland. Daldrup & Söhne AG's activities across Europe will focus on sites with especially good geothermal energy potential and corresponding sales opportunities for electricity and heat. Deep wells down to a depth of 6,000 metres represent a challenge for both teams and technology. Daldrup & Söhne AG has successfully drilled more than 30 wells in various geological formations during the course of the Company's history and has executed projects in every phase. The Geothermal Energy business unit achieved a 74.1% share of the Daldrup Group revenue for 2014 (previous year: 82.4%).

During fiscal year 2014, the Daldrup Group was involved in the following geothermal power plant projects in which it holds its own shares:

Taufkirchen geothermal power plant

As part of the planning permission procedure for the deep geothermal energy power plant in Taufkirchen where there were significant delays during 2012 and 2013, planning permission was granted in August 2013 and was implemented from December 2013. Questions regarding the site dependency and thus the privileging of the overall project externally therefore had to be discussed and explained in depth with the licensing authorities. The foundation work for the power plant began during the reporting period after the well site had been dismantled and a temporary district heating system had been built. Towards the end of 2014 the civil engineering work had almost been completed. The installed capacity of the geothermal cogeneration plant will total approximately 35 MW for thermal energy and about 4.3 MW for electricity following completion.

Between December 2013 and March 2015 heat was supplied from the geothermal reservoir to the district heating network for Taufkirchen and Oberhaching by means of a temporary installation.

Landau in der Pfalz geothermal power plant

In August 2013, Daldrup acquired 40% of the shares in the geox GmbH (Landau/Pfalz) power plant company from EnergieSüdwest AG via Geysir Europe. The Parties also agreed on an option for Geysir Europe to purchase an additional 10%. The power plant, equipped with ORC technology with a capacity of max. 3.6 MW for electricity and max. 7 MW for thermal energy, has been in operation since 2007, and used EnergieSüdwest to supply consumers in that region with electricity and heat. On 2 January 2014 Daldrup acquired an additional 50% of shares in geox from Pfalzwerke AG, through Geysir Europe. In the meantime, Geysir Europe GmbH has not increased its shares by an additional 50%, to 90% because the share purchase agreement with Pfalzwerke AG was rescinded on 2 December 2013. The rescission means it is as if the contract had never existed.

Neuried geothermal power plant

All the necessary steps to gain the permits and approvals for the deep geothermal power plant project in Neuried have been set in motion. Planning permission has been granted and the drill permit which was granted in June 2013 is in effect on a provisional basis. The whole process has proven to be very slow. There is already a cover letter headed by R+V Versicherung for exploration risk and installation insurance. The state of Baden-Württemberg has approved a grant totalling EUR 1 million for the project as a default guarantee for the first deep well. The town of Kehl has filed a law suit with the Freiburg Administrative Court, against the federal state of Baden-Württemberg in opposition to the existing drill permit. Geysir Europe GmbH purchased the power station site at the end of the reporting period. After statutory changes were made to the Baden-Württemberg water laws in 2014, the operating company must obtain additional permits in order to execute the project. The start of the work depends on the outcome of the lawsuit filed by Kehl.

In the **Raw Materials & Exploration** business unit, Daldrup & Söhne AG carries out drilling operations on behalf of national and international mining companies for the exploration of deposits of fossil fuels (especially hard coal, oil and gas) as well as mineral raw materials (e.g., salts, ores, copper, nickel, zinc and limestone). Another major area comprises activities in respect of the exploration and securing of the substratum in mining areas. The share of the Daldrup Group revenue generated in 2014 by this business unit amounts to 9.9% (previous year: 7.9%).

The **Water Procurement** business unit represents the entrepreneurial origins of Daldrup & Söhne AG. 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 building 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. In global terms, water is an expensive commodity in short supply. Water management will be of major importance in future: The water distribution networks of the industrialised nations are dilapidated. A large proportion of the world's population has no access to supplies of drinking water and drink waste water that has been inadequately treated. The Water Procurement business unit represents 13.7% (previous year: 2%) of the Daldrup Group revenue for 2014.

The fourth business unit, **EDS**, brings together special environmental technology services for a broad range of clients. Daldrup & Söhne AG's expertise has been repeatedly demonstrated in relation to the hydraulic remediation of contaminated sites, the planning and construction of gas extraction wells for obtaining landfill gas, the provision of ground-water quality measurement points or the construction of water purification plants. The EDS business unit contributed a 2.3% (previous year: 7.7%) share to the Daldrup Group revenue generated during the 2014 fiscal year.

The experience derived from the three other business units apart from Geothermal Energy have consistently resulted in refinement of drilling know-how and the training of young and new employees. In addition, employment fluctuations in the operation of major installations can be absorbed by staff pooling. All of the business segments are strategically valuable and will continue to be developed, operated and staffed.

An average of 127 employees were employed by the Daldrup Group in 2014 (previous year: 152). In addition to this, other companies made up to about 30 further employees available to Daldrup & Söhne AG on a flexible basis.

NUMBER OF EMPLOYEES AT DALDRUP & SÖHNE AG ON 31 DECEMBER 2014

EMPLOYEES on 31 December 2014, by function	2014	2013
Drilling	57	88
Administration (excluding Directors)	13	9
Persons in minor employment	1	3
Daldrup & Söhne AG	71	100
Exorka GmbH	7	7
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" Sp.Z o.o.	38	31
Group – total	116	138



MARTIN-DECKER WEIGHT INDICATOR

MARTIN-DECKER CO.

FOR EIGHT LINES USE REVERSE SIDE

USE WITH WIRE LINE AND DAMPEN TOTAL LOAD POINTER AND FULLY CLOSE VERNIER DAMPER WHILE TRIPPING AND LARRING

LOAD IN KILOGRAMS

THOUSAND



WEIGHT ON BIT THOUSAND KILOGRAMS

LEAD OF DIAL BEARS WHILE HELD HAND WITH FIVE BIT BOTTOM FOR EIGHT LINES USE REVERSE SIDE

SIX LINES

SIX LINES

2. MARKET AND COMPETITION

The long-standing market presence, the expertise, the financial strength and the existing reference sites with drilling depths of up to 6,000 metres have absolutely strengthened the competitive position of Daldrup & Söhne AG.

High technical, financial and official/administrative barriers to entry into the market as well as the limited availability of claims (oil rigs) and corresponding drilling capacity serve only to reinforce Daldrup & Söhne AG's favourable position.

Geothermal energy is a renewable energy source that can be used on a continual basis, compared to wind and solar energy that have fluctuating availability. Therefore, according to the Federal Ministry for Economic Affairs and Energy (BMWi) in Germany, it has an important role to play as part of a renewable energy mix in order to cover the basic requirements and gaps in energy supply. Overall, geothermal energy use has significant potential which can theoretically be used to cover the German energy needs many times over. Currently, power generation by means of deep geothermal energy is even more expensive than comparable renewable energy sources.

Through the Renewable Energy Sources Act (EEG), the German Federal Government has promoted geothermal plants for the generation of electricity. The EEG offers a great deal of planning and investment security by offering fixed tariffs to be paid for a period of 20 years. There is an entitlement to feed-in tariffs or, since the EEG amendment of 1 August 2014, sponsored direct marketing for the electricity generated and with respect to the relevant grid operator (power supply company) or the direct marketing company. Investments in deep geothermal energy to generate electricity and/or heat receive additional support through the German Market Incentive Programme. 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".





Electricity production from deep geothermal energy is still a relatively young niche market in Germany. According to the German Federal Geothermal Association (GtV - Bundesverband Geothermie), there are currently 29 deep geothermal power plants (which are predominantly hydrothermal) located in Germany with a capacity of 31.3 MW for electricity and 300.4 MW for thermal energy. A further 47 deep geothermal energy projects are currently under way or in the planning stages. According to the calculations presented by the German Federal Geothermal Energy Association (GtV) in 2013, deep geothermal energy generates 25 GWh (= the annual electricity requirements for approximately 8,300 two-person households).

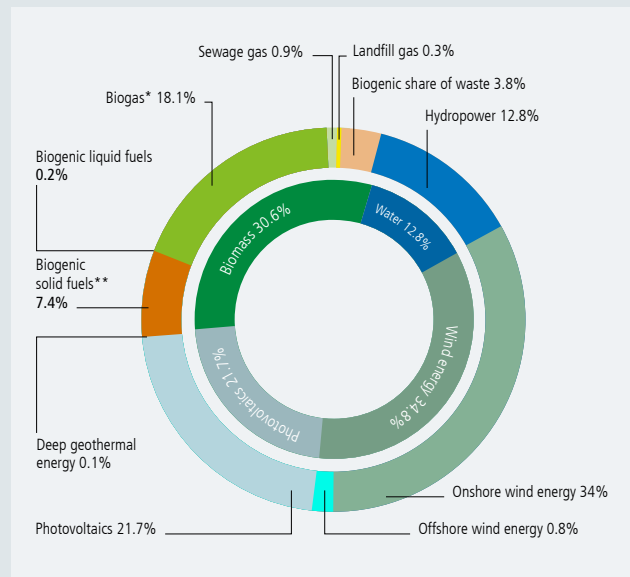
According to surveys conducted by the GtV (data based on 2005 versus 2010), other European countries, such as Great Britain, Italy, the Netherlands and Norway in particular, displayed strong growth in geothermal energy use. Projects in Switzerland and the Benelux countries particularly offer the Daldrup Group a number of attractive business opportunities.

The limited availability of drilling capacity and the fact that the potential to increase this capacity is restricted have encountered a high demand in times when the prices of crude oil are high. The result is stable drilling prices and low competitive intensity. Particular competitors in the area of deep geothermal wells include drilling companies that are primarily engaged in the oil and gas business and occasionally participate in invitations to tender for geothermal projects. When crude oil prices are low, the competition is greater because there is an additional supply of drilling capacity, as was particularly the case during the second half of 2014.

The German government is committed to the move towards alternative energy. The last nuclear power plant will be removed from the grid in Germany in 2022. With the EEG amendment which took effect on 1 August 2014, the renewable energies are to be extended to provide 40 to 45% of the electricity by 2025 and 55 to 60% by 2035. The National Action Plan for Renewable Energy (2010) stipulates that the generation of electricity from geothermal energy should total 1,654 GWh. Geothermal energy should provide around 14,400 GWh of heat.

The share in renewable energy in terms German gross electricity consumption has shown a significant increase of almost 2.5% to 27.8% in comparison to the previous year. The generation of electricity from renewable energy sources reached a new peak of 160.6 billion kWh (previous year: 152.6 billion kWh). This meant that during the reporting year, renewable energy was Germany's most important source of energy for the first time - even ahead of brown coal. However, further dynamic growth and a conducive market environment are both necessary if the target of 40 to 45% of gross electricity consumption is to be met by 2025. Geothermal energy is slowly growing in importance in Germany. Even if the growth amounted to approximately 40%, with an estimated 110 million kWh, geothermal energy has never before fed as much electricity into the grid.

ELECTRICITY GENERATED BY RENEWABLE ENERGY SOURCES IN GERMANY IN 2014



*incl. bio-methane **incl. sludge Total: 160.6 billion kWh

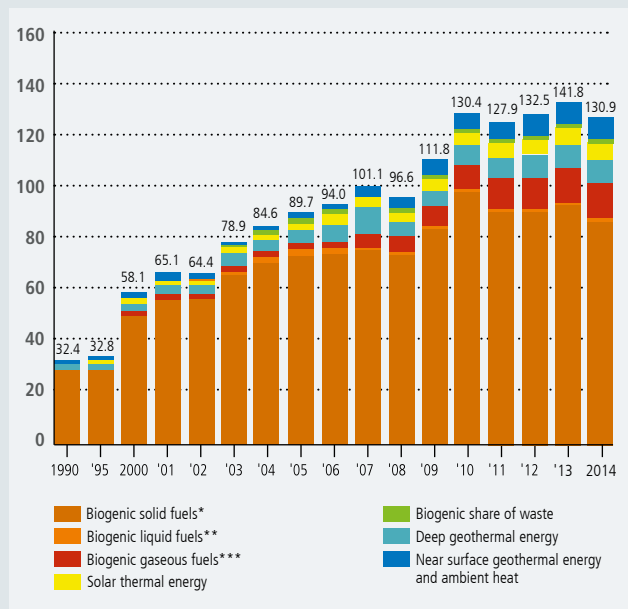
Fig.: Electricity generated by renewable energy sources in Germany during 2014, totalling 160.60 billion kWh As of February 2015, preliminary data

Source: Renewable energy in 2014, Federal Ministry for Economic Affairs and Energy, working group on renewable energy - statistics (AGEE Stats)



Heat has the highest impact in Germany in terms of energy consumption. According to the Renewable Energies Agency, around 50% of the total final energy consumption (electricity, heating, mobility) is used for generating heat.

PROVISION OF HEAT IN BILLIONS OF KILOWATT-HOURS



*incl. biogenic share of waste, incl. sewage sludge from 2013

** incl. biodiesel consumption for agriculture

*** biogas, bio-methane, gas from purification plants and landfill

Fig.: Changes in the consumption of heat generated by renewable energy in Germany between 1990 and 2014
Source: Renewable energy in 2014, Federal Ministry for Economic Affairs and Energy, working group on renewable energy - statistics (AGEE Stats), as of February 2015, preliminary data

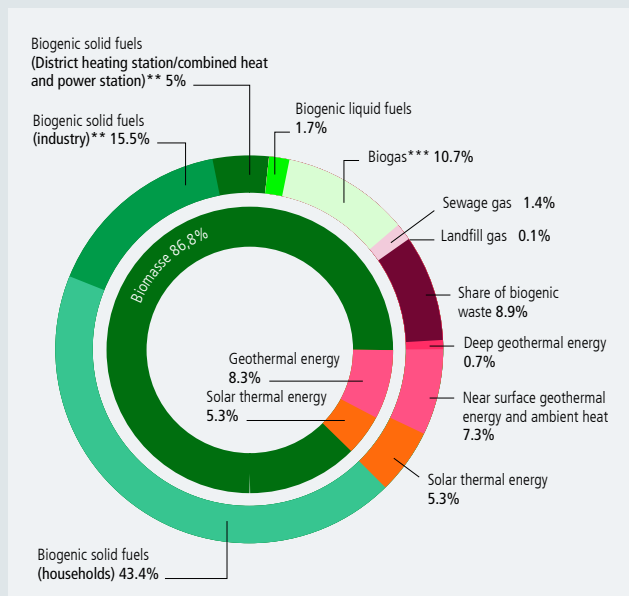
The provision of heat from renewable energy sources fell to just under 131 billion kWh in 2014 (previous year: 142 billion kWh). As a result of the mild weather conditions, the total heat consumption was considerably lower than during the previous year. At 9.9%, the share of renewable energy in terms of the total German energy consumption has remained at the previous year's level. To summarise, however, the growth of renewable energy in the heat market needs to be accelerated to 14% of total heat consumption by 2020 in order to achieve the target that was self-imposed as part of the Integrated Energy and Climate Programme of the German Federal Government.





During 2014 a total of just under 10.6 billion kWh of heat was able to be generated from geothermal energy sources (previous year: 9.5 billion kWh). This corresponds to 8% of the total heat provided by renewable energy. In addition to supplying heat, deep geothermal energy can also be used for generating electricity. The generation of electricity, e.g. by using the latest Kalina technology, becomes viable once temperatures reach in excess of 110 degrees Celsius.

HEAT CONSUMPTION FROM RENEWABLE ENERGY DURING 2014 IN GERMANY



*incl. biodiesel consumption for agriculture **incl. sewage sludge ***biogas, bio-methane
Total: 130.9 billion kWh.

Fig.: Heat consumption from renewable energy sources in Germany in 2014, totalling 131 billion kWh
Source: Renewable energy in 2014, Federal Ministry for Economic Affairs and Energy, working group on renewable energy - statistics (AGEE Stats), as of February 2015, preliminary data

The advantage of geothermal energy is its constant availability. This means it can be predicted by network operators and can therefore also be used as a residual and controlled variable to offset the fluctuating wind and photovoltaic systems. Other benefits include the parallel generation of electricity and heat generation, virtually CO₂-free production and ability to be stored.

The generation and use of renewable energy is promoted in many ways by both German and European legislators. The various Acts are continuously being developed further and specified. Reference is made to the German Renewable Energies Heat Act amended on 1 May 2011 (EEWärmeG) and which is supposed to help to increase the share of renewable energies to 14% by 2020 in terms of the final energy consumption for heat and cooling. An additional aim of the Act is to promote the increase in the number of grids which supply local and district heating sourced from renewable energy. In this context, communities are authorised to order a compulsory connection for the use of district heating systems for climate protection and resource conservation purposes. Through what is known as the Market Incentive Programme, the Act also provides support for the systems mentioned. With the improved Market Incentive Programme (MAP) that came into effect on 1 April 2015, the Federal Ministry for Economic Affairs and Energy (BMWi) wishes to motivate more homeowners, companies and communities to turn to solar, biomass and geothermal energy for heat. The BMWi also supports the new construction of larger district heating plants that use renewable energy from deep geothermal systems or local heating networks to supply heat generated from renewable resources, such as for heating solutions for local authority districts. The maximum grant amount available for deep geothermal energy has been significantly increased.

The amended German Energy Savings Ordinance (EnEV) entered into force on 1 May 2014. This is another important step towards increasing energy awareness within the construction and housing industry and meeting the target of a virtually carbon-neutral building stock by 2050. The amendment changes the 2010/31/EU guideline on overall energy efficiency in buildings (new version) and the 2012/27/EU guideline on energy efficiency.



3. STRATEGY, OBJECTIVES AND COMPANY MANAGEMENT

The strategies and objectives of Daldrup & Söhne AG's remain unchanged and intend to achieve sustained growth and to expand the leading market position as an experienced drilling technology specialist in Germany and Europe. The Company is now also engaged in geothermal power plant projects to generate revenue from supplying the grid and the sale of electricity and heat through feed-in tariffs and direct marketing premiums provided by the 2014 Renewable Energy Sources Act (EEG 2014). The medium-term goal is to develop the Daldrup Group into a medium-sized independent energy supply company. Decisive steps in this direction were already taken in 2009 and 2010 in the form of a majority holding in Geysir Europe GmbH, Grünwald. In the Taufkirchen project, the thermal water well system was successfully created in 2012 with a thermal capacity of approx. 35 MW.

During 2013, the Daldrup Group held a 40% share in the Landau in der Pfalz geothermal power plant, which achieved a thermal output of max. 7 MW and an electrical output of max. 3.6 MW. In the middle of March 2014, geox GmbH shut down the Landau power plant as a precautionary measure. Soil displacements were detected on the power plant site as well as in the urban area of Landau. In order to prevent any damage to the environment and technology, and in order to be able to contribute to investigations of the cause, geox GmbH shut down the power plant. Geysir Europe took over the operation of the power plant on 1 March 2014 from the engineering office used by previous shareholders, Energie SüdWest and Pfalzwerke. geox GmbH is working closely together with the local authorities and, in particular, the relevant water regulators as well as the State Agency for Geology and Mining in order to determine the cause of the soil displacements and to be able to make an assessment based on reliable data. With regards to this, the company has drilled numerous exploratory boreholes and taken samples, and began to review the re-injection boreholes during 2014.

During the reporting period, the Daldrup Group in Neuried (the district of Ortenau) acquired the site on which the Neuried geothermal power plant is to be built as soon as the boreholes have produced a positive result. The power plant is planned to have an output of 1.95 MWe. Heat can also be provided to supply local industry or residential property if required.

4. INVESTMENTS AND STRATEGIC PARTNERSHIPS

The purpose of Daldrup & Söhne AG's long-term equity investments and strategic partnerships is the direct and active pursuit of the corporate objectives, from establishing its market position as a drilling technology specialist to the development and implementation of its own deep geothermal energy projects, right through to the marketing of electricity and/or heat. In this respect, Daldrup & Söhne AG will benefit from the forecast growth in the market/sector.

Daldrup Bohrtechnik AG, Baar (Switzerland)

Daldrup Bohrtechnik AG operates independently within the interesting Swiss market. In addition to wells for the exploration of geothermal energy, special wells, for example, for brine production are of particular interest. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

Daldrup Boortechneik BV, Voorburg (Netherlands)

The use of geothermal energy as a resource-conserving energy source is being well received by industrial 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. Daldrup Boortechneik Nederland BV, Voorburg, which was set up in 2011, acts as Daldrup's representation in the Netherlands.

Italian project companies

Activities in Italy were coordinated and supervised by the Geysir-Europe Group. The decision was taken to suspend activities for the time being, following an analysis of the Italian energy market and the licensing and legal situation in Italy, the financial and financing capacity of potential partners and the economic environment. Therefore the 20% stake in Geothermics Italy Srl and Tombelle Srl were sold and Toscana Geo Srl has been liquidated. Geysir Italy GmbH is still in the process of liquidation.

Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych „DMM” Sp. z o.o., Katowice (Poland)

Daldrup & Söhne AG holds 51% of shares in the Polish company "Przedsiębiorstwo Projektów Górniczych i Wierceń Geologicznych "DMM" Sp. z o.o." (project company for mining and geological drilling activities) set up in 2012 by two Polish partners for the acquisition and execution of drilling activities (in the coal mining sector, for the shale gas business and the exploration of minerals). The company operates for larger exploration projects involving hard coal and has established itself in the Polish market with an excellent order book, including for flat geothermal and exploratory drilling projects. The company combines the geological knowledge, technical equipment and professional staff of the group of shareholders.

Daldrup Wassertechnik GmbH, 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 Company is not currently in operation.

D&S Geothermie GmbH, Grünwald

The main investment activities of Daldrup & Söhne AG are combined together as D&S Geothermie GmbH. 75.01% of the capital shares of Geysir Europe GmbH with its national and international subsidiaries are held here. The operational project planning and development company trades under the Exorka brand. The regional geothermal projects in their different development phases and the licences are grouped together in the existing domestic and international subsidiaries. The decision was taken as part of project development in Italy to cease expanding any activities for the time being and sell any shares held, as well as to finish developing its own permit areas.

5. RESEARCH AND DEVELOPMENT

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

- **Deep geothermal energy probes:**

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

- **Hydrothermal systems:**

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

- **Petrothermal systems:**

(or EGS = enhanced geothermal systems):

Open or closed circuit where hydraulic stimulation measures are used to generate or enhance fissures and gaps in the dry subsoil, through which artificially introduced/injected water is able to 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. There is, however, a European research project being undertaken in Alsace as well as a project in Groß-Schönebeck undertaken by the GFZ German Research Centre for Geosciences in Potsdam. The technology is essentially proven and is currently being further developed.

BMW i supports the geothermal energy research projects through the Sixth Energy Research Programme which was renewed at the end of 2014. The development of exploration methods to facilitate the selection of suitable locations is a focus for research funding for the BMW i. In view of the high costs of the drilling, the BMW i feels that the risk of the inability to find a suitable water reservoir or rock which is sufficiently hot should be minimised. A reduction in the exploration risk would then also make the technology more attractive to investors.



6. OVERVIEW OF BUSINESS DEVELOPMENT

In the Kiel 2015 economic reports of March 2015 published by the Institute for the World Economy (IfW), the experts on the euro zone reported that there had been a slight, low level, economic recovery during 2014. However, the development in the individual countries has been extremely varied. The economic dynamics in France and Italy have remained particularly limited. The economic climate profited from the drop in energy prices during the second half of the year. In spite of this, the investment from companies has remained weak overall. For 2014, the Kiel experts anticipate a growth of 0.9% in the gross domestic product (previous year: - 0.4%).

According to the March 2015 economic reports from the IfW, the economic situation in Germany has continued to improve overall during the reporting period. Increasing investments in construction, plant and equipment as well as the increase in consumer spending have contributed to this. During the second half of the year, the significant drop in oil prices, the continuingly favourable financing situations and the economic recovery in the euro zone have also had a positive impact on consumer spending and the willingness to invest. For 2014, the Kiel experts anticipate a GDP growth of 1.6% (previous year: 0.4%).

Taking this economic environment into account, the Daldrup Group managed to achieve revenues of EUR 52.3 million (previous year: EUR 60.8 million) and an overall performance of EUR 44.0 million (previous year: EUR 59.9 million) during the 2014 fiscal year. The following contributions to revenue were made by the individual business units of Daldrup & Söhne AG:

• Geothermal Energy:	EUR 39.5 million	(75.4%)
• EDS:	EUR 1.7 million	(3.3%)
• Raw Materials & Exploration:	EUR 6.8 million	(12.9%)
• Water Procurement:	EUR 4.4 million	(8.4%)

The performance-inhibiting factors in the drilling and project business during 2014 were the protracted tendering and approval procedures for drill projects, the noticeable, temporary reluctance on the part of the banks in terms of project financing, the talk about capping electricity prices and the EEG amendment that had been announced for summer 2014. The willingness to invest in deep geothermal energy projects was hugely restricted by talk about the amendment of EEG 2014 which had been ongoing since autumn 2013. Clients only again showed more willingness to conduct deep geothermal energy projects towards the end of the reporting period. For this reason, the second half of 2014 was particularly affected by the reluctance of investors in terms of deep geothermal energy projects.

Revenues of 58.3% (previous year: 66.9%) were achieved in Germany in 2014, together with revenues of 41.7% (previous year: 33.1%) abroad (the Netherlands and Austria). This illustrates the increasing internationalisation of business activities conducted by Daldrup & Söhne AG along with the expansion of the references and the level of awareness it possesses. The order situation was good at the end of the financial year in terms of drilling installations for medium-depth drilling in Germany, Poland and Switzerland. Various tenders have given quotes on rigs in Germany and the Netherlands.



B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULTS OF OPERATIONS

THE RESULTS OF OPERATIONS OF THE DALDRUP GROUP ARE DESCRIBED BELOW:

INCOME STATEMENT	2014 EURk	2013 EURk
Sales	52,327	60,826
Gross revenue	44,010	59,888
Other operating income and tax refunds	1,051	13,401
Cost of materials	23,905	45,525
Personnel expenses	7,037	8,409
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	12,060	3,944
Other operating expenses	20,238	14,166
EBITDA	- 6,344	5,189
EBIT	- 18,404	1,155

The Daldrup Group's value creation and production process, which is typical of the industry and project-dependent, requires regular measurement of work in process. In accordance with the principle of prudence, deductions for calculated risk, profit and sales costs are made from the earned value achieved. These income components are therefore not realised until after completion, approval and final billing of a project. Project and operating costs, however, are recognised immediately they are incurred. In this respect, the income statement of the Daldrup Group is heavily influenced by project activities fluctuating over the course of time. As the sales revenue only presents an incomplete picture of the performance during the financial year due to the long-term project agreements, the overall performance has also been included.

The gross revenue generated during the 2014 fiscal year consists of sales revenues amounting to EUR 52.3 million (previous year: EUR 60.8 million) and reductions in inventories amounting to EUR 8.3 million (previous year: EUR 0.9 million). During the 2014 financial year, the reductions in inventories were a result of completed and fully invoiced drilling contracts such as the thermal water boreholes for the German army barracks in Pfullendorf, the Geovol contract in Unterföhring, the research drilling in Dingolfing for BMW and also the exploratory boreholes in the Asse mine.

This was offset by own work from current ongoing projects valued at a lower amount. In the important business unit, Geothermal Energy, the thermal water boreholes to provide heating for Dutch greenhouse operators as well as the drilling projects which have been mentioned have contributed to the turnover. A good 18% of the turnover was generated by the Raw Materials & Exploration and Services business units in terms of near-surface geothermal energy.

Other operating income, including repayments of other taxes totalling EUR 1.1 million (previous year: EUR 13.4 million), is primarily made up of insurance claims and income from joint ventures.

The cost of materials with a traditionally high proportion of services purchased from third-party companies (for example, borehole measurements, directional drilling services, flush drilling services and outsourced personnel services) fell to EUR 23.9 million during the reporting period (previous year: EUR 45.5 million) due to the lower revenue that had been reported. Based on revenue, the gross profit ratio amounted to 54.3% (previous year: 25.2%). The high-tech deep drilling rigs were only partly well utilised. Downtimes were used for expensive maintenance work or certification processes.

The personnel costs for the Group fell considerably from EUR 8.4 million during the previous year to EUR 7 million. This was accompanied by the lack of orders for the deep geothermal energy business. The average number of staff employed by the Group during the 2014 fiscal year fell to 127 employees (previous year: 152 employees).

Other operating expenses increased to EUR 20.2 million (previous year: EUR 14.2 million). The costs include items such as the hire of necessary drilling equipment, residue and waste disposal, insurance premiums (especially to hedge the exploration risk), consultancy costs as part of the planning for the geothermal energy heating power plant, travel expenses and logistics costs incurred as a result of the mobilisation and demobilisation of drilling rigs. The loss incurred through the disposal of the stake in MD Drilling GmbH as well as losses due to provisions for bad debts, bad debts from the Dutch drilling projects and adjustments due to partly completed work are also included.

The EUR 12.1 million of depreciation (previous year: EUR 3.9 million) also essentially includes a 50% depreciation for the Mauerstetten well which came to EUR 7.4 million, in addition to the planned depreciation of the drill rig ground and the vehicle fleet. The deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

DESCRIPTION	2014	2013
Group earnings before interest, taxes, depreciation and extraordinary expenses (EBITDA)	EUR - 6.3 million	EUR 5.2 million
Group earnings before interest, taxes and extraordinary expense (EBIT)	EUR - 18.4 million	EUR 1.2 million

Group earnings before interest, taxes, depreciation and extraordinary expenses (EBIT) for Daldrup & Söhne AG totalled EUR - 18.4 million (previous year: EUR 1.2 million).

The financial result amounts to EUR - 0.5 million (previous year: EUR - 0.6 million) and mainly includes income from investments, interest on loans and advances to banks and interest expenses for loans from other companies.

Group earnings for the 2014 fiscal year are EUR - 18.9 million (previous year: EUR 90k). The Daldrup & Söhne AG share of these earnings is EUR - 9.1 million (previous year: EUR 1.2 million).

SUBGROUP EARNINGS	2014	2013
Daldrup & Söhne AG	EUR - 7.9 million	EUR 1.2 million
Daldrup Bohrtechnik AG, Switzerland	EUR - 0.4 million	EUR 0.2 million
Daldrup Wassertechnik GmbH	EUR 0.0 million	EUR 0.0 million
"DMM" Sp. z o.o., Poland	EUR 0.1 million	EUR 0.1 million
D&S Geothermie GmbH	EUR 0.1 million	EUR 0.1 million
Geysir Europe GmbH (subgroup)	EUR - 10.9 million	EUR - 1.0 million
Consolidating Entries	EUR - 0.1 million	EUR - 0.5 million
Group Earnings	EUR -18.9 million	EUR 0.1 million

In view of the understandable project and cost trends and the general business situation seen during the 2014 fiscal year, the Daldrup Group did not achieve the predicted target of increasing the total output to EUR 68 million with approximately EUR 44 million of total realised output, and has also not been able to show the scheduled EBIT margin of 3% to 5% because of the value adjustments which have been made and the special depreciation and amortisation allowance.



2. NET ASSETS

OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP

ASSETS	31.12.2014 EURk	31.12.2013 EURk
A. Fixed Assets		
I. Intangible Fixed Assets	2,657	3,330
II. Property, Plant and Equipment	28,896	39,975
III. Long-Term Financial Assets	24,371	22,375
B. Current Assets		
I. Inventories	2,149	1,218
II. Receivables and Other Assets	16,243	25,422
III. Other Securities	0	1,444
IV. Liquid Funds	4,520	3,567
C. Prepaid Expenses	32	232
D. Deferred Tax Assets	146	124
BALANCE SHEET TOTAL	79,016	97,687



LIABILITIES	31.12.2014 EURk	31.12.2013 EURk
A. Equity	46,399	65,958
I. Subscribed Capital	5,441	5,441
II. Reserves	30,726	30,685
III. Equity Difference from Currency Translation	- 672	- 96
IV. Consolidated Net Retained Profits	10,124	26,458
V. Minority Interests	781	3,470
B. Provisions	3,765	2,472
C. Liabilities		
I. Liabilities to Banks	9,436	7,163
II. Trade Payables	4,964	9,183
III. Liabilities towards Participating Interests	11	156
IV. Other Liabilities	14,352	12,617
D. Deferred Income	5	28
E. Deferred Tax Liabilities	83	110
BALANCE SHEET TOTAL	79,016	97,687



The total assets of the Daldrup Group amounted to EUR 79.0 million as at the balance sheet date, 31/12/2014. This represents a decrease of 19.1% compared to the previous year. Fixed assets amounting to EUR 55.9 million (previous year: EUR 65.7 million) consist of intangible assets of EUR 2.7 million (previous year: EUR 3.3 million), which essentially represent the value of the five permits for the exploration of geothermal energy (claims) in a particular area in the respective stage of development (including seismic profiling) and the Kalina licence. The value of the Kalina licence is also presented here. This is a heat transfer process for generating steam using a mixture of ammonia and water at low temperatures for energy production. The Daldrup Group holds the worldwide license for exploitation of the Kalina process and, in particular, the exclusive rights to its use in Germany.

Land and building structures for business purposes and directly related to drilling and power plant projects, amount to EUR 0.7 million (previous year: EUR 1.3 million) and are recognised as tangible assets. Machinery, technical and other equipment to the value of EUR 16.1 million (previous year: EUR 23.5 million) particularly refers to the drilling rigs and the vehicle fleet. The necessary operating and office equipment which are subject to scheduled depreciation, amounts to EUR 4 million (previous year: EUR 5.7 million). In addition to this, payments totalling EUR 8.1 million were made for assets under construction (previous year: EUR 15.1 million).

The long-term financial assets totalling EUR 24.4 million (previous year: EUR 22.4 million) include shares in associated companies totalling EUR 22.0 million. These essentially include the 41.95% share in GeoEnergie Taufkirchen GmbH & Co. KG which is accounted for according to the equity method, and the 40% share in geox GmbH, the company that operates the Landau geothermal power plant.

In Current Assets, the value of raw materials, consumables and supplies totalling EUR 3.2 million (previous year: EUR 3.4 million) corresponds to the inventory required for the operation of a drilling business. In view of suppliers' ability and readiness to deliver, it is not necessary to hold a larger inventory. Work in progress valued in accordance with commercial prudence represent a value of EUR 42.7 million on the balance sheet date (previous year: EUR 17.2 million) and primarily stems from the Taufkirchen power plant (EUR 37.9 million) and construction sites that have not yet been finally invoiced. Payments received in the amount of EUR 43.7 million (previous year: EUR 20.8 million) were deducted from orders in progress on the face of the balance sheet. On the balance sheet date, the

work in progress particularly includes the Unterföhring geothermal energy project, the Rheinsalinen Muttenz / Switzerland project as well as the EDS business unit projects involving the exploration of seams for RAG as well as coal exploratory drilling in Poland.

The creation of specific valuation allowances and debt write-offs account for a reduction in the trade receivables to EUR 6.5 million (previous year: EUR 12 million). The receivables from the, on the whole, solvent customer base are intact. Receivables amounting to EUR 1.5 million due from subsidiaries are made up of receivables from GeoEnergie Taufkirchen GmbH & Co. KG and geox GmbH. Other assets totalling EUR 8.3 million (previous year: EUR 13.4 million) include claims for damages against insurers/suppliers, claims from reinsurance policies as well as outstanding tax and loans.

Liquid funds (cash in hand/bank) are EUR 4.5 million as at the reporting date (previous year: EUR 3.6 million). The Daldrup Group companies were solvent at all times throughout the fiscal year and, if required, banks would make sufficient credit lines available.

Equity in the Daldrup Group as at 31/12/2014 is EUR 46.4 million (previous year: EUR 66.0 million) and the equity ratio on the reporting date was 58.7% (previous year: 67.5%).

Obligations that are regarded as fixed, and contingency risks, for example, for warranties in accordance with the business prudence concept, have been taken into account when recognising provisions for pensions (EUR 0.6 million), provisions for taxation (EUR 0.0 million) and other provisions (EUR 3.1 million).

Liabilities are particularly due to the goods and services process (EUR 5.0 million), and are at a slightly lower level than the previous year. Amounts owed to banks - Loans from main banks with an initial maturity of 8 years and overdraft facilities - rose from EUR 7.2 million during the previous year to EUR 9.4 million. The former have been collateralised by assigning a drilling rig as security, as is customary practice for banks. Repayment commenced in the middle of 2013. Existing credit lines at banks are sufficient to cover the sureties, guarantees, letters of credit customary in the industry and for forming a potential liquidity reserve. Other liabilities totalling EUR 14.4 million are due to current wage and tax liabilities, social security contributions, and also exist towards other shareholders of Geysir Europe GmbH in the amount of EUR 12.0 million.



3. FINANCIAL POSITION

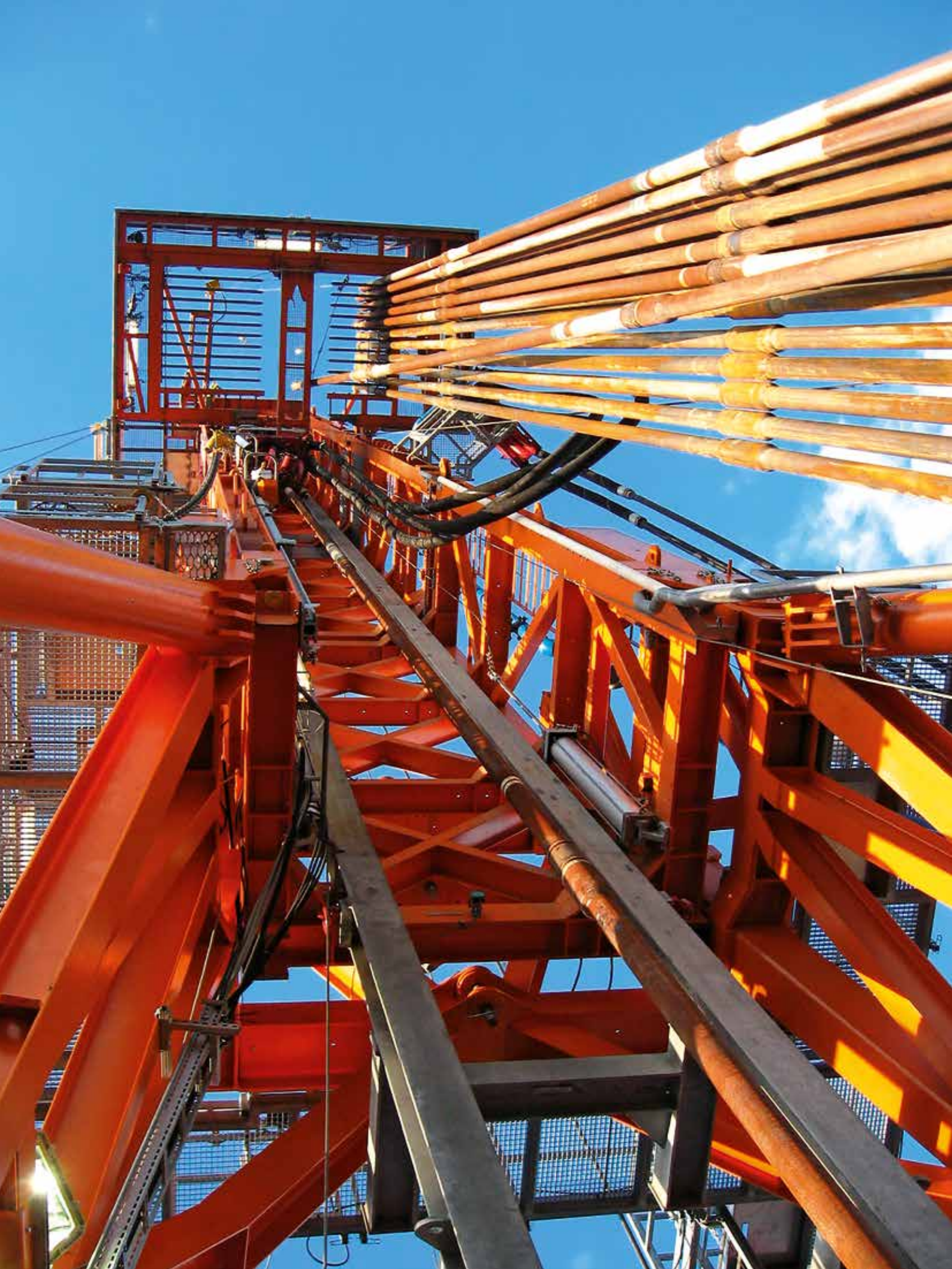
THE FOLLOWING ABBREVIATED CASH FLOW STATEMENT SHOWS THE FINANCIAL POSITION OF THE DALDRUP GROUP:

CASH FLOW STATEMENT	2014 EURk	2013 EURk
Consolidated net loss/ net income for the year	- 18,944	89
Depreciation, amortisation and write-downs	12,060	3,944
Other changes in cash from operating activities (balance)	10,367	3,300
Cash flow from asset management	3,484	733
Net cash used in investing activities	- 4,187	- 1,888
Net cash provided by financing activities	2,272	- 886
Change in liquid funds	1,568	- 2,041
Effect on cash funds of exchange rate movements and changes in reporting entity structure	- 615	- 254
Liquid funds 1 Jan	3,567	5,863
Liquid funds 31 Dec	4,520	3,567

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

The slight economic recovery in the euro zone and the continuing low interest rates will provide future support for the willingness to invest in geothermal heat and power plant projects. The amended EEG 2014 has continued to grant the emerging geothermal energy industry fair feed-in and direct marketing remuneration in Germany and creates a secure framework for investments. These developments support both the economic and financial development of Daldrup & Söhne AG.

In summary, it can be stated that the business development, the position, and the earnings of Daldrup & Söhne AG have suffered due to the macroeconomic environment and economic trends within the German, Swiss and Dutch target markets. The talks about the EEG amendment which continued until early summer in 2014, the talks about capping electricity prices as well as several civic initiatives have not helped to encourage investment in EEG projects. The Management Board assesses the economic development as just satisfactory based on the economic environment. The number of employees had to be reduced accordingly and the costs had to be reassessed.





C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to maintain high standards of health, safety and environmental protection. Great importance is attached to the fact that all employees and companies that work for Daldrup & Söhne AG know and adhere to the standards, laws and regulations in terms of health and safety and environmental protection. The management, information and security system installed by the appropriate Divisional Management Board of Daldrup & Söhne AG ensures that these objectives are implemented effectively.

The foundations of daily activities are:

- The **safety and health protection document** in accordance with the relevant legal provisions and directives of the European Union
- The **HSE Case** in accordance with the IADC template
- The internal guideline issued by Daldrup & Söhne AG on **personnel management and professional development**
- The internal guideline issued by Daldrup & Söhne AG on **drug prevention**
- The internal guideline issued by Daldrup & Söhne AG on **service and maintenance**

The identification of dangers, the improvement of procedures, documentation and communication are all key issues and establish a line of action that has been put in place, resulting in the constant improvement of the activities.

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success and customer satisfaction. SCC certification (SCC: Safety Certificate for Contractors) is therefore as much a matter of course as the performance and regular revision of quality management in accordance with DIN ISO 9001.

D. REPORT ON POST-BALANCE SHEET DATE EVENTS

The following events took place after the balance sheet date, 31/12/2014, which were of major importance for Daldrup & Söhne AG.

A date for the reopening of the Landau geothermal energy plant cannot be predicted in spite of close cooperation with the relevant water authorities and the local mining authority as well as the fulfilment of all requirements and the preparation of an exemplary safety concept for the operation of the power station. The Daldrup Group have met all the conditions for the safe, economically viable operation of the power station during the reporting period and during the current financial year.

HammGas GmbH & Co. KG has commissioned Daldrup & Söhne AG as a general contractor to conduct exploration drilling for coal gas in Ascheberg-Herbern. The drilling is expected to begin in the third quarter of 2015. The drilling will go to a depth of approximately 1,000 metres and will run for a total length of 1,740 metres (known as extended reach wells). The exploration drilling will investigate the characteristics of the coal bed methane deposit for the client. This means that the amount of gas that is potentially present and the flow rate can be determined. The operational plan was submitted to the Dortmund mining authority on 6 May 2015. This is the first time in 20 years that there has been any drilling for gas in the region.



E. RISK AND OPPORTUNITIES REPORT

The deliberate and controlled management of opportunities and risks is a key element of corporate management within Daldrup & Söhne AG. Increasing complexity and volatility in a globalised world means that the opportunities and risk system needs to be regularly adapted to changes in the underlying conditions. The risk system, the risk environment and potential threats to the Daldrup Group are described below:

1. STRATEGIC RISKS

Rapid corporate growth carries risks on account of new personnel, adjustments to organisational structures and a change in the risk environment. Integration and optimisation processes are a part of day-to-day business. A continuing fall in crude oil prices has resulted in a greater supply in the deep well sector and increased pressure on competitors.

Equity investments and joint ventures may, as a result of misdirected investments and misjudgement of opportunities and risks, have a very negative, integration-related impact on the net assets, financial position and results of operations of Daldrup & Söhne AG. Careful and detailed audits in advance of such commitments are designed to minimise the risks.

2. BUSINESS RISKS

RISKS INVOLVED IN OPERATIONAL DRILLING ACTIVITIES AND PROJECT DEVELOPMENT

There are basically three threat/risk areas that may be associated with deep boreholes and the project business:

- a. The **subsoil risk**, i.e., the risk of unforeseen effects and difficulties caused by the subsoil (all underground, geological risks), is borne, in construction (law) practice, by the client even if the subsoil of the site provided by it has been previously examined and described in accordance with generally accepted engineering practice.





As a contractor for drilling projects, Daldrup & Söhne AG only has a duty of inspection, notification and care in the event of clearly discernible risks. As the Daldrup Group has highly trained/certified personnel, uses state of the art technology and drilling projects are monitored by the responsible mining authority, it is not initially open to any risk here. Additional security is achieved by sub-contracting complex planning and engineering services to correspondingly insured service providers.

- b. The operational and environmental liability risks** as well as the risks of equipment breakdown and business interruption can be insured. The Group is covered for personal injury, material and environmental damage through the business and product liability insurance taken out with an insurance company. A separate machine insurance policy (including lost in hole) provides first-loss protection against potential damage to the deep drilling equipment and to all peripheral machinery and appliances. 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 blowout is to use modern and functional blowout preventers (BOPs), which Daldrup regularly uses.

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. We undertake fair, corrective measures ourselves in isolated cases.

c. Risk of unsuccessful exploration associated with a drilling project

Special policies from insurance consortia now cover the risk of a deep borehole being unsuccessful. 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 commercially insurable. Whether corresponding insurance cover has been chosen is ultimately at the discretion of the project sponsor in each case.

The existing and functional insurance concepts cover the main risks involved in geothermal drilling, thereby smoothing the way for the future technology of geothermal energy to enjoy growth in the niche market. Alternative risk transfer solutions will also be offered in future.

There are also additional risks such as the loss of drilling tools, the failure to receive permits (the repercussions of this are usually delays and possible additional costs), accidents at work, geological problems when conducting exploration work and drilling and disruptions to operations caused by unforeseeable wear and tear. The internal risk management system has strategies in place which deal with these issues so that damage as a result of such risks can be avoided.

COMPETITIVE RISKS

New, lucrative and growing markets are attracting additional market players. The efforts of companies in related sectors to enter the geothermal energy market are distinctly visible due to the high barriers to market entry. The Daldrup Group's numerous reference sites, the fact that it has been well known for a number of years and its market position give it an important competitive advantage.

Additional risks exist in terms of a decline in demand as a result of changes in the market or amortisations which have been lost, as well as the fact that changes in the law can result in project delays for our clients as well as project postponements.

PROCUREMENT RISKS

Up to this point in time, the procurement of equipment technology, raw materials, consumables and supplies, and the procurement of external services have not had a negative impact on Daldrup's performance process. Procurement risks are limited by diversification on the purchasing front and by the availability of alternative sources. The Group has core suppliers based on good terms and conditions, product quality and reliability of delivery. There continue to be no special supplier dependencies to report. Daldrup has identified and implemented new challenges and opportunities through the expansion of the vertical and horizontal value chain. The drilling technology specialist is thus continuing to develop into a fully integrated geothermal energy group.

PERSONNEL RISKS

The Daldrup Group employs key personnel across all Company divisions (e.g. project managers, engineers and experienced machine operators), whose long-standing contacts and specialist knowledge are important for the success of the Company. The loss of key employees – for example, through headhunting or illness – might leave a gap, at least temporarily. It is not possible either to eliminate the traditional dearth of professionals with the skills to operate our wide range of drilling equipment through internal training and qualification programmes. Strategic investments and acquisitions are therefore being closely monitored.

In addition, the international growth of Daldrup & Söhne AG and its responsibility as a Group parent company require a foresighted organisation. Additional areas of activity in the technical and commercial domains are being created; information and communication channels as well as organisational and personnel resources must be permanently adapted to these requirements.

FINANCIAL RISKS / USE OF FINANCIAL INSTRUMENTS

Foreign currency risks are avoided as far as possible by using the Euro as the basis for contract and price negotiations. Currency/exchange rate hedging instruments such as forward exchange transactions and currency option contracts are used for planned orders and procurements in foreign currencies (mainly Swiss francs in 2014). We enter into these derivative transactions only with banks that have a very good credit rating. However, it is impossible to precisely predict monetary policies in the individual countries and therefore negative effects cannot be avoided in spite of using such financial instruments.

No speculative interest, currency and/or commodity transactions exist at present and none are planned.

Details on the derivative financial instruments existing on the balance sheet date and their quantification have been included in the notes.

If required, the Group avails itself of the practice, customary in international business, of using guarantees and letters of credit to hedge credit rating, payment and delivery risks.

The financial and state crisis and the lack of willingness to provide loans on the part of the banks make it difficult, on the whole, to implement drill-ready geothermal energy projects. This could give rise to further impediments to growth for the geothermal market.

The clients are required to provide guarantees wherever possible in order to limit any damage due to default of payment. In terms of suppliers, a non-delivery can result in project delays and increased costs. Strategies for dealing with this include a choice of possible, alternative suppliers and monitoring the critical components within the production process, such as by means of quality assurance measures and checking the production process.



3. 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. The Kalina power plant technology used in particular in the geothermal energy power plant in Husavik, Iceland, as well as on German soil in Unterhaching and Bruchsal, is particularly suitable for generating electricity, especially in the low temperature range. The Daldrup Group is a licensee of this process and is firmly of the opinion that the combined use of geothermal energy and Kalina technology can help make a significant contribution towards securing global energy supplies.

The IT systems are generally an external target. For this reason there are safeguards against unauthorised access and data is regularly backed up.

4. LEGAL RISKS

However legal disputes may arise from the performance process as well as within the framework of guarantees. It is particularly the case with the project business that a number of different issues are contentious. Disputes can be settled for the most part without legal advice. However, for certain issues, legal disputes cannot be avoided. External specialist lawyers are regularly entrusted with the task of representing the interests of the Daldrup Group.

The contract management is organised in such a way that there is a balanced distribution of opportunities and risks for Daldrup & Söhne AG as a result of integrating legal, technical and commercial activities. The current order book is subject to these aspects of contract management.

Civic initiatives and also opponents to technology can influence policies. This can be disadvantageous during the licencing procedure and can result in having to approach the courts which will clearly delay measures.

The company has taken out a D&O insurance for the members of the management board and the supervisory board in order to provide a recourse where appropriate, if there are breaches of stock exchange rules or other breaches. From 2018, the feed-in regulations will change for geothermal electricity (EEG 2014) and the industry-wide learning curve will be compensated for this. However, there is always the threat of disadvantages to the company due to legal changes.

5. OVERALL ASSERTION IN RESPECT OF THE RISK SITUATION

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

6. OPPORTUNITIES REPORT

Geothermics is becoming increasingly important globally in terms of the generation of heat and electricity as a component of renewable energies within the overall energy mix. Furthermore, the direct use of geothermal energy for heating and cooling superstructures in terms of both new construction projects and as part of energy-efficient building renovation in Germany cannot be ignored. In addition to this, 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 by measures which include the new Renewable Energies Heat Act (EEWärmeG), the Market Incentive Programme (MAP) and the Energy Saving Ordinance (EnEV). We also continue to assume that conditions will be correspondingly favourable.



F. FORECAST REPORT

1. FUTURE CORPORATE STRATEGY

The Daldrup Group is continuing to transform itself from a pure drilling services provider into a fully integrated geothermal energy group and is therefore building up its national and international market position as an end-to-end supplier of geothermal power plant projects. In the geothermal energy project of the Group company GeoEnergie Taufkirchen GmbH & Co. KG, the drilling phase has been completed with the successful creation of a doublet. The construction of the above-ground heating power plant in the Kalina process which has been ongoing since 2014, is expected to be completed by mid-2015. The operation and the first regular supply of electricity into the grid as well as the supply of heat to the local heat network for Oberhaching and Taufkirchen are envisaged for the late summer. This step will mark a significant milestone in the history of the company. Additional geothermal power station projects in the Bavarian Molasse basin and in the Upper Rhine Rift are already being developed.

The Management Board are working intensively to reopen the Landau geothermal energy power station. The power station can start operating again in 2015 according to current assessment and after the safety and improvement measures which were put in place during the last quarter.

The drilling for the Neuried power station project depends on the outcome of the Kehl lawsuit which occurred during the reporting period. This involved a lawsuit filed with the Freiburg Administrative Court, against the drill permit granted by the federal state of Baden-Württemberg.

2. FUTURE ECONOMIC ENVIRONMENT

In its spring forecast during the middle of March of this year, the IfW predicts an increase in investments for 2015 and 2016 in Germany. The monetary environment continues to be extremely expansionary for the German national economy due to decisions taken by the European Central Bank. The foreign economic environment also feels that the study holds fewer geopolitical risks than it had done only six months previously. The economy is particularly benefiting from consumer spending and investment in house building from private households that have also benefited from the considerable reduction in oil prices. Economy experts predict investment mainly in companies next year, as the second pillar of the upturn. The Kiel experts predict a 1.8% growth in GDP during the current year and 2% during 2016.

The IfW and the EUROFRAME Network also predicts a gradually prevailing, increased growth for the euro zone for 2015. Therefore the euro zone can also at least benefit from the lower energy prices, the devaluation of the euro, lower inflation and lower interest rates. The Kiel economic experts predict a 1.3% growth in GDP during the current year and 1.7% during 2016. The study emphasises that an intensification in the Greek crisis or the conflict in Ukraine as well as a lack of positive impact from the ECB bond-buying programme which was started in March 2015 pose risks to the economic recovery.

The forecast presented by the IfW also points to a number of significant risks that run alongside any such economic recovery. These are attributed mainly to uncertainties related to the further development of the crisis situation in the eurozone. However, in terms of economic policy, changes in direction that weaken investment and performance conditions through regulation may also weaken the ability to grow and expand in Germany.

The social consensus to withdraw from nuclear power as well as the necessary change in direction to a secure, affordable and environmentally friendly energy supply based on renewable energy remains unchanged on the part of the German government and the population. Renewables now account for a quarter of the energy market. They have become part of this market and should not therefore be considered separately from the rest of the market any longer. There are lively public discussions about the economic efficiency of the move towards alternative energy (network expansion, subsidies and cost-sharing via the EEG reallocation charge) and the design of the electricity market of the future. The amendment to EEG 2014, the publication of the green paper on the design of the electricity market of the future as well as the national action plan on energy efficiency and additional initiatives that have been planned by the German government organise the move towards alternative energy and set targets.

The role of geothermal energy in the renewable energy mix is also being increasingly acknowledged in the world of politics thanks to its base load capacity and controllability. When accepting the role as patron of the 2015 German Geothermal Conference, (DGK 2015) held by the German Geothermal Energy Association, Sigmar Gabriel, the federal economics minister spoke about geothermal energy, "The continued expansion in geothermal energy to supply heat is an essential part of



the move towards alternative energy in order to regenerate our energy supply in Germany.” The regulatory environment for the geothermal energy sector has been strengthened through EEG 2014 and contributes to the economic viability of large power station projects. The provisions included in EEG 2014 have supported the development of the industry by stabilising the feed-in tariff for electricity generated from geothermal energy and have provided security of investment.

The amended Energy Savings Ordinance (EnEV) entered into force on 1 May 2014. This is another important step towards increasing energy awareness within the construction and housing industry and meeting the target of a virtually carbon-neutral building stock by 2050. According to information provided by the German Association of Energy and Water Industries (BDEW), approximately two-thirds of the 19 million residential buildings in Germany need to be renovated in terms of their energy efficiency. Heat from geothermal sources can provide efficient building heating solutions for both larger existing building stocks and real estate as well as in new construction projects.

As part of the national action plan for energy efficiency, the amended guidelines on the funding of measures regarding the use of renewable energy in the district heating market (Market Incentive Programme, or MAP) came into effect on 1 April 2015. The MAP is to be a key element for speeding up the expansion of renewable energy in the district heating market by offering improved incentives. The MAP subsidises private, commercial and municipal investments in heating systems or larger district heating plants that use renewable energy and in district heating networks that supply heat generated by sustainable methods. As a result, the investment incentives and the framework conditions for the financial feasibility of geothermal energy projects have improved.

The guidelines for the EU energy efficiency directive that have not yet been implemented in Germany are heading in the same direction, but these are scheduled for the beginning of 2016 according to current information. There is a great deal of untapped potential for climate protection purposes (reduction of CO₂ emissions) as well as for becoming self-sufficient in terms of resources. Once implemented, the EU Energy Efficiency Directive will certainly provide incentives for energy efficiency investments, especially for the housing industry, contracting authorities or small and medium-sized enterprises to convert their heat supply

delivered by third parties, such as utility companies (contracting) or district heating, according to the evaluation of the German Association of Energy and Water Industries (BDEW).

According to experts from the German Federal Geothermal Energy Association (GtV - Bundesverband Geothermie), significant growth in the use of geothermal energy should be expected. According to predictions made by the German Renewable Energy Federation (BEE), electricity generated from geothermal energy in Germany will increase to 3,750 GWh per year by 2020. The figure in 2013 was 8 TWh, which corresponded to the annual electricity needs of 8,300 two-person households. The federal government is also looking to significantly expand in this area. In its "National Action Plan for Renewable Energy" which was finalised in August 2010, it set a target of 1,654 GWh of electricity to be generated from geothermal energy by 2020. This figure is not quite as much as the one stipulated by the representatives of the renewable energy sector, but it is nevertheless much more than at present. It is a similar case for heat, where the German Renewable Energy Federation (BEE) expects to achieve a capacity of 26,000 GWh by 2020. The federal government has stipulated 14,400 as a target, which is based in particular on rapid growth in deep geothermal energy.

GENERATING HEAT THROUGH GEOTHERMAL ENERGY AND AMBIANT HEAT AND SHARE OF HEAT CONSUMPTION

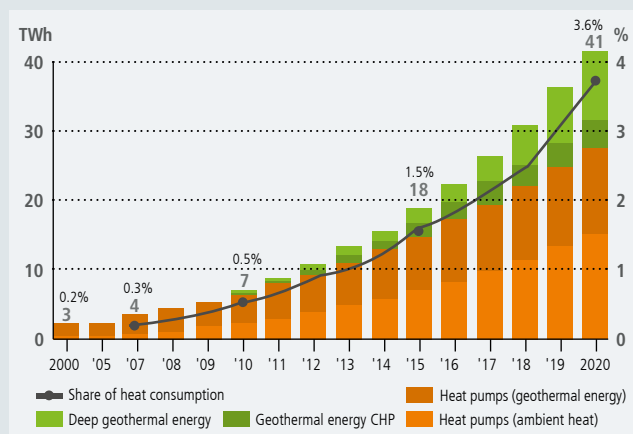


Fig.: Heat generation from geothermal energy and heat pumps and share of heat consumption in Germany
Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.), Wege in die moderne Energiewirtschaft, Part 2: Wärmeversorgung, page 12, October 2009

Heat generation by way of renewable energies is a "sleeping giant" that has a great deal of potential for climate protection purposes as well as for becoming self-sufficient in terms of resources. According to forecasts made by the German Renewable Energy Federation (BEE), bioenergy is expected to provide the largest proportion of heat supplies by 2020; however, the contribution made by geothermal energy, solar thermal energy and heat pumps is expected to grow significantly in the coming years. The volume of electricity derived from renewable energies within the heat sector is expected to increase by two and a half times due to the rapidly growing share of renewable energies in the production of electricity.

INSTALLED SERVICES FOR ELECTRICITY GENERATION FROM RENEWABLE ENERGY IN GERMANY UNTIL 2020

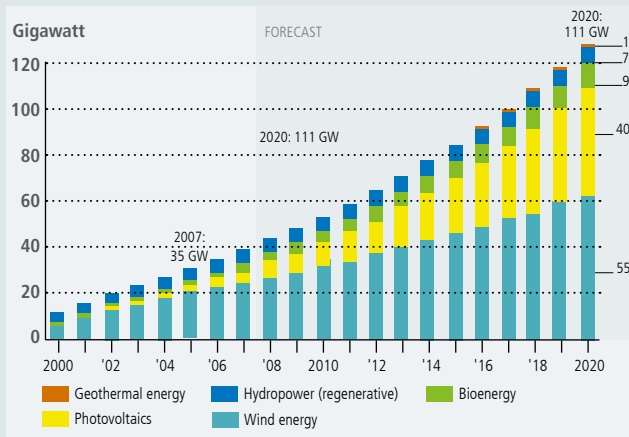


Fig.: Installed capacity for electricity generation from renewable energies according to sector in Germany
Source: German Renewable Energy Federation (Bundesverband Erneuerbare Energie e. V.), Wege in die moderne Energiewirtschaft, Part 1, Stromversorgung, 2020, p. 7, October 2009

The aim is thus for renewable energies to become the mainstay of electricity and heat supply. The rate of expansion and the specific growth of the geothermal energy industry are determined on the one hand by the development and organisation of funding instruments in Germany and Europe, but are also dependent on various crucial economic issues on the other hand. The increase in prices for fossil fuels, economic stability, a robust employment situation on the labour market and the consolidation of state and bank finances in the eurozone are the cornerstones, promising opportunities for higher growth.

HEAT GENERATION FROM RENEWABLE ENERGIES AND SHARE OF HEAT CONSUMPTION

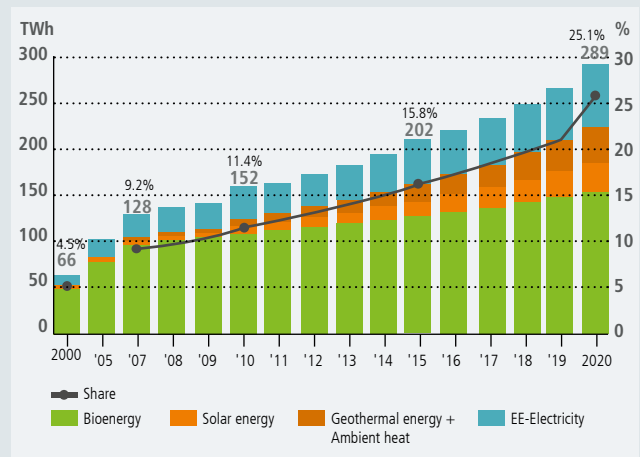


Fig.: Development of heat generation from renewable energies and share of heat consumption in Germany
Source: Renewable Energies Agency, Renew Spezial, Edition 63, Jan 2013, p. 9

The positioning of geothermal energy for the future direction of energy supplies is very good. It is decentralised and does not require any overly expensive expansion of the grid. It is almost inexhaustible and an inexpensive resource. It can supply base load (i.e., regardless of time of the day, season and weather conditions), and makes a relatively large contribution to environmental and climate protection and provides an outstanding CO₂ footprint. The potential to reduce costs can be increased by pending projects, so that the costs of geothermal electricity and heat generation are rapidly approaching the market level. Furthermore, high levels of skill and expertise mean that it is now possible to meet the high safety requirements demanded by the licensing authorities and, above all, the public. The subsidies provided under the terms of the Renewable Energy Sources Act for geothermal energy have therefore fulfilled their actual purpose; i.e. to grant temporary transitional/bridge financing. Due consideration has been given to the continued sponsorship of the emerging geothermal energy industry within the framework of the EEG 2014 amendment.

The value and growth-oriented objectives of Daldrup & Söhne AG and the strategic transformation process regarding the further development from only providing drilling services to an being an independent, medium-sized, energy supply company have continued to be pursued.

Owing to the specific technical and personnel requirements placed on deep drilling, the high capital requirements for drilling rigs and special equipment, the mining regulations and the complex approval procedures, Daldrup & Söhne AG fundamentally benefits from the high market entry barriers for deep geothermal energy. However, due to the fall in oil prices, an increasing number of drilling and exploration companies from the oil and gas business have moved into the geothermal energy market and this has led to more intense competition.

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The drilling and project business continues to be accompanied by many natural unknown factors, as delays and fluctuations can occur based on planning, approval and tendering processes, the geology, particular infrastructural conditions and the demands of project financing. It is still not possible to preclude such changes from impacting the results of operations and financial position of the Daldrup Group.

Daldrup & Söhne AG anticipates new growth in its business and the company due to the expansion in the value-added chain in its drilling and project business. The Daldrup Group will receive the first income from electricity feed-in and heat supply from 2015.

New drilling contracts from municipal clients in both Germany and the Netherlands are anticipated from the beginning of the 2015 financial year.

Since December 2010, the Taufkirchen geothermal project, in which the Daldrup Group has a majority holding, has moved into the implementation phase with Exorka GmbH, also part of the Daldrup Group, as general contractor. After the successful completion of the drilling phase, which exceeded expectations, operation will start after the construction of the above-ground geothermal heating power plant in summer 2015.

The Landau power plant is due to return to service in autumn 2015 following the completion of the necessary repair works. The plant ran superbly in 2013 with availability in excess of 98% on average throughout the year.

The power plants in Taufkirchen and Landau ensure the first major milestone in the transformation of the Company's business activities from a pure drilling services provider to an independent medium-sized energy supply company will then have been achieved. Consistent returns from the sale of electricity and heat will stabilise the Daldrup Group's earnings and liquidity situation in the long term and strengthen its financial independence. At the same time, Daldrup & Söhne AG has accrued revenue from power plant operations due to its 75.01% stake in Geysir Europe GmbH via Daldrup & Söhne Geothermie GmbH.

The value creation, growth and earnings potential for the Daldrup Group as the claim owner and power plant operator is due to improve significantly thanks to the start of work on the Neuried geothermal project at the end of 2014 and the perspective opportunity for the geothermal multiple use of a permit area in the Greater Munich area.

With the current level of orders in 2015, the Management Board of Daldrup & Söhne AG expects to see an overall Group performance of approximately EUR 30 million for the 2015 fiscal year combined with an EBIT margin of 4% to 5%.





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

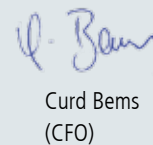
In conclusion, we state that Daldrup & Söhne Aktiengesellschaft, based on the circumstances known to us at the point in time at which legal transactions were carried out or actions taken or omitted, received reasonable consideration for every legal transaction and was not disadvantaged by actions being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

Grünwald, 18 May 2015

Daldrup & Söhne AG
The Management Board



Josef Daldrup
(CEO)



Curd Bems
(CFO)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)





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AUDITOR'S OPINION ON CONSOLIDATED FINANCIAL STATEMENTS

and Group Management Report of Daldrup & Söhne Aktiengesellschaft,
Grünwald, for the Fiscal Year from 1 January to 31 December 2014





GROUP INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

	01/01/2014 - 31/12/2014 EUR	01/01/2013 - 31/12/2013 EUR
1. Sales revenue	52,327,342.89	60,826,316.84
2. Increase/decrease in work in progress	- 8,317,246.62	- 938,803.69
3. Other own work capitalised	0.00	0.00
4. Other operating income	933,846.86	12,914,233.66
– including currency conversion: EUR 119,743.60 (PY: EUR 0.00)		
5. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	7,834,813.11	11,349,476.62
b) Cost of purchased services	16,070,654.62	34,175,565.41
	23,905,467.73	45,525,042.03
6. Personnel expenses		
a) Wages and salaries	6,042,230.15	7,041,907.69
b) Social security, post-employment and other employee benefit costs	994,941.38	1,366,771.41
– including retirement benefit: EUR 43,752.63 (PY: EUR 25,817.76)		
	7,037,171.53	8,408,679.10
7. Amortisation of intangible fixed assets and depreciation of property, plant, and equipment	12,060,069.70	3,944,061.18
8. Other operating expenses	20,238,381.95	14,165,930.43
– including currency conversion: EUR 32,938.86 (PY: EUR 11,270.74)		
9. Income from other securities and long-term loans	146,460.61	228,498.84
10. Other interest and similar income	317,992.14	585,224.14
– including the discounting of provisions: EUR 3,604.95 (PY: EUR 0.00)		
– including currency conversion: EUR 0.00 (PY: EUR 310,974.06)		
11. Write-downs of long-term financial assets and securities classified as current assets	0.00	89,812.57
12. Expenses from long-term investments in associates	521,546.85	590,491.24
13. Interest and similar expenses	425,856.38	760,069.42
– including interest accumulation from provisions: EUR 25,521.00 (PY: EUR 24,572.00)		
14. Result from ordinary activities	- 18,780,098.26	131,383.82
15. Extraordinary expenses = extraordinary result	- 223,456.44	0.00
16. Taxes on income	- 57,137.31	- 528,810.35
– including deferred taxes: earnings, EUR 22,605.99 (PY: earnings, EUR 22,252.87)		
17. Other taxes	116,903.97	486,606.58
18. Consolidated net loss/ net income for the year	- 18,943,788.04	89,180.05
19. Minority interests	2,678,864.21	139,876.72
20. Retained income	26,388,321.92	26,228,963.47
21. Net retained profits	10,123,398.09	26,458,020.24





GROUP BALANCE SHEET

GROUP BALANCE SHEET AS OF 31 DECEMBER 2014

ASSETS	31/12/2014 EUR	31/12/2013 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	2,657,304.37	3,330,455.02
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	736,814.79	1,348,155.72
2. Technical equipment and machinery	16,058,705.62	17,850,997.69
3. Other equipment, operating and office equipment	4,036,386.46	5,668,748.19
4. Prepayments and assets under construction	8,064,062.40	15,107,053.63
	28,895,969.27	39,974,955.23
III. Long-term financial assets		
1. Shares in affiliated companies	18,000.00	18,000.00
2. Loans to affiliated companies	36,800.00	35,000.00
3. Shares in associates	21,987,566.07	19,578,969.31
4. Investments	6,285.90	30,348.00
5. Loans to other long-term investees and investors	0.00	0.00
6. Other loans	181.00	10,770.00
7. Long-term securities	2,322,424.84	2,702,386.79
	24,371,257.81	22,375,474.10
	55,924,531.45	65,680,884.35
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	3,165,132.63	3,387,944.38
2. Work in progress	42,665,744.77	17,216,471.99
3. Prepayments	0.00	1,408,793.94
4. Payments received on account of orders	- 43,681,573.26	- 20,795,598.99
	2,149,304.14	1,217,611.32
II. Receivables and other assets		
1. Trade receivables	6,453,161.17	11,975,161.78
2. Receivables from affiliated companies	0,00	28,084.59
3. Receivables from other long-term investees and investors	1,504,616.23	27,966.23
4. Other receivables and other assets – of which due after more than one year: EUR 628,470.83 (PY: EUR 591,466.80)	8,285,629.66	13,390,125.39
	16,243,407.06	25,421,337.99
III. Securities		
Other securities	0.00	1,444,114.00
IV. Cash in hand, bank balances	4,519,905.09	3,567,340.70
	22,912,616.29	31,650,404.01
C. Prepaid Expenses	32,103.67	232,094.41
D. Deferred Tax Assets	146,402.52	123,796.53
BALANCE SHEET TOTAL	79,015,653.93	97,687,179.30



LIABILITIES	31/12/2014 EUR	31/12/2013 EUR
A. Equity		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury shares	- 4,017.00	- 4,017.00
	5,440,983.00	5,440,983.00
II. Capital reserves	30,502,500.00	30,502,500.00
III. Retained earnings		
1. Legal reserve	66,583.50	65,729.88
2. Other revenue reserves	156,460.50	116,363.67
IV. Currency conversion adjustments	- 671,985.84	- 95,698.33
V. Net retained profits	10,123,398.09	26,458,020.24
	40,176,956.25	57,046,915.46
VI. Minority interests	781,499.12	3,470,429.58
	46,399,438.37	65,958,328.04
B. Provisions		
1. Provisions for pensions	644,807.00	563,388.00
2. Tax provisions	6,726.94	42,007.66
3. Other provisions	3,113,657.12	1,866,962.76
	3,765,191.06	2,472,358.42
C. Liabilities		
1. Liabilities to banks	9,435,643.16	7,163,442.98
– of which due within one year: EUR 5,033,176.20 (PY: EUR 1,382,162.36)		
– of which are due between one and five years: EUR 4,334,800.00 (PY: EUR 5,331,200.00)		
– of which due after more than five years: EUR 0.00 (PY: EUR 336,400.00)		
2. Trade payables	4,964,471.91	9,183,199.94
– of which due within one year: EUR 4,964,471.91 (PY: EUR 9,183,199.94)		
3. Liabilities to other long-term investees and investors	11,335.29	155,653.83
– of which due within one year: EUR 11,335.29 (PY: EUR 155,653.83)		
4. Other liabilities	14,351,993.25	12,616,659.90
– of which due within one year: EUR 2,297,882.75 (PY: EUR 919,816.13)		
– of which due after more than five years: EUR 12,054,110.50 (PY: EUR 11,696,843.77)		
– including taxes: EUR 1,529,986.74 (PY: EUR 607,047.50)		
– including social security: EUR 12,252.74 (PY: EUR 28,020.19)		
	28,763,443.61	29,118,956.65
D. Deferred Income	5,080.89	27,536.19
E. Deferred Tax Liabilities	82,500.00	110,000.00
BALANCE SHEET TOTAL	79,015,653.93	97,687,179.30



GROUP STATEMENT OF ASSETS

GROUP STATEMENT OF FIXED ASSETS FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

	ACQUISITION COSTS				As of 31/12/2014 EUR
	As of 01/01/2014 EUR	Exchange rate differences EUR	Accruals EUR	Outgoings EUR	
I. Intangible fixed assets					
Acquired concessions, industrial property rights and similar rights and assets, and licences for such rights and assets	6,922,313.46	36,577.35	9,779.00	2,832.00	6,965,837.81
	6,922,313.46	36,577.35	9,779.00	2,832.00	6,965,837.81
II. Property, plant and equipment					
1. Land, land rights and buildings	1,694,609.97	0.00	14,754.30	0.00	1,709,364.27
2. Technical equipment and machinery	27,227,989.62	0.00	120,853.60	16,932.83	27,331,910.39
3. Other equipment, operating and office equipment	12,557,894.58	- 917.99	162,606.53	21,706.50	12,697,876.62
4. Prepayments and assets under construction	15,107,053.63	0.00	974,886.47	1,135,749.27	14,946,190.83
	56,587,547.80	- 917.99	1,273,100.90	1,174,388.60	56,685,342.11
III. Long-term financial assets					
1 Shares in affiliated companies	18,000.00	0.00	0.00	0.00	18,000.00
2 Loans to affiliated companies	35,000.00	0.00	1,800.00	0.00	36,800.00
3. Shares in associates	20,941,461.35	0.00	5,173,779.00	2,765,182.24	23,350,058.11
4. Investments	30,348.00	0.00	0.00	4,400.00	25,948.00
5. Loans to other long-term investees and investors	79,372.57	0.00	0.00	79,372.57	0.00
6. Long-term securities	95,054.80	0.00	0.00	0.00	95,054.80
7. Other loans	2,702,386.79	0.00	102.96	380,064.91	2,322,424.84
	23,901,623.51	0.00	5,175,681.96	3,229,019.72	25,848,285.75
	87,411,484.77	35,659.36	6,458,561.86	4,406,240.32	89,499,465.67



DEPRECIATION, AMORTISATION AND WRITE-DOWNS					BOOK VALUES	
As of 01/01/2014 EUR	Currency translation EUR	Accruals EUR	Outgoings EUR	As of 31/12/2014 EUR	As of 31/12/2014 EUR	As of 31/12/2013 EUR
3,591,858.44	0.00	716,675.00	0.00	4,308,533.44	2,657,304.37	3,330,455.02
3,591,858.44	0.00	716,675.00	0.00	4,308,533.44	2,657,304.37	3,330,455.02
346,454.25	0.00	626,095.23	0.00	972,549.48	736,814.79	1,348,155.72
9,376,991.93	0.00	1,906,230.67	10,017.83	11,273,204.77	16,058,705.62	17,850,997.69
6,889,146.39	- 924.22	1,773,267.99	0.00	8,661,490.16	4,036,386.46	5,668,748.19
0.00	0.00	7,007,549.71	125,421.28	6,882,128.43	8,064,062.40	15,107,053.63
16,612,592.57	- 924.22	11,313,143.60	135,439.11	27,789,372.84	28,895,969.27	39,974,955.23
0.00	0.00	0.00	0.00	0.00	18,000.00	18,000.00
0.00	0.00	0.00	0.00	0.00	36,800.00	35,000.00
1,362,492.04	0.00	0.00	0.00	1,362,492.04	21,987,566.07	19,578,969.31
0.00	0.00	19,662.10	0.00	19,662.10	6,285.90	30,348.00
79,372.57	0.00	0.00	79,372.57	0.00	0.00	0.00
84,284.80	0.00	10,589.00	0.00	94,873.80	181.00	10,770.00
0.00	0.00	0.00	0.00	0.00	2,322,424.84	2,702,386.79
1,526,149.41	0.00	30,251.10	79,372.57	1,477,027.94	24,371,257.81	22,375,474.10
12,060,069.70	- 924.22	2,060,069.70	214,811.68	33,574,934.22	55,924,531.45	65,680,884.35



GROUP EQUITY

GROUP EQUITY STATEMENT FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

	PARENT COMPANY					
	Subscribed capital EUR	Treasury shares EUR	Capital reserves EUR	Self-Generated Group Equity EUR	Accumulated other comprehensive income EUR	Accumulated other comprehensive income EUR
					Currency translation adjustments	Other items recognised directly in equity
As of 01/01/2014	5,445,000	- 4,017	30,502,500	22,250,233	- 95,698	4,389,881
Proceeds from increases in capital						
Changes to investment relationships						
Consolidated net income for the year				- 16,264,924		
Other Group Earnings					- 576,288	- 28,748
As of 31/12/2014	5,445,000	- 4,017	30,502,500	5,985,309	- 671,986	4,361,133

	MINORITY SHAREHOLDERS				GROUP EQUITY
Equity EUR	Minority capital EUR	Accumulated other comprehensive income EUR	Accumulated other comprehensive income EUR	Equity EUR	EUR
		Currency translation adjust- ments	Other items recognised directly in equity		
62,487,899	3,456,304	10,353	3,773	3,470,430	65,958,328
- 16,264,924	- 2,678,864			- 2,678,864	- 18,943,788
- 605,036		- 10,066		- 10,066	- 615,102
45,617,939	777,440	286	3,773	781,499	46,399,439





CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT AS OF 31 DECEMBER 2014

	2014 EUR	2013 EUR
1. Cash flow from ongoing operating activities		
Result for the year	- 18,943,788	89,180
Depreciation of fixed assets	12,060,070	3,944,061
Additions to/retirements of (-) of provisions	1,292,833	- 1,122,120
Profit (-)/loss from asset retirements	1,921,535	- 35,199
Non-cash revenue (-) and expenditure	- 36,584	529,024
Increase (-)/reduction in inventories, accounts receivable and other assets	9,867,737	- 1,081,192
Increase /reduction (-) in trade payables and other liabilities	- 2,677,669	- 1,590,476
Cash flow from ongoing operating activities	3,484,134	733,279
2. Cash flow from investment activities		
Inflows from retirements of fixed assets	26,261	160,555
Outflows (-) for investments into intangible and tangible fixed assets	- 1,282,880	- 1,995,506
Outflows (-) for investments into financial assets	- 5,175,682	- 5,671,554
Inflows from retirements of financial assets	2,243,633	5,618,075
Cash flow from investment activities	- 4,188,668	- 1,888,431
3. Cash flow from financing activities		
Inflows/repayment (-) of financial loans	2,272,200	- 885,923
Cash flow from financing activities	2,272,200	- 885,923
4. Financial fund at the end of the period		
Net change in cash and cash equivalents (Subtotals 1 - 3)	1,567,666	- 2,041,075
Changes of the financial fund due to effects of exchange rate and consolidated entities	- 615,102	- 254,094
Financial fund at the start of the period	3,567,341	5,862,511
Financial fund at the end of the period	4,519,905	3,567,341
5. Composition of the financial fund		
Liquid funds	4,519,905	3,567,341



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Daldrup & Söhne AG is entered in the Munich District Court commercial register under HRB 187005. It is a company which was set up in Germany, with limited liability and with its registered office in 82031 Grünwald, Bavariafilmplatz 7.

Where it is possible to exercise options with regard to disclosures in the balance sheet, the income statement or the notes, it was chosen to make comments in the balance sheet or in the income statement. Presentation of the analysis of consolidated fixed assets has taken the form of an Appendix to the notes.

The Company is required, pursuant to section 290(1) of the German Commercial Code (HGB), to prepare consolidated financial statements and a group management report.

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

CONSOLIDATION METHODS

Not only the parent company, but all major domestic and foreign subsidiaries under the legal control of Daldrup & Söhne AG are included in the consolidated financial statements. The annual financial statements of subsidiary companies are prepared on the same balance sheet date as the annual financial statements of the parent company, using standard accounting policies.

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

The negative goodwill from capital consolidation stems from earnings retained at subsidiaries following the acquisition of investments, but prior to the reporting date of the first-time consolidation. It has therefore been recognised directly in equity without affecting net income.

Non-consolidated subsidiaries are accounted for using the equity method. Initially, these subsidiaries are recognised at cost. The Group's share of the profits and losses of these companies is recognised in the income statement from the moment of their acquisition. The cumulative changes are offset against the investment value.

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

CONSOLIDATION COMPANIES

IN ADDITION TO THE PARENT COMPANY, 17 DOMESTIC AND 3 FOREIGN SUBSIDIARIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct capital share	Indirect capital share
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
Daldrup Wassertechnik GmbH, Ascheberg	100.00	
Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" Sp. z o.o., Katowice/Poland	50.44	
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik/Iceland		100.00
geox GmbH, Landau i. d. Pfalz		40.00
Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald		100.00
Geothermie Allgäu Verwaltungs GmbH, Grünwald		100.00
Geothermie Starnberg GmbH & Co. KG, Grünwald		100.00
Geothermie Starnberg Verwaltungs GmbH, Grünwald		100.00
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald		41.95
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald		44.08
Taufkirchen Holding GmbH & Co. KG, Grünwald		100.00
Taufkirchen Holding Verwaltungs GmbH, Grünwald		100.00
Geothermie Neuried GmbH & Co. KG, Neuried		100.00
Geothermie Neuried Verwaltungs GmbH, Neuried		100.00

In addition to this there is still a 19.96% stake in Geysir Italy GmbH i.L., Grünwald through Geysir Europe GmbH. During the 2014 fiscal year the share in GeoEnergie Taufkirchen GmbH & Co. KG was reduced from 42.82% to 41.95%, and the share in Przedsiębiorstwo Projektów Gorniczych i Wiercen Geologicznych "DMM" was reduced from 51% to 50.44%.



FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSLATION	Exchange rate EUR 1 =	Average exchange rate for the year as at 31/12/2014	Closing rate as at 31/12/2014
Swiss francs	CHF	1.2146	1.2024
Icelandic Krona	ISK	156.2500	155.0388
Polish Zloty	PLN	4.1843	4.2732





ACCOUNTING POLICIES

ASSETS

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

Investments in joint ventures (50% joint venture) have been measured using the equity method.

Loans to other long-term investees and investors and long-term securities have been accounted for at their nominal value.

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.

Receivables and other assets have been recognised at their nominal value.

In the case of receivables, individual risks have been taken into account by means of adequately measured specific valuation allowances and the general credit risk by means of appropriate flat-rate deductions of 1%.

Cash in hand and bank balances have been recognised at their nominal value. Balances in foreign currency are translated at the mid-market exchange rate on the balance sheet date.

Securities classified as current assets have been accounted for at their nominal value. If the daily values were lower on the balance sheet date, these values have been recognised.

Deferred tax assets and liabilities are, in principle, measured using the tax rates valid as at the balance sheet date. Future tax rate changes are taken into account if, within the scope of a legislative procedure, substantial prerequisites for its future applicability have been met on the balance sheet date. In this case, a flat rate of 30.0%, which includes the standard corporation tax rate of 15%, the solidarity surcharge of 5.5% and an average trade tax rate of 14.2%, is used.

LIABILITIES

Subscribed capital has been recognised at par value.

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

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

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

Liabilities have been recognised at their settlement amount.

CURRENCY TRANSLATION

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

CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT DISCLOSURES

I. BALANCE SHEET

FIXED ASSETS

The statement of changes in non-current assets for 31.12.2014 has been presented on page 56 of this report.

Shares in affiliated companies relate to the 100% holding in Daldrup Boortechnik Nederland BV, Voorburg/Netherlands (EUR 18k). The company has not been included in the consolidated financial statements, as its net income for the year and its sales revenue represented less than 1% of Group earnings and sales revenue (section 296 (2) of the German Commercial Code (HGB)).

Loans to affiliated companies relate to a loan from Daldrup Bohrtechnik AG, Baar/Switzerland to Daldrup Boortechnik Nederland BV, Voorburg/the Netherlands (EUR 37k).

Shares in associates totalling EUR 21,988k relate to the following companies:

- a) **GeoEnergy Taufkirchen GmbH & Co. KG (EUR 58,168k limited partnership contribution).** The Company has a 41.95% indirect stake in the capital and is included at equity in the consolidated financial statements. The company was founded for the construction of a geothermal energy power plant. The balance sheet carrying amount on 31.12.2014 amounts to EUR 21,978k. The Company has an indirect 44.08% share in the limited liability company, GeoEnergy Taufkirchen Verwaltungs GmbH (EUR 25k of subscribed capital). The balance sheet carrying amount on 31.12.2014 amounts to EUR 9k.
- b) **geoX GmbH (EUR 1,200k share capital).** The Company has a 40% stake in the share capital and is included at equity in the consolidated financial statements. geoX GmbH operates a geothermal power plant in Landau i. d. Pfalz. The balance sheet carrying amount on 31.12.2014 amounts to EUR 0k.

The shareholdings relate to Geysir Italy GmbH i.L., Grünwald. The Company has an indirect 19.91% share in the share capital. The balance sheet carrying amount on 31.12.2014 amounts to EUR 6k.

There are a total of EUR 4k loans to Masten Projekt & Management SAS.

Long-term securities include long-term financial investments in securities (EUR 0.2k).

Other loans totalling EUR 2,319k were granted.

CURRENT ASSETS

INVENTORIES

Payments received are openly deducted from inventories.

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

ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

This includes receivables from GeoEnergie Taufkirchen GmbH & Co. KG (EUR 1,080k) and geox GmbH (EUR 425k), Landau i. d. Pfalz.



OTHER ASSETS

OTHER ASSETS ON 31/12/2014 IN EURk				
Description	Total amount	due within one year	due after more than one year	Total amount in previous year
1. Claims for damages against clients/suppliers	1,405	1,405	0	1,405
2. Insurance compensation	5,021	5,021	0	6,660
3. Claims from reinsurance cover	642	0	642	588
4. Tax receivables	190	190	0	2,227
5. Additional services for drilling contracts that have not yet been invoiced	0	0	0	2,000
6. Loans receivable	321	321	0	0
7. Other	706	690	16	510
Total of other assets	8,285	7,627	658	13,390

DEFERRED TAX ASSETS

The deferred taxes were calculated using a tax rate of 30.0%. The deferred taxes were calculated based on a corporation tax rate of 15.0%. A solidarity surcharge of 5.5% on any corporation tax as well as an average trade tax rate of 14.2% were also used as the basis for this calculation. Owing to different measurement of the provision for annual leave which has not been taken and the pension provision, liability items in the tax accounts are lower than in the financial statements, resulting in deferred tax assets (EUR 146k).

EQUITY

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

SHARE CAPITAL

Share capital amounts to EUR 5,445k. It is divided into 5,445,000 no-par bearer shares (no-par shares). Authorised capital as of 31.12.2014 amounts to EUR 2,723k.

The calculated no-par value of acquired treasury shares (EUR 4k) has been deducted from subscribed capital on the face of the balance sheet. There were 4,017 treasury shares during the reporting year. No sales took place.



CAPITAL RESERVES

Capital reserves consist of the premium for issuing shares (EUR 30,503k) obtained in the context of the IPO.

LEGAL RESERVE

The legal reserve pursuant to section 150 of the German Stock Corporation Act (AktG) amounts to EUR 67k.

OTHER REVENUE RESERVES

Other revenue reserves amount to EUR 156k.

CONSOLIDATED NET RETAINED PROFITS

Consolidated net retained profits developed as follows:

• Retained income as of 01/01	EUR 26,388k
• Consolidated net income	EUR - 18,944k
• Minority interests	EUR 2,679k
• Net retained profits	EUR 10,123k

The Management Board does not propose to pay a dividend to shareholders for the past fiscal year.

It is, in principle, not the consolidated net retained profits, but the net retained profits from the individual financial statement of the parent company that are available for distribution purposes. The latter amounts to EUR 7,251k on 31/12/2014.

The total amount subject to the payout block pursuant to section 268 (8) of the German Commercial Code is EUR 146k. This amount is due to the capitalisation of deferred tax receivables in the parent company's single-entity financial statements.

PENSION PROVISIONS

The pension provision for the CEO, Josef Daldrup, is calculated according to actuarial principles. The calculations are performed on the basis of the 2005 G actuarial tables for pension insurance by Prof. Klaus Heubeck. This is a generation table that reflects transition probabilities in the company pension scheme, such as mortality rate, invalidity or frequency of marriage, according to age, gender and year of birth. The interest rate of 4.53% p.a., published by the Deutsche Bundesbank as on the balance sheet date of 31/12/2014, was used as the discount rate. A 2.0% rate of benefit increase during the benefit period and a 0.0% rate of benefit increase during the qualifying period of were taken as a basis. The individual calculations were performed according to the PUC method (projected unit credit method).

TAX PROVISIONS

Tax provisions amount to EUR 7k (previous year: EUR 42k).



OTHER PROVISIONS

STATEMENT OF PROVISIONS AS OF 31/12/2014 IN EURk					
Description	01/01/2014	Utilisation	Closing	Transfer	31/12/2014
Personnel provisions	825	791	34	749	749
Global provision for warranties	227	0	0	12	239
Other provisions	815	215	23	1,548	2,125
Total other provisions	1,867	1,006	57	2,398	3,113

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

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

LIABILITIES

STATEMENT OF LIABILITIES AS OF 31/12/2014 IN EURk					
Type of liability	Total amount	due within one year	due within one to five years	due after more than five years	Total amount in previous year
1. Liabilities to banks	9,435	5,100	4,335	0	7,163
2. Trade payables	4,964	4,964	0	0	9,183
3. Liabilities to minority shareholders	12,002	0	12,002	0	11,697
4. Liabilities to affiliated companies	11	11	0	0	155
5. Other liabilities	2,351	2,351	0	0	920
	28,763	12,426	16,337	0	29,119

The liabilities to banks essentially include WGZ BANK AG (EUR 2,833k) and Sparkasse Westmünsterland (EUR 2,833k), where a drilling rig has been used as security in accordance with standard banking practice. Liabilities amounting to EUR 3,769k from the use of overdraft loans.

Other liabilities contain liabilities from wages and salaries (EUR 171k), liabilities from wage and church tax (EUR 51k), VAT liabilities (EUR 1,480k) and other liabilities (EUR 649k).

There is a qualified subordination agreement attached to liabilities to minority shareholders and interest has been deferred until 2019.



II. INCOME STATEMENT

The total cost format was selected for the Income Statement.

The total sales revenue of EUR 52,327k (previous year: EUR 60,826k) was composed of EUR 30,524k (corresponding to 58.33%) at home (previous year: EUR 40,705k/66.92%) and EUR 21,803k (41.67%) abroad (previous year: EUR 20,121k/33.08%). Due to the long-term project agreements, the sales revenue only present an incomplete picture of the performance during the financial year. Therefore, the overall performance is additionally stated as EUR 33,026k (corresponding to 75.04%) at home (previous year: EUR 45,202k / 75.48%) and EUR 10,984k (24.96%) abroad (previous year: EUR 14,685k / 24.52%).

Other operating expenses (EUR 20,238k) are broken down as follows:

• Value adjustments on accounts receivable	EUR 8,314k
• Legal and consultancy costs	EUR 1,744k
• Bad debts	EUR 1,561k
• Insurance policies and premiums	EUR 1,257k
• Advertising and travel	EUR 869k
• Residue and waste disposal	EUR 734k
• Rent for mobile assets	EUR 683k
• Repairs and maintenance	EUR 596k
• Premises	EUR 632k
• Vehicle costs	EUR 562k
• Construction site costs	EUR 533k
• Construction site fuel	EUR 479k
• Other	EUR 2,274k
Total	EUR 20,238k

The amortisation of intangible fixed assets and depreciation of tangible fixed assets carried out in the reporting period were all scheduled.

III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG has other financial obligations arising from rental and lease agreements totalling EUR 193k. Of these, EUR 188k are liabilities due within one year, and the remaining EUR 5k are due within 1 to 5 years.

In addition, there are other financial obligations for rent and leasing in the amount of EUR 57k in relation to Exorka GmbH, in the amount of EUR 5k in relation to Geothermie Allgäu Betriebs und Beteiligungs GmbH & Co. KG, and in the amount of EUR 0.2k in relation to TOS-CANA GEO S.r.l.. Of these, EUR 43k are liabilities due within one year, and the remaining EUR 20k are due within 1 to 5 years.

CONTINGENT LIABILITIES

Daldrup & Söhne AG has an obligation, as a joint debtor of a fixed liability guarantee in the amount of EUR 1,000k, to the Thuringian Ministry for Agriculture, Nature Conservation and Environment. The purpose of this guarantee, which expires on 31/12/2017, is to secure a capital expenditure obligation on a remediated plot of land in Thuringia and the creation of permanent jobs.

The guarantee is not expected to be called in, as the project has already been successfully completed and there are no indications of a call on the guarantee.

Furthermore, Daldrup & Söhne AG has undertaken to provide two letters of comfort in favour of Exorka GmbH and for submission to the Federal Ministry for Environment, Nature Conservation and Reactor Safety in the context of approval of Federal funds for a stimulation experiment in Mauerstetten and for the development of a modular Kalina or ORC installation for geothermal electricity generation. In each case, Daldrup & Söhne AG undertakes to fund Exorka GmbH in order to enable it to raise the required EUR 2,457k and/or EUR 996k contribution to the project costs, and to carry out the projects on time in line with planning and the grant conditions. It is unlikely that a letter of comfort will be used as the project has been ended.

Within the context of the purchase of 50% of the shares in geox GmbH by Geysir Europe GmbH from Pfalzwerke Aktiengesellschaft, Daldrup & Söhne AG has acted as guarantor for the purchaser and has provided the LBBW with an independent guarantee for 50% of the amount borrowed for geox GmbH, the purchase price as well as ongoing financial futures transactions. This also included the obligation to make own funds available with regard to a third borehole in Landau which was supported by the German Federal Ministry for the Environment. The total liability for Daldrup & Söhne AG amounts to EUR 2,700k.

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

It is not reasonably probable that a claim will be made against the guarantee because the geox GmbH geothermal power plant in Landau will become operational again in 2015 so that the company will be able to finance the debt service out of its own funds.

Pursuant to section 285, sentence 1 no. 11a of the German Commercial Code (HGB), Daldrup & Söhne AG is the personally liable partner in the context of involvement in the following joint ventures:

- The joint venture "Arnstadt" (company under civil law), registered office in 46238 Bottrop
- The joint venture "Geothermie Thüringen", registered office in 82031 Grünwald
- The joint venture, "Bergsicherungsarbeiten Auf dem Loh", registered office in 59387 Ascheberg (until 30/04/2014)

No claim is expected to be made under the personal liability, as the joint venture projects have already been successfully completed or are on schedule in terms of contract processing and there are no indications of any claim.

FINANCIAL STATEMENT AUDITOR'S TOTAL FEE

The auditing fee for the financial statement auditing services payable to the Warth & Klein Grant Thornton AG accountancy firm, Düsseldorf for the 2014 fiscal year is EUR 49k (EUR 3k of this are retrospectively for 2013), and EUR 1k for other services.



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, occupation
Josef Daldrup:	CEO
Dipl.-Geologe Peter Maaserwerd:	Member of the Management Board and holder of a master's degree in geology (COO)
Andreas Tönies:	Member of the Management Board (COO)
Curd Bems:	Member of the Management Board (CFO)

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

Name, role:	Administrative, Management or Supervisory Board appointments or partner positions
Wolfgang Clement, Bundesminister a. D.: Chairman of the Supervisory Board:	Member of the Supervisory Boards of the following companies: <ul style="list-style-type: none">• Member of the Board of Trustees for the Dussmann Group and Chairman of the Supervisory Board for Dussmann Stiftung & Co. KGaA, Berlin• Member of the Supervisory Board for Deutsche Wohnen AG, Berlin• Member of the Supervisory Board for Landau Media Monitoring AG & Co. KG, Berlin• Member of the Supervisory Board for DIS AG, Düsseldorf• Member of the Supervisory Board for RWE Power AG, Essen
Dipl.-Ing. Wolfgang Quecke: Member of the Supervisory Board:	Member and/or Managing Director of the following companies: <ul style="list-style-type: none">• Member of the Management Board of Rudimo AG, Marl• Managing Director of "terra-concept GmbH", Marl• Managing Director of Ewald Solar GmbH, Marl• Managing Director of Ewald Energie GmbH & Co. KG, Marl
Joachim Rumstadt: Member of the Supervisory Board:	Member and/or Managing Director of the following companies: <ul style="list-style-type: none">• Chairman of the Management Board, STEAG GmbH, Essen• Member of the Supervisory Board of RAG AG / RAG Deutsche Steinkohle AG, Herne (until 17/06/2014)• Chairman of the Supervisory Board, STEAG Power Saar GmbH, Saarbrücken (until 08/04/2014)• Chairman of the Advisory Board, STEAG EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen• Chairman of the Supervisory Board, STEAG New Energies GmbH, Saarbrücken• Chairman of the Board Iskenderun Enerji Üretim ve Ticaret A.Ş., Turkey• Member of the Advisory Board of Wessling Holding GmbH & Co. KG Altenberge



DALDRUP AG
Tiefenbohrungen







REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The total remuneration paid to the Management Board for its work in fiscal year 2014 amounted to EUR 895K. The total remuneration paid to the Supervisory Board for its work in fiscal year 2014 amounted to EUR 80K.

There is a clearing account with the Chairman of the Management Board, Josef Daldrup, which shows a receivable of EUR 52K on 31/12/2014. Interest on the clearing account is charged at 6% annually.

AVERAGE NUMBER OF STAFF EMPLOYED DURING THE CURRENT YEAR

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

GROUPS OF STAFF	2014	2013
Waged employees	104	129
Salaried employees	21	20
Persons in minor employment	2	3
Total	127	152


Grünwald, 18 May 2015

Daldrup & Söhne AG

The Management Board




Josef Daldrup
(CEO)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)



Curd Bems
(Management Board)



AUDITOR'S OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

We have audited the consolidated financial statements prepared by Daldrup & Söhne Aktiengesellschaft, Grünwald, comprising the balance sheet, the income statement, cash flow statement, statement of equity, and the notes, together with the group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law and the supplementary articles of incorporation are the responsibility of the legal representative of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial code (HGB) and the generally accepted German auditing principles from the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit so that misstatements and breaches that materially affect the presentation of the net assets, the financial position and the earnings performance in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations regarding possible errors are taken into account when determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the annual financial statements of those entities included in the consolidated financial statements, the determination of which entities are to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, for 31 December 2014 comply with legal requirements and the supplementary articles of incorporation and give a true and fair view of the net assets, financial position and results of operations in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 18 May 2015

Warth & Klein Grant Thornton AG
Auditors

Häger: Carstens
Public accountant: Public accountant

FISCAL CALENDAR for Daldrup & Söhne AG

- 29 May 2015:** Consolidated Financial Statements as of 31/12/2014 and Annual Report 2014
- 26 August 2015:** Annual General Meeting, Munich
- 30 September 2015:** Semi-Annual Consolidated Financial Statements as of 30/06/2014 and Semi-Annual Report 2015
- 23 - 25 November 2015:** German Equity Forum, Frankfurt

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www.ligarmedia.de

Romina Quellen

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A BRIEF OVERVIEW OF DALDRUP

	31/12/2014	31/12/2013
Sales	EUR 52.3 million	EUR 60.8 million
Gross revenue	EUR 44.0 million	EUR 59.9 million
EBITDA	EUR - 6.3 million	EUR 5.2 million
EBIT	EUR - 18.4 million	EUR 1.2 million
Net income for the year	EUR - 18.9 million	EUR 0.1 million
Equity ratio	58.7%	67.5%
Total assets	EUR 79.0 million	EUR 97.7 million

