

Annual Report 2009



Share Information

ISIN: DE0007830572

WKN: 783057

Exchange Segment: Open Market

Entry Standard of the Frankfurt Stock Exchange

Ticker Symbol: 4DS

End of the Fiscal Year: December 31



Shareholder Structure

Number of Shares: 5,445,000 100.0%

Daldrup Family: 3,600,000 66.1%

Free Float: 1,845,000 33.9%

Daldrup Family: 66.1%

Free Float: 33.9%

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Foreword from the Management Board

Dear Shareholders, Respected Business Partners,

The operational start-up of the two new high-tech deep drilling rigs DS 10 Bentec 350-t-AC Euro Rig™ and DS 20 Drillmec City Rig HH 300 in the projects in Aschheim, Oberhaching, and Zürich led to a growth rate well in the two-digit range for Daldrup & Söhne AG in fiscal year 2009. Overall performance rose by 55.3% from €25.4m to €39.5m, setting a new record high in the Company's history. The performance in 2009 was achieved to 86.7% in Germany, 11.5% in other EU countries (primarily the Netherlands), and to 1.8% in other foreign countries (primarily Switzerland). An even clearer increase in performance in 2009 was not possible because the two high-tech deep drilling rigs could unexpectedly not be put into operation until later in the year. Delays immanent in the projects on the customer's part (e.g., drilling site construction, archaeological finds) were ultimately responsible for this development and the postponement. The size of staff as a yearly average rose due to our growth to 68 employees (previous year 52).

As expected, the new drilling rigs were able to demonstrate that they are state of the art in daily practice and in view of the existing references with drilling depths of more than 4,000 meters. We emphasized a high degree of flexibility and mobility during the design and ordering of the equipment. Moreover, the drilling equipment had to satisfy strict criteria related to low space requirements and extremely low noise levels. These are all arguments of major significance for use in densely populated areas, for use of the geothermal sources near the consumption point, and for the success of the projects. The follow-up behavior and personal contact to customers make it clear that they place great trust in and are highly satisfied with the technology and services offered by Daldrup & Söhne AG.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased in fiscal year 2009 by 18.2% in comparison with the previous year to €7.8m (previous year: €6.6m). Scheduled depreciation doubled from €1.3m to €2.7m because of write-offs on the drilling rigs which in the previous year were still in part under construction. Earnings before interest and taxes (EBIT) of Daldrup & Söhne AG of €5.2m are



From left to right: Andreas Tönies,
Josef Daldrup,
Peter Maasewerd.



at the same level as the previous year. Owing to the high inventories of work in process measured in accordance with the prudence of a good businessman as per 12/31/2009, a shifting of profits beyond the balance sheet date occurred. Profit per share amounted to €0.70 in comparison with €0.76 of the previous year.

Equity of Daldrup & Söhne AG rose from €42m to €46m as per December 31, 2009 due to retained profits. As of the closing date, the equity ratio was 84% (previous year 86%) of the balance sheet total and clearly demonstrates once again the financial independence and ability to act of Daldrup & Söhne AG.

The business unit Geothermics contributed 80% (previous year 44%) of the overall performance in 2009 and, as expected, has become the most important business unit at Daldrup & Söhne AG. The increase in order backlog by 47.1% in comparison with the previous year to €75m as per December 31, 2009 (of which about 90% is in Geothermics) assures the Company of full utilization of capacities far beyond the year 2010. Practical success in applications and learning benefits from the other three business units have consistently led to further development of drilling know-how and the qualification of young and new employees. In addition, employment fluctuations in the operation of the large equipment (e.g., at the beginning and conclusion of a deep geothermics projects) can be evened out by personnel pooling. All of the business units are strategically valuable, and their work and staffs will be maintained.

In fiscal year 2009, Daldrup & Söhne AG expanded its range of services on the geothermics market by establishing a 50/50 joint venture with RWE Innogy GmbH, Essen, and acquiring a strategic interest in Geysir Europe GmbH, Munich, securing a sustained order pipeline for geothermic deep drilling work. By occupying all of the positions along the value chain of geothermics projects, Daldrup & Söhne AG has become able to offer solutions "from a single source" and to generate additional earning potential from the operation of geothermic power plants.

The legal, political, and financial framework conditions required for reliable calculations have been created. Moreover, a pilot study from the German Federal Ministry of the Environment is one of the important factors establishing ambitious goals for the faster expansion of deep geothermics in Germany. The subsidy and framework conditions on the target market for Daldrup & Söhne AG of Central Europe are becoming more and more similar to those in Germany. We are following this development very attentively with the aim of acquiring new orders and new investors in Germany and abroad.


The business model for the development of geothermics projects, the production of clean, base-loadable electric power, and the sale of district heating underscores the further growth prospects for the Daldrup Group on the market for renewable energies far beyond the year 2010.

Finally, we want to thank our employees for their work and dedication during the past fiscal year 2009. The dynamic changes in the Daldrup Group require a high degree in flexibility and commitment from them as well. We appreciate this very much.

We also wish to thank our shareholders for the trust they have put in Daldrup & Söhne AG.

Sincerely yours,

Erfurt, May 2010
The Management Board



Josef Daldrup
(CEO)



Peter Maasewerd Andreas Tönies



Report of the Supervisory Board

Dear Shareholders,

During the past fiscal year, the Management Board and the Supervisory Board worked intensively on the strategic orientation and further development of Daldrup & Söhne AG. Focal points in primary business were related to the operational start-up of the two new high-tech deep drilling rigs DS 10 Bentec 350-t-AC Euro Rig™ and DS 20 Drillmec City Rig HH 300 and to the founding of Daldrup Bohrtechnik AG, Baar (Switzerland), for the performance of a drilling contract in Zürich (Switzerland). In addition, Daldrup & Söhne AG set further highlights for the middle-term expansion of its service line on the geothermics market by teaming up with RWE Innogy GmbH, Essen, to found a joint venture and by acquiring a majority interest in Geysir Europe GmbH, Munich. The participating interest in Geysir Europe GmbH is held by D & S Geothermie GmbH, Ascheberg, a new subsidiary founded in fiscal year 2009 as well. The Management Board involved the Supervisory Board directly and well in advance in all of the major decision-making processes.

The Supervisory Board performed the tasks assigned to it by laws and company statutes with great care in fiscal year 2009 as well. We monitored the management of the Company and advised the Management Board. The Management Board reported regularly in writing and orally, comprehensively and contemporaneously, about all of the events of major importance and about the development of the most important performance indicators for the Company. Special attention was given to strategic issues of company planning, business policies, business developments, risk situations, risk management, and compliance. We reviewed and discussed in detail the documents, reports, and proposed resolutions submitted to us. In addition to the Management Board reports, we continuously formed our own opinion concerning the Company's position and maintained close contact with the Management Board both during and outside of Supervisory Board meetings.

Meetings and Key Topics

There were four Supervisory Board meetings during the reporting period. The Board once again decided not to form any committees for reasons of efficiency. All of the Supervisory Board members participated in all of the meetings. The current operating development of Daldrup & Söhne AG and development of the business units were regularly major topics of our deliberations. In view of the backdrop of the worldwide financial and economic crisis, our attention focused in particular on the current profit, financial position, and risk position in this year. Moreover, the Supervisory Board was concerned with the following major topics:

- Annual financial statements for fiscal year 2008
- Semi-annual report 2009
- Preparation of the Annual General Meeting on June 25, 2009
- Establishment of the joint venture with RWE Innogy GmbH
- Establishment of subsidiaries in Germany and abroad
- Conduct of planned acquisitions and identification of additional possible strategic acquisitions and strategic co-investors
- Strategic planning in deep geothermics and in project business

Circumstances requiring approval were submitted to the Supervisory Board properly and in good time for the adoption of the relevant resolutions. Such activities in the reporting period were related above all to the planned acquisition and the establishment of subsidiaries. We granted our approval in all of these cases after conducting the appropriate reviews. As necessary, the decision-making process of the Supervisory Board was supported by professional opinions from external tax and/or legal advisors. The advisors participated in the Board meetings to the extent their presence was required by the relevant points on the agenda.

There were no conflicts of interest for members of the Management and Supervisory Boards which required immediate disclosure to the Supervisory Board and submission of information to the Annual General Meeting in fiscal year 2009.





Annual Financial Statements

In accordance with the resolution adopted by the Annual General Meeting on June 25, 2009, we engaged Warth & Klein Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, to audit the annual financial statements for fiscal year 2009.

The Management Board prepared the annual financial statements of Daldrup & Söhne AG as per December 31, 2009, consisting of balance sheet, income statement, notes, and management report, in accordance with commercial law provisions. These annual financial statements, including the accounting, the management report, the dependency report, and the functional capability of the internal controlling system, were audited by Warth & Klein Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf. There is no commercial jeopardy potential going beyond the general entrepreneurial risk which must be mentioned. The auditors confirmed the correctness of the processes, did not raise any objections, and certified this in an unqualified auditor's opinion.

The annual financial statements of Daldrup & Söhne AG, the management report and the dependency report of the Management Board, the relevant audit reports of the auditor, certified by the unqualified auditor's opinion of Warth & Klein Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, and the proposal of the Management Board for appropriation of earnings were submitted to the Supervisory Board for review. The Supervisory Board, after review and in conformity with German Company Law and the Charter of Daldrup & Söhne AG, accepted the Management Board's proposal to carry forward the unappropriated retained earnings for 2009 in full to a new account. The statutory reserve has already been fully allocated.

The Supervisory Board reviewed the documents submitted to it in due time pursuant to Section 170 (1) and (2) AktG and the audit report from the auditor. The Supervisory Board accepts the audit results of Warth & Klein Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf.

Our review shows that the dependency report prepared by the Management Board contains the information required pursuant to Section 312 (1) AktG and indicates that Daldrup & Söhne AG was not

disadvantaged by the described legal transactions and measures and received reasonable consideration. The auditor issued the following unqualified auditor's opinion:

"Subsequent to our audit and assessment in accordance with professional standards, we hereby confirm that

1. the factual contents of the report are correct,
2. the payment of the Company was not unreasonably high for the legal transactions described in the report,
3. no circumstances indicated an evaluation of the measures described in the report differing significantly from that of the Management Board."

The Supervisory Board is in agreement with the auditor's assessment on the basis of its own review and approves this report. Consequently, no objections are raised to the Management Board's declaration at the conclusion of the dependency report.

The auditors reported on the audit of the annual financial statements as per December 31, 2009, in accordance with their engagement to the Supervisory Board in the meeting on May 7, 2010, and were available for questions and additional explanatory comments.

The Supervisory Board approved the annual financial statements of Daldrup & Söhne AG as per December 31, 2009. The annual financial statements have been adopted.

We wish to thank and recognize the Management Board and all of our employees for their great dedication during the past fiscal year. We also want to thank our shareholders who have continued to put their trust in Daldrup & Söhne AG even in times of tumult on the stock exchanges.

Erfurt, May 07, 2010

Dr. W. Beermann
Supervisory Board Chairperson



The Daldrup & Söhne AG Stock on the Capital Market

The stock exchange year 2009 took investors all around the globe on a roller coaster ride of events, characterized by high volatility and at times erratic movements. At the beginning of the year, capital markets worldwide continued the negative development of 2008. Even in Year One after Lehman, the effects of the financial and economic crisis were still dominating the market. The results published at the beginning of the year by several large US companies disappointed investors, and the outlook for the current business year did not promise any improvement. Additional injections of capital and government-backed guarantees were required to avert the collapse of financial institutions, and government economic recovery programs in the billions were adopted. The German economy had not been confronted with a decline in industrial production of such a scope since the reunification. Nor had the vehemence with which export figures plunged been seen since 1991. As the economic environment continued to darken and clear signs of an approaching recession were perceived, the international stock markets gave way even further and fell to new record lows as of the end of the first quarter. The Dow Jones reached the lowest point in 13 years, the Japanese Nikkei was last in such a slump 26 years ago, and the German DAX Index fell back to the level of 2004.

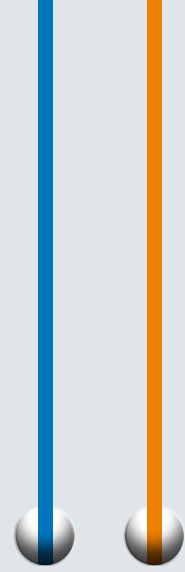
Small-cap and mid-cap companies suffered to an especially great extent during this phase. The uncertainty of the investors, reflected in the enormous volatility on stock exchanges and the concentration on the first row of the stock exchange board, exacerbated the development for small and midsize companies. This asset class disappeared almost completely from the radar screen of institutional investors. In this general atmosphere, the Daldrup & Söhne AG stock was no more able to escape the economic turmoil and its effects on financial markets than other securities. From the opening price of €28.40 at the beginning of the year, our stock declined in a volatile downward spiral in line with the market indices. This starting price was not reached again at any time during the entire year. Although there were isolated contrary movements, triggered by positive reports in the media and fundamental developments such as the establishment of the joint venture with

RWE Innogy, none of these respites were able to turn around the general trend. In concert with the global capital markets, the stock reached its lowest point of year, a price of €17.12, on March 09.

Under the leadership of the financial institutes, which presented better than expected business figures for the first quarter, and following the publication of economic data which indicated a bottoming out and improvement in economic developments, the market as a whole began to turn around. The resolutions adopted by the G20 nations to provide more billions in aid created a sense of confidence. These factors all combined to bring about a far-reaching rise in stock prices. Until the middle of June, the financial markets were able to post substantial profits with virtually no interruption. During this phase, the DAX Index gained more than 45%. This development did not come to a halt until the middle of June when the US Federal Reserve (Fed) issued a negative economic outlook and the IMF and OECD also corrected their forecasts for economic growth and prospects downward. The markets had to accept the loss of part of their previous profits.

The Daldrup stock stayed in line with the development and quickly recovered from the low point. At the time of the annual general meeting on June 25, our shareholders noted with satisfaction a price increase of more than 50% to €25.70. But the market did not permit prices to climb any higher during the rest of the year. Until the end of September, our stock moved along a sideways corridor, never falling below a level of €22.00, but never rising above the high point in June, either. The good results for the first half of the year published on August 31 provided positive stimulus, but it did not last very long.

Towards the middle of the year, the upward movement lost momentum as investors took their profits and fears of recession re-emerged. Renewed confidence in the markets did not appear until the corporate data from some of the international blue chips were better than expected and the economic data improved. The statements made by the head of the Federal Reserve, Ben Bernanke, who believed that



the economic slump had bottomed out and that the recession was coming to an end, reinforced this development. The news about the bankruptcy of the largest American midsize financier, the CIT Group, and the difficulties being experienced by the government holding Dubai World caused a short weakening phase on the markets, but it did not affect the positive trend for very long. The DAX closed out the year at 5,957.42 points, a plus of 23.85% and just under the mark of 6,000, a level that virtually no one considered possible at the beginning of the year.

Although the Daldrup & Söhne AG stock experienced pressure again at the beginning of the last quarter, our stock had a furious recovery just before the end of the year when recommendations to buy focused investors' attention on our company again. This led to a new peak value in trading volume in December. As of the last day of trading in the year, the stock was able to recover by more than 30% from the low point in March, but ended 2009 a little less than 20% below the previous year's level of €22.40.

Daldrup & Söhne AG - Entry Standard November 30, 2007 to April 15, 2010



● Daldrup & Söhne AG ● Entry Standard

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Management Report for the Fiscal Year from January 1 to December 31, 2009

A. Business Activities, Competitive Position, and General Conditions

1. Business Activities and Competitive Position

Daldrup & Söhne AG, a company whose history goes back over three generations, is one of the leading providers of drilling and environmental services in Germany and, increasingly, in neighboring European countries. The Company's activities are organized in the business units Geothermics, Raw Materials and Exploration, Water Procurement, and Environment, Development, and Services (EDS).

The business unit Geothermics performs drilling services for near-surface geothermics (especially geothermal probes for heat pumps), but above all drilling services for deep geothermics. The utilization of deep geothermics requires drilling to depths ranging between about 500 meters and 6,000 meters so that the geothermal heat found at these depths can be used for the generation of electricity and/or heat. Geothermics is experiencing a genuine boom in the generation of electricity and heat around the world as a component of renewable energies in the total energy mix. Countries which have high enthalpy fields (areas in which high temperatures (over 200° C) and/or pressures can be found at a relatively shallow depth (< 2,000 m) are especially privileged. In low enthalpy regions such as Germany, deeper drilling and/or special power plant circulation processes are used to generate electricity from geothermics. Moreover, the direct utilization of geothermics in Germany for heating and cooling above-ground buildings, whether as new construction projects or the renovation of buildings for energy conservation, should not be ignored. Reference is made here to the tightened regulations of the **Energy Conservation Regulations 2009 EnEV** (the amended regulations went into effect on October 1, 2009) related to energy-saving heat insulation and energy-saving systems engineering for buildings (new construction and renovations). A study conducted by the Deutsche Bank Research estimates that the cumulative construction volume for these types of building investments will rise to as much as €25bn by the year 2030. The main areas of activities for Daldrup & Söhne AG in Germany are in the Bavarian Molasse Basin south of Munich and prospectively in the Upper Rhine Graben and the North German Plain. International

activities in fiscal year 2009 were concentrated especially on the Netherlands (Bleiswijk) and Switzerland (Zürich). Activities across Europe for Daldrup & Söhne AG will be located at sites with especially good geothermic potential and the corresponding sales opportunities for electric power and heat. The contribution of the steadily growing business unit Geothermics in the total performance of 2009 at Daldrup & Söhne AG came to 80% (previous year 44%).

In the business unit Raw Materials and Exploration, Daldrup & Söhne AG carries on drilling operations on behalf of domestic and international mining companies as they search for deposits of fossil fuels (especially anthracite, oil, and natural gas) and of mineral raw materials (e.g., ores, copper, nickel, zinc, and lime). Another major area is the work for the exploration and securing of the construction site in mining areas. This business unit's contribution to the total performance of Daldrup & Söhne AG in 2009 amounts to 11% (previous year 38%).

The business unit Water Procurement represents the business origins of Daldrup & Söhne AG. It includes the drilling of wells for the procurement of drinking water, service water, medicinal and mineral water, boiler-feed and cooling water, as well as thermal brine. In addition to the drilling itself, special construction techniques are significant in water procurement: from the stainless steel pipelines for the conveyance of drinking and medicinal water to the professional expansion of well systems to the installation of modern filter and pump equipment. From a global standpoint, water is a valuable resource which is in short supply. The growth in the world's population, the economic development on new markets such as China and India, and the changes in people's eating habits will inevitably lead to growing demand in the coming years. In view of a number of worrying figures, the management of water resources will be of major importance in the future: the water systems in the industrialized countries are in dilapidated condition (estimated investment/restoration costs about \$1,000bn), 1.2bn people are cut off from drinking water supplies, and 2.6bn people drink waste water which has not been adequately treated.



So clean water is a valuable raw material, and drinking water is a highly valuable foodstuff. The business unit Water Procurement represented 6% (previous year 2%) of the total performance of Daldrup & Söhne AG in 2009.

The fourth business unit – Environment, Development, and Services (EDS) – is where special environmental technology services for a broad range of customers have been located. The competence of Daldrup & Söhne AG has been repeatedly proven during the hydraulic clean-up of contaminated sites, the planning and construction of gas extraction wells for the recovery of waste dump gas, the provision of groundwater quality measuring points, or the construction of water cleansing plants. In fiscal year 2009, the business unit EDS contributed 3% (previous year 16%) to the overall performance of Daldrup & Söhne AG.

Geothermics has now moved into the position predicted for it within the scope of business activities at Daldrup & Söhne AG. An especially strong impact in 2009 was felt from the operational start-up of the two new high-tech deep drilling rigs and the volume of the individual orders related to them. Practical success in applications and learning benefits from the other three business units have consistently led to further development of drilling know-how and the qualification of young and new employees. In addition, employment fluctuations in the operation of the large equipment (e.g., at the beginning and conclusion of a deep geothermics projects) can be evened out by personnel pooling. All of the business units are strategically valuable, and their work and staffs will be maintained.

The registered office of Daldrup & Söhne AG is in Erfurt; a branch office is operated in Ascheberg/Westphalia. An average of 68 employees (previous year 52 employees) was carried on the payroll in 2009. Moreover, there were about 80 additional employees made available to Daldrup & Söhne AG by other companies.

2. Competitive Position

Daldrup & Söhne AG holds a competitive position of unlimited solidity thanks to its many years of presence on the market, its competence, its financial strength, and the existing references concerning drilling depths in excess of 4,000 meters. The high technical, financial, and official/administrative barriers to market entry along with the limited availability of the required drilling capacities underscore the dominant position of Daldrup & Söhne AG. In addition, Daldrup & Söhne AG has a comfortable order backlog of about €75m as per December 31, 2009 (previous year €51m). This high order backlog assures Daldrup & Söhne AG that it will continue to have a high utilization of capacities and planning security far beyond the end of 2010. The additional order inquiries and jobs now in the negotiation phase clearly point up the good competitive position enjoyed by Daldrup & Söhne AG among the few comparable drilling services providers. As the Company is operating at the upper threshold of its capacity, further expansions in technological and personnel capacities by means of investments and/or acquisitions are both necessary and planned so that the demand on the booming geothermics market can be satisfied.

Based on the current order backlog, the clientele is diversified among municipalities (36.8%), industry/utilities (60.6%), other companies (2.5%), and private customers (0.1%).

The competence of Daldrup & Söhne AG in the combination of various drilling technologies as displayed over decades is paying for itself. Innovative high-tech deep drilling rigs, high demands on noise and environmental protection, low space requirements, and numerous references in Germany and abroad represent a clear competitive advantage and customer benefit. In addition, brand awareness is high because of the stable and growth-oriented presence on the stock exchange.



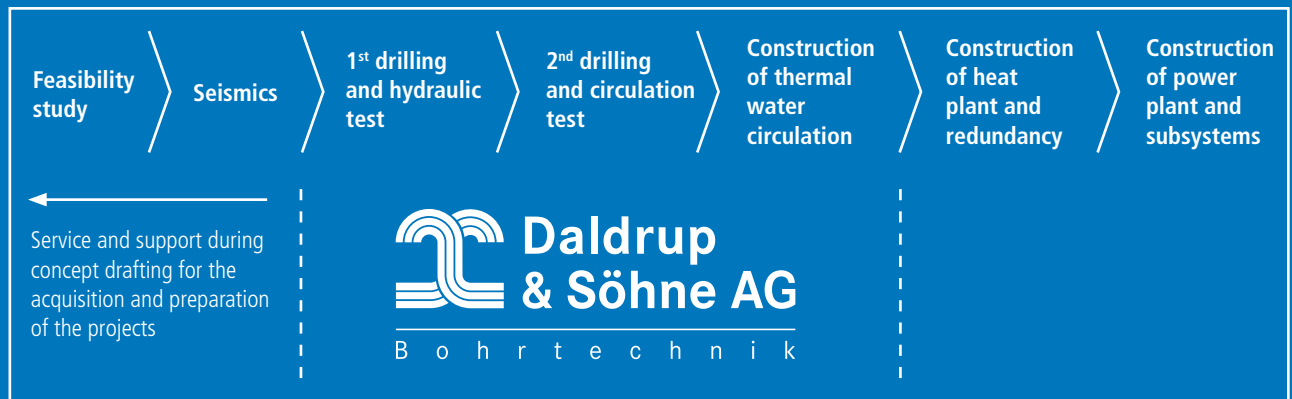
3. Corporate Goals and Strategies

The goals and strategy of Daldrup & Söhne AG remain unchanged as expressed in the intention to achieve sustainable growth and to expand the leading market position as an experienced drilling technology specialist in Germany and Europe. In addition, the Company's sights have been set on participating interests in geothermic power plant projects for the generation of additional returns from the feed-in and sale of electric power and heat in accordance with the Renewable Energies Act 2009 (EEG 2009). Decisive steps in this direction were taken in 2009 by the founding of the 50/50 joint venture with RWE Innogy GmbH, Essen, the majority participating interest in Geysir Europe GmbH, Munich, and in Daldrup Bohrtechnik AG, Baar (Switzerland).

4. Participating Interests and Strategic Cooperative Ventures

Thanks to the strategic participating interests and cooperative ventures in 2009, Daldrup & Söhne AG now occupies all of the positions along the value chain of geothermic projects and is capable of offering solutions "from a single source".

Value Chain of a Deep Geothermics Project



D&S Geo Innogy GmbH, Essen

The 50/50 joint venture with RWE Innogy GmbH, which has share capital of €1 million, was established on the basis of the partners' agreement of January 15, 2009, for the development, planning, and construction of geothermic power plants. The bundling of the competencies from the partners makes it possible to staff the key positions (project management, deep drilling, power plant construction, energy sales) of the pertinent projects with our own specialists. Another goal is to combine the strengths of a corporate group with the mobility of a midsize company. The groundwork for the realization of the first joint geothermic power plant for the generation of electricity and heat was laid in 2009. The negotiations for a joint geothermic power plant for electricity and heat generation in Greater Munich (Bavarian Molasse Basin) have entered a promising and final stage. Moreover, the supply of renewable energies to the Frankfurt Airport from geothermal sources and biogas (hybrid power plant) in cooperation with Fraport AG is being concretely planned in the permit field Walldorf (Upper Rhine Graben). Strong stimuli for further geothermic projects are expected from the experience and results of this first-time realization of a joint project.

D&S Geothermie GmbH, Ascheberg

Daldrup & Söhne AG is the sole shareholder of the company, which has share capital of €25,000.00. At the core, the participation activities of the Daldrup Group are bundled in this company. In particular, the majority interest of 51% of the stock acquired in Geysir Europe GmbH, Munich, is held by D&S Geothermie GmbH. Transfer date of the investment transaction was July 2, 2009. Geysir Europe GmbH, together with its subsidiaries and project companies, is one of the most important developers of geothermic projects in Germany. The strategic participating interest secures a sustainable order pipeline for geothermic deep drilling and additional earning potential from the operation of geothermic power plants for Daldrup & Söhne AG, while also contributing to an expansion of the service portfolio on the geothermic market.

Daldrup Bohrtechnik AG, Baar (Switzerland)

Funded with share capital of 100,000.00 Swiss francs, the wholly-owned subsidiary of Daldrup & Söhne AG is active on the interesting Swiss market and is operationally speaking independent. In addition to the research drilling "Sonnengarten" in Zürich which has attracted the attention of the media and general public, this local presence and market development generate additional order potential on the financially strong and progressive Swiss energy market. These activities in a so-called third country (outside of the euro zone) gave rise to special organizational, logistical, and administrative challenges. In particular, clearing the drilling rigs with equipment and accessories through customs and the handling of supply traffic for the ongoing drilling operation involve additional expenditures of effort, time, and money.



5. Research and Development

Generally speaking, there are three types of heat removal from the rock in the area of deep geothermics:

- Deep geothermal probes:
closed circulation through a u-tube or a coaxial probe with a circulating heat-bearing medium
- Hydrothermal systems:
open circulation in which thermal water circulates between two deep drill holes (wells) via natural groundwater conductors (aquifers)
- Petrothermal systems:
open circulation; hydraulic stimulation creates cracks and gaps in dry rock through which artificially introduced/injected water circulates

While the first two systems mentioned above have been constructed successfully many times by Daldrup & Söhne AG and the projects have commenced operation, there is no petrothermal geothermic project in regular operation in Europe.



Daldrup & Söhne AG regards itself as a technological pioneer in deep geothermics and intends to take on the technological challenges of petrothermal geothermics / the so-called enhanced geothermal systems (EGS) as a prospective field. A trial and test project aimed at developing the market-ready application of EGS will be launched within the scope of research and development. A good opportunity for this plan would be the project of the Geothermie Allgäu Betriebs- und Beteiligungs-GmbH & Co. KG in Mauerstetten (Kaufbeuren) which, at the moment, has been suspended. A non-productive well of 4,400 meters was sunk here, and would be suitable for an EGS project if developed further. The application for research funds from the Federal government and the realization of R&D activities is being considered in a concerted action with geothermics experts and supported by the theoretical concepts from the TU Bergakademie Freiberg. A budget for R&D activities has not yet been drawn up. The planning for feasibility and assessment of the probability of success are still in the initial phase.

The basic point here is that Daldrup & Söhne AG is planning R&D activities which have a sustained investment character.

The largest drilling rig owned by Daldrup & Söhne AG, the DS-10 Bentec 350-t-AC Euro Rig™, is designed for the performance of such deep drilling projects. If and when petrothermal systems prevail technologically and commercially in geothermics, a significant contribution to domestic and international power supplies could be made in the long term.

6. Overview of Business Development

In fiscal year 2009, Daldrup & Söhne AG realized overall performance of €39.5m, corresponding to an increase of 55.3% in comparison with the previous year's overall performance of €25.4m. In view of the initial operational start-up of the two new high-tech deep drilling rigs in the projects in Aschheim, Oberhaching, and Zürich, the overall performance climbed to a new record high. The overall performance in 2009 was achieved to 86.7% in Germany, 11.5% in other EU countries (primarily the Netherlands), and to 1.8% in other foreign countries (primarily Switzerland).

An even clearer increase in performance in 2009 was not possible because the two high-tech deep drilling rigs were unexpectedly not ready to begin operation right at the beginning of the year. Delays immanent in the projects on the customer's part (e.g., drilling site construction, archaeological finds) were ultimately responsible for this development and the postponement.

Overall, it has been demonstrated that the new drilling rigs are in conformity with state-of-the-art technology in practice and that customer satisfaction, in addition to the project success, was high.





B. Profit and Loss, Financial Position, and Assets and Liabilities

1. Earning Position

The value generation and performance process at Daldrup & Söhne, which is typical of the industry and dependent on the projects, requires the regular valuation of the inventories, in particular the valuation of the work in process. In accordance with accounting principles and in conformity with the principle of prudence, deductions are taken from the achieved performance value for the calculated risk, profit, and overhead costs. The calculated margins and project success are not realized and shown in the balance sheet until after completion, acceptance, and final billing of a project. In contrast, the project and operating costs are posted immediately at the time of their accrual. To this extent, the income statements of specific fiscal years of Daldrup & Söhne AG are reflective of project business.

The overall performance as per December 31, 2009, is composed of sales in the amount of €24.1m and substantial increases in inventory of €15.5m in comparison with the closing date of the previous year. This inventory build-up is a consequence of drilling orders which had been started, but for which the final invoices had not been issued as of the balance sheet date. The valuation deductions on the inventory of the work in process reduced the profit for the entire year 2009 in specific points and ultimately meant no more than a shifting of the profits to the following fiscal year.

| Assets | 31.12.2008 | 31.12.2009 |
|--|------------|------------|
| | KEURO | KEURO |
| A. Fixed assets | 26,818 | 31,082 |
| B. Current assets | | |
| I. Inventories | 3,881 | 11,354 |
| II. Receivables and other assets | 5,798 | 7,564 |
| III. Securities/Treasury stock | 58 | 53 |
| IV. Cash on hand, bank balances, checks | 12,124 | 4,582 |
| C. Prepaid expenses and deferred charges | 46 | 389 |
| | 48,725 | 55,024 |



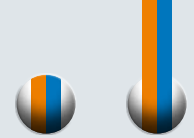
The other operating income, including other taxes, of €2.9m (previous year €3.9m) is composed of the earnings from consortiums, from the reversal of accruals, the reimbursement of foreign turnover tax, and the reimbursement of turnover tax from previous years.

The cost of materials, which traditionally has a high proportion of services purchased from third-party companies (e.g., drilling hole measurements, directional drilling services, and purchased personnel services), amounted to €24.1m in the reporting period and almost

doubled in comparison with the previous year as a consequence of growth and reclassifications of the other operating expenses. The gross profit ratio, which is dependent on the valuation, came to 39% in 2009 (previous year 52.8%).

Personnel expenses of €3.8m (of which €0.76m for Management Board compensation) rose underproportionately in comparison to overall performance development and are commensurate with the hiring of new employees. The average size of staff in 2009 rose to 68 (previous year 52).

| Shareholders' Equity and Liabilities | 31.12.2008 | 31.12.2009 |
|--------------------------------------|---------------|---------------|
| | KEURO | KEURO |
| A. Shareholders' equity | | |
| I. Subscribed capital | 5,445 | 5,445 |
| II. Capital reserves | 30,503 | 30,503 |
| III. Earnings reserves | | |
| 1. Statutory reserves | 25 | 25 |
| 2. Reserve for treasury stock | 56 | 53 |
| 3. Other earnings reserves | 67 | 67 |
| IV. Unappropriated retained earnings | 6,049 | 9,853 |
| B. Accruals | 3,522 | 1,750 |
| C. Liabilities | 3,058 | 7,160 |
| D. Deferred income | 0 | 168 |
| | 48,725 | 55,024 |



A more differentiated posting of the other operating expenses led to reclassifications in the cost of materials in correspondence with the previous year. Advertising and travel expenses once again rose sharply from €0.6m to €0.9m owing to the international purchasing activities, the greater distances to the drilling sites, trade fair activities, and investor relations work. Similarly, the legal and professional fees increased because of the investment activities related to the re-establishment of subsidiaries and as part of the preparation and support for the corporate cooperative ventures.

Earnings before interest, taxes, and depreciation and amortization (EBITDA) thus amounted to €7.8m (previous year €6.6m).

Scheduled depreciation doubled from €1.3m to €2.7m because of write-offs on the drilling rigs which in the previous year were still in part under construction. The deep drilling rigs will be depreciated on the basis of a useful life of 15 years usual in operation.

Earnings before interest and taxes (EBIT) of Daldrup & Söhne AG amount to €5.2m (previous year €5.3m).

The decline in the financial results to €0.3m (previous year €0.8m) is essentially due to the decrease in cash pursuant to investments in the drilling rigs, the acquisitions and re-establishments which were carried out, and the developments on the money market.

The net income for the year in fiscal year 2009 came to €3.8m and was virtually at the same level as the previous year.

2. Financial Position and Assets and Liabilities

Per December 31, 2009, the balance sheet total of Daldrup & Söhne AG rose by 12.9% to €55.0m (previous year €48.7m).

The high-tech drilling rig DS-20 Drillmec City Rig HH 300, delivered and accepted in 2009, was capitalized in full under the tangible assets.

| Income Statement – Comparison | 2008 | 2009 |
|---|--------------|--------------|
| | KEURO | KEURO |
| Overall performance | 25,446 | 39,518 |
| Other operating income | 3,923 | 2,857 |
| Cost of materials | 12,014 | 24,116 |
| Personnel expenses | 3,088 | 3,849 |
| Amortization and depreciation on intangible and tangible assets | 1,305 | 2,660 |
| Other operating expenses | 7,635 | 6,599 |
| Earnings before interest, taxes, and extraordinary profit (EBIT) | 5,327 | 5,151 |

The financial assets of €2.8m contain the following holdings:

| Name | Registered office | Holding ratio | Amount of holding |
|------------------------|-------------------|---------------|-------------------|
| D&S Geothermie GmbH | Germany | 100% | €25,000.00 |
| D&S Geolnnogy GmbH | Germany | 50% | €500,000.00 |
| Daldrup Bohrtechnik AG | Switzerland | 100% | CHF 100,000.00 |

In addition, two partner loans earmarked for a specific purpose in the amount of €2.2m have been granted to D&S Geothermie GmbH as trustee for Daldrup & Söhne AG. These loans are the subject of a subordination agreement and were forwarded to Geysir Europe GmbH and its project companies/subsidiaries for financing purposes.

The value of raw materials and supplies increased from €2.5m to €3.1m. The main cause here as well is the purchase of goods, materials, accessories, consumables, etc., which are required for the smooth operation of the expanded drilling capacities.

Customer advances of €22.6m were deducted from the orders in process of €30.9m on the face of the balance sheet, corresponding to the method applied in the previous year.

In view of the solvent customer structure, the inventory of receivables is intact and does not contain any unusual risks. Liquid funds (cash on hand/bank balances) of €4.6m (previous year €12.1m) have declined as planned owing to the investment and participation activities. Short-term investment of liquid funds at Daldrup & Söhne AG takes the risk-free form of overnight money and time deposits at the local house banks. Daldrup & Söhne AG was solvent at every time during the fiscal year.

Nominal equity rose from €42m to €46m as per December 31, 2009, due to retained profits. As of the closing date, the equity ratio was 84% (previous year 86%) of the balance sheet total and clearly demonstrates the financial independence and ability to act of Daldrup & Söhne AG.

As per December 31, 2009, it was possible to reverse one item of €1m of the accruals for single warranty obligations with effect on profits because the reason for its formation had lapsed. Tax prepayments made in 2009 correspond by and large to the expected tax expenses so that only a small accrual had to be formed for this contingency.

Liabilities resulted in particular from the trade process. As in the past, there are no liabilities due to banks, and Daldrup & Söhne AG did not acquire any cash credit lines. Existing credit lines are adequate to cover the suretyships, guarantees, and letters of credit usual in the industry.



3. General Statement on Economic Situation

On the whole, Daldrup & Söhne presents a picture of excellent and stable economic and financial conditions. In view of the overall economic conditions and the global financial crisis, Daldrup & Söhne AG is in an outstanding position, both for the present and in terms of future prospects. A strong order backlog and sustained order pipeline support the goals of Daldrup & Söhne AG, which are oriented to value and growth, in the long term. The outlook for the industry and growth prospects are positive due to the general political conditions and in view of numerous and newly obtained references.

C. Events After the Reporting Period

Daldrup & Söhne AG began an SCC certification process and a quality management certification process which were still in progress at the end of the reporting period. Both of these certification processes were brought to a successful close by the leading auditor of TÜV Nord Cert GmbH, Essen. The certificates were awarded to Daldrup & Söhne AG, documenting a heightened awareness of quality and safety with respect to current and potential customers. Moreover, the certificates simplify greatly the admission of Daldrup & Söhne AG to participation in projects and tenders.

D. Risk Report

The deliberate and controlled handling of opportunities and threats is a key element of the corporate management at Daldrup & Söhne AG. The opportunities and threats system is regularly adapted to allow for the increasing complexity and volatility in the world today.

The risk system, the risk environment, and the threat potential for Daldrup & Söhne AG are described below.

1. Strategic Risks

Fast company growth brings with it risks owing to new personnel, modified organizational structures, and the transformation of the risk environment. Integration and re-engineering processes are a component of day-to-day business.

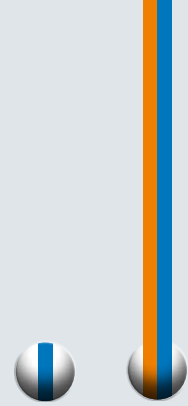
Participating interests in companies and joint ventures can have a significantly negative impact on the assets and liabilities, financial position, and profits of Daldrup & Söhne AG in the wake of their integration, from misguided investments, and from the misjudging of opportunities and threats. Careful and detailed reviews in advance of such commitments aim to minimize the risks.

2. Commercial Risks

Risks of Operating Drilling Activities

Possible errors during drilling activities and the liability claims which result are covered in general by existing insurance policies. Since Daldrup & Söhne immediately remedies any errors which occur in isolated cases, no risks worth noting have occurred. Moreover, there is strict control of quality and security on the site by the certified supervising personnel of Daldrup & Söhne AG in close cooperation with the customer, his supporting engineers, and the responsible mining office. Since Daldrup & Söhne AG does not assume a general contractor position and does not intend to do so in future, there are no excessive liability risks.

The construction site risk, i.e., the risk of unforeseen effects and difficulties caused by the construction site, is borne by the customer in construction (law) practice even if the construction site he has made available was previously examined and described in accordance with the rules of technology. In its position as contractor for drilling projects, Daldrup & Söhne AG has solely an examination and notification obligation in the event of clearly discernible risks.



Competitive Risks

New, lucrative, and growing markets attract additional market players. Companies from related industries are clearly moving into geothermics. Daldrup & Söhne AG does not see any noteworthy stiffening of competition for drilling services in the middle term as a consequence because the demand for these services will remain higher than available capacities in the future as well. The acquired references are an important competitive advantage for Daldrup & Söhne AG.

Procurement Risks

The procurement of equipment technology and inventories and the procurement of third-party services have not had a negative impact on the performance process of Daldrup & Söhne AG. Procurement risks are limited by the diversification of the procurement side and existing alternative sources. Certain suppliers are of greater importance because of the good terms and conditions, product quality, and compliance with delivery schedules, but dependency on any particular suppliers is still avoided. Procurement management has a high priority owing to the high order values in deep drilling operations and originates in the Management Board.

Personnel Risks

Daldrup & Söhne AG has several key employees (e.g., project managers, experienced machine operators) whose contacts of many years' standing and expertise are important for the success of the Company. The loss of these key employees – e.g., due to headhunting, illness – could, at least temporarily, leave behind a gap which would be hard to fill. In addition, the lack of certified professional personnel for the operation of the extensive drilling equipment fleet could inhibit growth. The availability of qualified personnel and state-of-the-art technical resources is of special significance for the continued growth process at Daldrup & Söhne AG. The future availability of these personnel capacities for operation of drilling machinery supports the Company's performance capability and stabilizes profits, the financial position, and assets and liabilities.

Financial Risks

Foreign currency risks are avoided as far as possible by conducting contract and price negotiations on the basis of euros (e.g., when purchasing in China). Currency/exchange rate hedge instruments such as currency futures trading are always used for processing orders and purchases in foreign currencies (primarily Swiss francs and US dollars). Moreover, the usual instruments for guarding against creditworthiness, solvency, and delivery risks by means of guarantees and letters of credit are used as needed in international transactions. No such transactions were concluded in 2009.

There are no speculative interest, currency, and/or raw material transactions at this time and none are planned.

3. Technological Risks

The drilling technology used by Daldrup & Söhne AG is not subject to rapid technological change so that there is no particular risk potential here.

4. Legal Risks

Legal disputes can arise from the performance process and in relation to warranty claims. As appropriate, provisional measures are taken in the balance sheet, or external specialist attorneys are engaged to safeguard the interests of Daldrup & Söhne AG.

No legal risks with particular impact on the assets and liabilities, financial position, and earnings have occurred.

5. General Statement on Risk Situation

In its pursuit of a conscious risk strategy with an open eye for opportunities, seizing upon them quickly and willing to deviate from previous plans as appropriate, the Company's management never loses sight of its goal of organizational and, above all, financial stability. There are currently no risks which would jeopardize the Company as an ongoing concern, nor are any such risks discernible for the future.

In view of its financial reserves and outstanding balance sheet figures, the Company's capability to survive risks is never in doubt. The business opportunities outweigh the possible risks.

E. Forecast Report

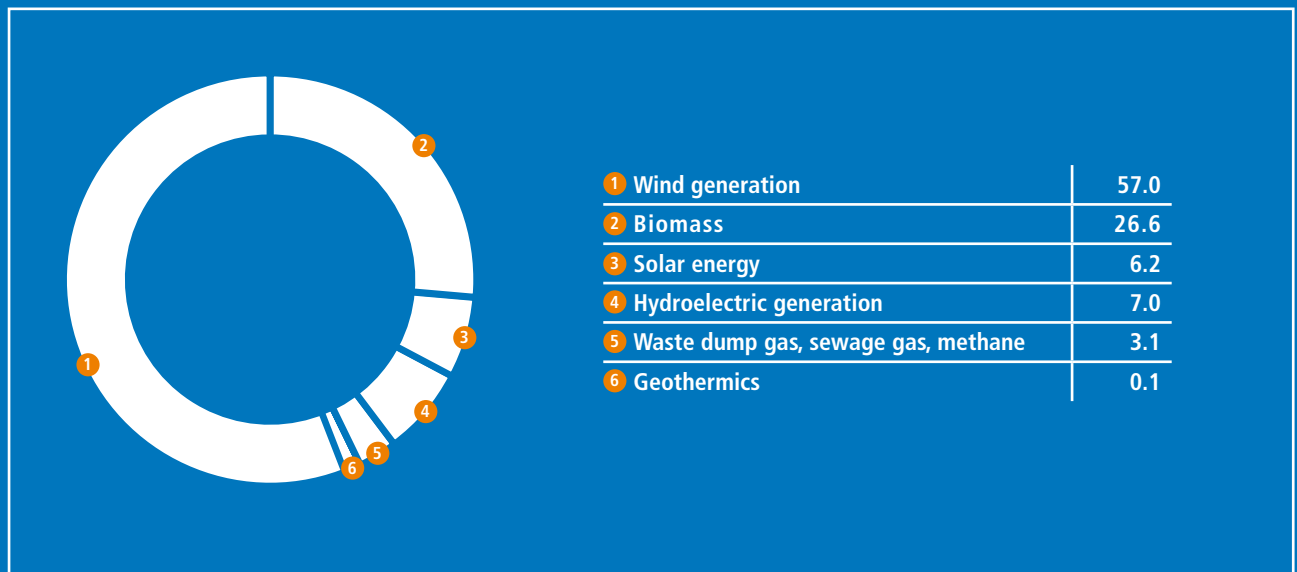
1. Future Company Orientation

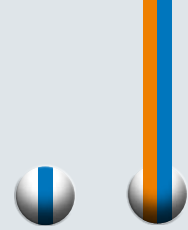
Daldrup & Söhne AG will continue to be a specialist for drilling services and remain a leader in deep geothermics, but will exploit any opportunities that arise in the other three business units as well. In addition, beginning in 2010, power plant projects with the direct participation of Daldrup & Söhne AG or indirect participation through subsidiaries or D&S Geolnogy GmbH (joint venture with RWE Innogy GmbH) will be realized. As a result, revenues from the sale of electric power and heat within the Daldrup Group can be expected from the end of 2011.

2. Future General Economic Conditions

During the elections to the German parliament in 2009, it was possible to compare the positions of the parties represented in the German Bundestag on deep geothermics. They are all in agreement that deep geothermics will play an important role in the renewable energies mix. According to a pilot study conducted by the German Ministry of the Environment, there are ambitious goals for a faster expansion of deep geothermics aimed at increasing the currently installed output by a factor of 40 to 280 megawatts by the year 2020. The acceleration of growth is expected to continue beyond that to 2030, and installed output of 850 megawatts is described as achievable. Furthermore, optimization of the government support conditions is planned, and there are efforts to bring about a uniform interpretation and constructive application of the German Federal Mining Act.

Shares of Subsidized Energy Types of Renewable Energies in %



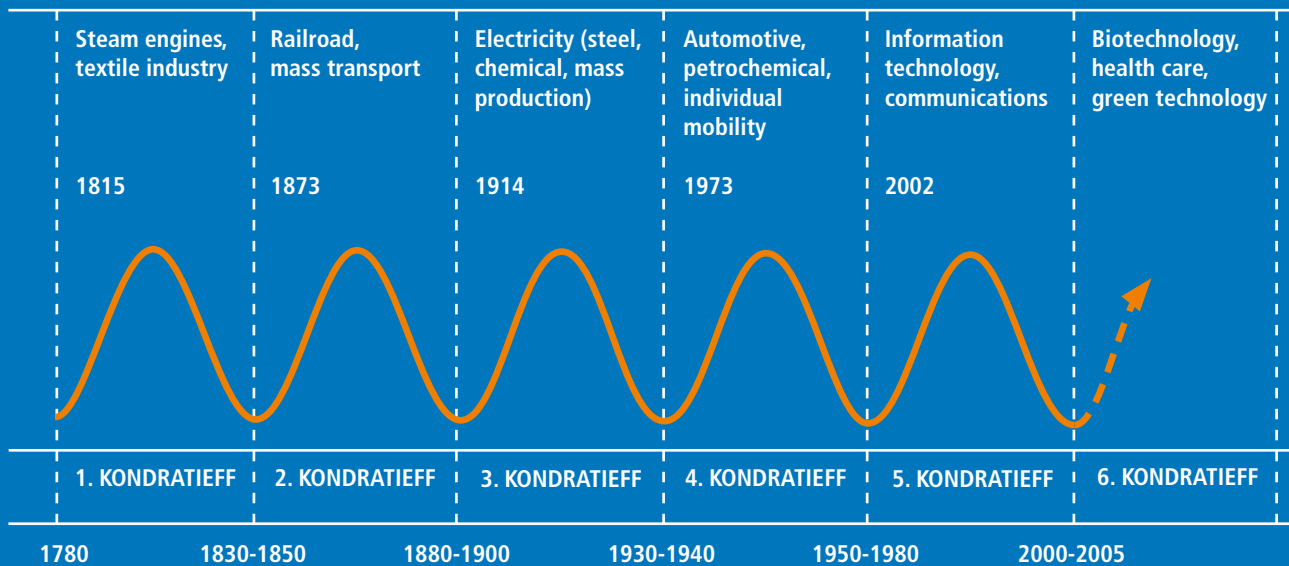


The German National Federation of the Energy and Water Industry (BDEW) estimates that coal and nuclear power provided about two-thirds (65%) of the produced electricity in 2009 and were the most important energy producers. Natural gas contributed 13% of the net electricity production. Renewable energies increased their share to about 16% (2007 = 14%). Renewable energies break down among the various energy types as follows:

Wind generation 57%; biomass 26.6%; hydroelectric generation 7%; solar energy 6.2%; waste dump gas/sewage gas/methane 3.1%; geothermics 0.1%.

At the end of 2009, the Climate Change Conference in Copenhagen was followed with great interest. In the end, the Conference was a failure as it did not produce a clear treaty and the agreement of common goals for climate protection. Despite the poor global prospects for climate protection, renewable energies are being expanded rapidly in Europe, above all in Germany. Industry experts and politicians in Germany are aware that the drastic increase in the demand for energy can be satisfied only by the expansion of regenerative energy. Environmental and climate technologies have the potential to become the growth drivers of the 21st century. German companies already hold a share of 30% of the work market for environmentally friendly energy.

Long Waves, Basic Innovations, and Their Most Important Demand Fields





In view of climate change, expensive raw materials, dwindling resources, and a burgeoning world population, future researchers foresee enormous growth opportunities in green technology. Flanked by the theory of the long waves in economic development (Kondratieff cycles) and radical basic innovations, major leaps in productivity and growth are forecast for global economic development over a period of years in green technology and the health care sector.

The certain legal and political framework conditions encourage more and more decentralized activities on the part of private and municipal utilities and project developers. The Stadtwerke Munich is one example, which has set itself the goal of providing 100% of the entire Munich area with electricity from renewable energy sources by 2025. Achieving this goal will require an investment volume of about €9bn so that ultimately the power demand of an estimated 7.5bn kWh can be produced.

3. Expected Earnings, Financial Position

The value chain of a deep geothermics and power plant project described above under A. 4 models a time period of about 3 years in an ideal case. Since delays and imponderables in the planning, the approval and tender procedures, the required infrastructure, and the project financing can occur until the first drilling operation begins in a project, it is not possible to exclude shifts and fluctuations in the profits and financial position of Daldrup & Söhne AG on the closing dates of the reporting periods.

The compensation paid for drilling services of Daldrup & Söhne, especially in the deep geothermics sector, will be stable and, considering the limited availability of drilling capacities, persist at a high level. The commercial and financial conditions of Daldrup & Söhne AG continue to be strong.

Operations using the drilling rigs for near-surface projects were highly restricted by the weather conditions during the severe and long winter of 2009/2010. Over the course of these months, demand has been pent up and must now be successively reduced. The modern high-tech deep drilling rigs of Daldrup & Söhne AG are independent of weather conditions and were fully utilized over the period around the turn of the year. In addition, capacities were fully utilized, with the exception of natural performance fluctuations, by deployment of the drilling equipment pursuant to follow-up contracts. Further growth in overall performance and profit for Daldrup & Söhne AG in the two-digit percentage range is to be expected for fiscal year 2010. In the opinion of the Daldrup & Söhne AG Management Board and experienced analysts, taking into consideration the positive market, industry, and company circumstances, this development will also continue in 2011.





4. General Statement on Presumable Development

During fiscal year 2010, the three modern deep drilling rigs in particular will be in constant use without any significant interruptions so that further growth in overall performance and profit is to be expected as a consequence of the substantial increase in deep drilling capacities in 2009.

An order backlog totaling about €75m as per December 31, 2009, (closing date value of the previous year about €51m) and a constant flow of order inquiries assures Daldrup & Söhne AG of a high utilization of capacities going far beyond 2010.

The business unit Geothermics has an outstanding position among the four business units of Daldrup & Söhne AG. Due to the volume of the individual orders, Geothermics has a share of at least 90% of the total order backlog. The major customers of Daldrup & Söhne AG are industrial customers, utility companies, and municipalities located in Germany and neighboring European countries, e.g., the geothermic project Sonnengarten Zürich.

Geothermic power plant projects which are initiated privately and must be financed on the open market are feeling the impact of the hesitation and high demands for security, especially from lenders, caused by the continuing economic and financial crisis. This restrictive attitude is putting a damper on the extraordinarily good growth opportunities in deep geothermics for generation of electric power and heat.


F. Closing Statement of the Management Board on the Dependency Report

In conclusion, we can state that Daldrup & Söhne AG, based on the circumstances known to us at the point in time at which legal transactions were conducted or measures were initiated or omitted, received reasonable consideration for every legal transaction and was not disadvantaged by the fact that measures were initiated or omitted.


Erfurt, April 21, 2010

Daldrup & Söhne AG

The Management Board



Josef Daldrup
(CEO)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)



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**Income Statement** for the Fiscal Year January 1 to December 31, 2009

| | 01.01.2009 - 31.12.2009 | 01.01.2008 - 31.12.2008 |
|--|-------------------------|-------------------------|
| | EUR | EUR |
| 1. Sales | 24,064,615.42 | 27,009,144.36 |
| 2. Increase/decrease in work in process | 15,453,632.59 | -1,563,367.18 |
| 3. Other operating income | 2,338,896.21 | 3,943,891.52 |
| 4. Cost of materials | | |
| a) Cost of raw materials, supplies, and merchandise | 7,318,647.01 | 3,661,178.61 |
| b) Cost of purchased services | 16,797,792.51 | 8,351,951.07 |
| | 24,116,439.52 | 12,013,129.68 |
| 5. Personnel expenses | | |
| a) Wages and salaries | 3,290,740.84 | 2,689,392.17 |
| b) Social security, pensions, and other benefits - of which relating to pensions €17,277.44 (2008: €-11,662.90) | 558,357.53 | 399,014.26 |
| | 3,849,098.37 | 3,088,406.43 |
| 6. Amortization and depreciation of intangible and tangible assets | 2,660,220.06 | 1,305,106.00 |
| 7. Other operating expenses | 6,598,594.70 | 7,632,233.58 |
| 8. Income from other long-term securities and loans - of which from affiliated companies: €32,638.43 (2008: €0.00) | 32,638.43 | 0.00 |
| 9. Other interest and similar income | 248,486.92 | 820,691.82 |
| 10. Write-down of long-term financial assets and current securities | 3,475.49 | 4,095.00 |
| 11. Interest and similar expenses | 9,342.91 | 41,991.28 |
| 12. Net operating income | 4,901,098.52 | 6,125,398.55 |
| 13. Extraordinary expenses | 0.00 | 65,450.00 |
| 14. Taxes on income | 1,618,647.73 | 2,007,523.10 |
| 15. Other taxes | 517,826.84 | -19,804.32 |
| 16. Net income for the year | 3,800,277.63 | 4,032,621.13 |
| 17. Retained earnings, brought forward | 6,049,287.96 | 2,073,195.47 |
| 18. Withdrawals from the reserve for treasury stock | 3,475.49 | 0,00 |
| 19. Appropriation to the reserve for treasury stock | 0.00 | 56,528.64 |
| 20. Unappropriated retained earnings | 9,853,041.08 | 6,049,287.96 |



**Balance Sheet** as per December 31, 2009

| Assets | 31.12.2009 | 31.12.2008 |
|--|----------------------|----------------------|
| | EUR | EUR |
| A. Fixed Assets | | |
| I. Intangible Assets | | |
| Franchises, trademarks, patents, licenses, and similar rights | 14,183.50 | 10,343.00 |
| II. Tangible Assets | | |
| 1. Land, similar rights, and buildings, including buildings on leasehold land | 29,632.00 | 33,136.00 |
| 2. Technical equipment and machinery | 22,661,243.00 | 13,852,480.00 |
| 3. Other equipment, factory and office equipment | 5,581,802.00 | 5,625,367.50 |
| 4. Prepayments and construction in process | 0.00 | 7,296,730.79 |
| | 28,272,677.00 | 26,807,714.29 |
| III. Financial Assets | | |
| 1. Shares in affiliated companies | 91,024.03 | 0.00 |
| 2. Loans to affiliated companies | 2,204,015.43 | 0.00 |
| 3. Participating interests | 500,000.00 | 0.00 |
| | 2,795,039.46 | 0.00 |
| | 31,081,899.96 | 26,818,057.29 |
| B. Current Assets | | |
| I. Inventories | | |
| 1. Raw materials and supplies | 3,087,380.97 | 2,503,039.03 |
| 2. Work in process | 30,874,197.49 | 15,420,564.90 |
| 3. Customer advances | -22,607,134.71 | -14,042,343.95 |
| | 11,354,443.75 | 3,881,259.98 |
| II. Receivables and Other Assets | | |
| 1. Trade receivables | 5,528,872.06 | 4,073,671.62 |
| 2. Receivables from affiliated companies | 268,360.00 | 0.00 |
| 2. Other assets | | |
| - of which with a remaining term of more than one year: €436,764.61 (31.12.2008: €395,672.43) | 1,767,353.87 | 1,724,584.21 |
| | 7,564,585.93 | 5,798,255.83 |
| III. Securities | | |
| 1. Treasury stock | 53,053.15 | 56,528.64 |
| 2. Other securities | 0.00 | 1,225.00 |
| | 53,053.15 | 57,753.64 |
| IV. Cash on hand, bank balances | 4,581,708.45 | 12,123,807.08 |
| | 23,553,791.28 | 21,861,076.53 |
| C. Prepaid expenses and deferred charges | 388,419.28 | 45,833.33 |
| | 55,024,110.52 | 48,724,967.15 |

| Equity & Liabilities | 31.12.2009 | 31.12.2008 |
|--|----------------------|----------------------|
| | EUR | EUR |
| A. Shareholders' Equity | | |
| I. Subscribed capital | 5,445,000.00 | 5,445,000.00 |
| II. Capital reserves | 30,502,500.00 | 30,502,500.00 |
| III. Earnings reserves | | |
| 1. Statutory reserves | 25,000.00 | 25,000.00 |
| 2. Reserve for treasury stock | 53,053.15 | 56,528.64 |
| 3. Other earnings reserves | 66,639.99 | 66,639.99 |
| IV. Unappropriated retained earnings | 9,853,041.08 | 6,049,287.96 |
| | 45,945,234.22 | 42,144,956.59 |
| B. Accruals | | |
| 1. Accruals for pensions | 295,403.00 | 272,489.00 |
| 2. Tax accruals | 329,362.00 | 1,062,867.34 |
| 3. Other accruals | 1,125,451.36 | 2,186,561.41 |
| | 1,750,216.36 | 3,521,917.75 |
| C. Liabilities | | |
| 1. Bank loans and overdrafts | | |
| - of which with a remaining term of up to one year: €31.76 (31.12.2008: €1,778.13) | 31.76 | 1,778.13 |
| 2. Trade payables | | |
| - of which with a remaining term of up to one year: €5,666,967.21 (31.12.2008: €2,872,620.09) | 5,666,967.21 | 2,872,620.09 |
| 3. Other liabilities | | |
| - of which with a remaining term of up to one year: €1,493,095.97 (31.12.2008: €183,694.59) | | |
| - of which for taxes: €1,299,495.34 (31.12.2008: €41,715.05) | | |
| - of which for social security: €14,445.51 (31.12.2008: €14,365.01) | 1,493,095.97 | 183,694.59 |
| | 7,160,094.94 | 3,058,092.81 |
| D. Deferred Income | | |
| | 168,565.00 | 0.00 |
| | 55,024,110.52 | 48,724,967.15 |


Fixed Assets Movement for the Fiscal Year January 1 to December 31, 2009

| | Acquisition Costs | | | | |
|---|----------------------|---------------------|------------------|---------------|----------------------|
| | As per 01.01.2009 | Additions | Disposals | Repostings | As per 31.12.2009 |
| | EUR | EUR | EUR | EUR | EUR |
| I. Intangible Assets | | | | | |
| Franchises, trademarks, patents, licenses, and licenses, and similar rights | 13,321.35 | 7,831.42 | 0.00 | 0.00 | 21,152.77 |
| | 13,321.35 | 7,831.42 | 0.00 | 0.00 | 21,152.77 |
| II. Property, Plant, and Equipment | | | | | |
| 1. Land and buildings | 38,497.67 | 0.00 | 0.00 | 0.00 | 38,497.67 |
| 2. Technical equipment, plant, and machinery | 14,267,465.04 | 3,109,098.83 | 1.50 | 7,296,730.79 | 24,673,293.16 |
| 3. Other equipment, fixtures, fittings, and equipment | 6,804,390.57 | 1,073,560.52 | 81,713.97 | 0.00 | 7,796,237.12 |
| 4. Advance payments and plant and machinery in process of construction | 7,296,730.79 | 0.00 | 0.00 | -7,296,730.79 | 0.00 |
| | 28,407,084.07 | 4,182,659.35 | 81,715.47 | 0.00 | 32,508,027.95 |
| III. Financial Assets | | | | | |
| 1. Shares in affiliated companies | 0.00 | 91,024.03 | 0.00 | 0.00 | 91,024.03 |
| 2. Loans to affiliated companies | 0.00 | 2,204,015.43 | 0.00 | 0.00 | 2,204,015.43 |
| 3. Participating interests | 0.00 | 500,000.00 | 0.00 | 0.00 | 500,000.00 |
| | 0.00 | 2,795,039.46 | 0.00 | 0.00 | 2,795,039.46 |
| | 28,420,405.42 | 6,985,530.23 | 81,715.47 | 0.00 | 35,324,220.18 |

| | | | | Depreciation | | Carrying Value | |
|--|----------------------|--------------|-----------|----------------------|----------------------|----------------------|--|
| | As per 01.01.2009 | Additions | Disposals | As per 31.12.2009 | As per 31.12.2009 | As per 31.12.2008 | |
| | EUR | EUR | EUR | EUR | EUR | EUR | |
| | 2,978.35 | 3,990.92 | 0.00 | 6,969.27 | 14,183.50 | 10,343.00 | |
| | 2,978.35 | 3,990.92 | 0.00 | 6,969.27 | 14,183.50 | 10,343.00 | |
| | 5,361.67 | 3,504.00 | 0.00 | 8,865.67 | 29,632.00 | 33,136.00 | |
| | 414,985.04 | 1,597,065.12 | 0.00 | 2,012,050.16 | 22,661,243.00 | 13,852,480.00 | |
| | 1,179,023.07 | 1,055,660.02 | 20,247.97 | 2,214,435.12 | 5,581,802.00 | 5,625,367.50 | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7,296,730.79 | |
| | 1,599,369.78 | 2,656,229.14 | 20,247.97 | 4,235,350.95 | 28,272,677.00 | 26,807,714.29 | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 91,024.03 | 0.00 | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 2,204,015.43 | 0.00 | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 500,000.00 | 0.00 | |
| | 0.00 | 0.00 | 0.00 | 0.00 | 2,795,039.46 | 0.00 | |
| | 1,602,348.13 | 2,660,220.06 | 20,247.97 | 4,242,320.22 | 31,081,899.96 | 26,818,057.29 | |

**Statement of Shareholding in Accordance with Section 285 Item 11 HGB**

for the Fiscal Year January 1 to December 31, 2009

| Name and registered office of the company | Capital share direct | Capital share indirect | Shareholders' equity |
|--|----------------------|------------------------|----------------------|
| Daldrup Bohrtechnik AG, Baar/Switzerland | 100.00 | | 2,503,097.95 |
| D & S Geothermie GmbH, Ascheberg | 100.00 | | 45,891.57 |
| D&S Geo Innogy GmbH, Essen | 50.00 | | 970,517.75 |
| Geysir Europe GmbH, Munich | | 51.00 | 24,236,699.81 |
| Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Munich | | 100.00 | -924,952.47 |
| Geothermie Allgäu Verwaltungs GmbH, Munich | | 100.00 | 21,779.95 |
| Geothermie Marktoberdorf GmbH & Co. KG, Munich | | 100.00 | 589,188.27 |
| Geothermie Marktoberdorf Verwaltungs GmbH, Munich | | 100.00 | 16,794.15 |
| Geothermie Weilheim GmbH & Co. KG, Munich | | 100.00 | -357,987.21 |
| Geothermie Weilheim Verwaltungs GmbH, Munich | | 100.00 | 17,067.80 |
| Geothermie Bidingen GmbH & Co. KG, Munich | | 100.00 | -298,434.35 |
| Geothermie Bidingen Verwaltungs GmbH, Munich | | 100.00 | 16,935.84 |
| Geothermie Neuried GmbH & Co. KG, Neuried | | 95.00 | 90,893.93 |
| Geothermie Neuried Verwaltungs GmbH, Neuried | | 95.00 | 24,269.49 |
| Exorka ehf, Husavik/Iceland | | 100.00 | -139,699,892.00 |
| Exorka Australia Pty. Ltd., Brisbane/Australia | | 100.00 | 4,896,380.00 |
| Enex Deutschland GmbH, Wolftratshausen | | 100.00 | -519,900.29 |
| Enex Deutschland 1. Geothermie GmbH & Co. KG, Herford | | 100.00 | -579,349.08 |
| Enex Deutschland 2. Geothermie GmbH & Co. KG, Herford | | 100.00 | -2,415.51 |
| Enex Deutschland 3. Geothermie GmbH & Co. KG, Herford | | 100.00 | -2,538.41 |

* As a consequence of the re-establishment of these companies in 2009, the only information available at the time of the preparation of the list of shareholdings was from the provisional annual financial statements as per December 31, 2009.

| | Result | Currency | Year | | Exchange rate 31.12.2009 €1.00 = |
|--|----------------|----------|------|---|-------------------------------------|
| | 2,403,097.95 | CHF | 2009 | * | 1.5146 CHF |
| | 20,891.57 | EUR | 2009 | | |
| | -29,482.25 | EUR | 2009 | * | |
| | 24,139,938.69 | EUR | 2009 | * | |
| | -1,407,003.20 | EUR | 2008 | | |
| | -2,938.57 | EUR | 2008 | | |
| | -409,173.69 | EUR | 2008 | | |
| | -5,361.98 | EUR | 2008 | | |
| | -356,954.79 | EUR | 2008 | | |
| | -5,072.23 | EUR | 2008 | | |
| | -297,365.94 | EUR | 2008 | | |
| | -5,004.19 | EUR | 2008 | | |
| | -9,106.07 | EUR | 2009 | * | |
| | -730.51 | EUR | 2009 | * | |
| | -96,066,252.00 | ISK | 2009 | | 172,212 ISK |
| | -108,879.00 | AUD | 2009 | | 1.46295 AUD |
| | -166,080.99 | EUR | 2008 | | |
| | -573,063.11 | EUR | 2008 | | |
| | -1,925.05 | EUR | 2008 | | |
| | -2,025.60 | EUR | 2008 | | |



Notes for the Fiscal Year from January 1 to December 31, 2009

General Information on the Annual Financial Statements

The annual financial statements of Daldrup & Söhne AG were prepared on the basis of the accounting regulations of the German Commercial Code (Handelsgesetzbuch, HGB) and German Company Law (Aktiengesetz, AktG).

Whenever it is possible to exercise options concerning information in the balance sheet, the income statement, or in the notes, the alternative of including the remarks in the balance sheet or income statement was selected. With respect to the fixed assets movement, the disclosure has been made as an exhibit to the Notes.

Based on the size classes defined in Section 267 HGB, the Company is a midsize stock corporation.

Balance sheet total: €55,024,110.52
Sales: €24,064,615.42
Average size of staff: 68

Pursuant to Section 293 (4) HGB, the Company is exempted from the obligation to prepare consolidated annual financial statements and a consolidated management report.

Information on Accounting and Valuation Methods, Including Tax Law Measures

Accounting and Valuation Principles

Assets

The tangible and intangible assets have been measured at acquisition or manufacturing costs and, if a limited-life asset, reduced by scheduled depreciation.

The write-offs were based on the presumed useful life of the asset and calculated by the straight-line method in accordance with tax provisions. Low-value assets between €150.00 and €1,000.00 are posted to a collective account in accordance with tax provisions and written off by the straight-line method over a period of 5 years. Assets with a value of less than €150.00 are posted immediately as expenses.

Shares in affiliated companies and participating interests are measured at acquisition costs. There were no reasons for any devaluation to a lower attributable value at the time the balance sheet was prepared.

Loans to affiliated companies are measured at nominal value in the balance sheet.

The inventories have been measured at acquisition or manufacturing costs. They were measured at the current market value if this was lower on the balance sheet date.

Specific risks for receivables and other assets have been taken into account by reasonably measured valuation allowances, and provision for the general credit risk has been made by reasonable lump-sum deductions of 0.5%.

Securities have been measured at acquisition costs. They were measured at the market prices on the balance sheet date if these were lower.

Cash on hand and bank balances were shown at nominal amounts.





Ongoing business transactions in foreign currencies are translated at the mean currency exchange rate on the date of the specific transaction. Any translation differences realized at this time are posted with effect on income to the income statement. They were measured at the current market value if this was lower on the balance sheet date.

Shareholders' Equity and Liabilities

Subscribed capital has been measured at nominal value in accordance with Section 283 HGB.

Accruals have been created for contingent liabilities from pension commitments. Accruals were created on the basis of actuarial calculations in accordance with tax regulations applying the entry age normal method.

The tax accruals contain the taxes related to the fiscal year which have not yet been levied.

Other accruals have been created for all further contingent liabilities in the amount which will presumably be required to fulfill them. All discernible risks have been taken into consideration.

Liabilities were recognized at the repayment amount. If the current value was higher than the repayment amount, the liabilities were measured at the higher current value.

Other financial obligations are measured on the basis of the scope of the liability as per the balance sheet date.

There has been no significant change in the accounting and valuation methods in comparison with the previous year.

Explanatory Comments on the Balance Sheet and Income Statement

I. Balance Sheet

Fixed Assets

The fixed assets movement as per December 31, 2009 is included as an exhibit to the Notes.

The additions to the tangible assets comprise primarily the investment in the large drill system DS 20 Drillmec City Rig HH 300 (€8,748,939.84), which will be depreciated over a period of 15 years.

The additions to the shares in affiliated companies are related to the newly established D & S Geothermie GmbH (share capital: €25,000.00), Asheberg, and Daldrup Bohrtechnik AG, Baar/Switzerland (CHF 100,000.00 subscribed capital). The Company holds 100% of the shares in each of the subsidiaries.

D & S Geothermie GmbH was established as a holding company and has taken over 51% of the shares in Geysir Europe GmbH, Munich, from Geysir Green Energy ehf, Iceland. Geysir Europe GmbH and its subsidiaries Exorka International Limited, Munich, and Enex Power Germany GmbH and Enex Deutschland GmbH, registered office for both in Wolfratshausen, are responsible for the conduct of geothermal projects.

Daldrup Bohrtechnik AG is a stock corporation established under the laws of Switzerland. The company was founded primarily for the conduct of geothermal projects in Switzerland.

There is a loan in the form of a subordinated shareholder's loan to D & S Geothermie GmbH in the amount of €2,204,015.43. Interest is paid at conditions usual on the market.

The addition in the participating interests refers to the newly established D&S Geo Innogy GmbH (share capital €1,000,000.00), Essen. The Company holds 50% of the share capital. The company was established for the conduct of geothermal projects in the form of a joint venture with REW Innogy GmbH, Essen.



Current Assets

Inventories

Customer advances are deducted from the inventories on the face of the balance sheet.

The valuation of the work in process is calculated retroactively from the order value, taking into account the degree of completion on the balance sheet date and a lump-sum deduction of 12.5% for the unrealized profit share and not the costs which can be capitalized.

Other Assets

Other assets in the amount of €1,497,214.87 include receivables from exemption documents for temporary imports submitted to Swiss customs (Freipasshinterlegungen) (€689,420.98), receivables due from the CEO and primary shareholder, Josef Daldrup (€3,311.64), paid deposits (€48,278.44), and suppliers with debit balances (€38,249.72). In addition, there are receivables in the form of tax reimbursements from the current and previous years. They break down into €422,311.00 for trade tax, €9,771.10 for corporate income tax, and €37,625.47 for value-added tax. The remaining term in this case is up to one year.

The Other assets includes claims from reinsurance policies (€383,805.98) and credit balances for corporate income tax (€52,958.63). The remaining term for these assets is over 1 year.

There are also value-added tax claims in the amount of €81,317.39 which will not accrue until 2010.

Shareholders' Equity

Share Capital

The share capital amounts to €5,445,000.00, distributed among 5,445,000 shares payable to the bearer showing no par value (no-par shares). The authorized capital amounted to €2,722,500.00 as per December 31, 2009.

Capital Reserves

Capital reserves remained unchanged in comparison with the previous year (€30,502,500.00).

Statutory Reserves

Statutory reserves remained unchanged in comparison with the previous year (€25,000.00).

Other Earnings Reserves

Other earnings reserves remained unchanged in comparison with the previous year (€66,639.99).

Reserve for Treasury Stock

As per December 31, 2009, treasury stock was unchanged in comparison with the previous year at 2,417 shares (corresponding to 0.004% of the share capital).

Unappropriated Retained Earnings

The retained earnings, brought forward, as per December 31, 2008, in the amount of €6,049,287.96 and the net income for fiscal year 2009 in the amount of €3,800,277.63, plus withdrawals from reserves for treasury stock in the amount of €3,475.49, are carried forward to a new account. As per December 31, 2009, the unappropriated retained earnings amount to €9,853,041.08.

Accruals

The pension accruals for the CEO Josef Daldrup are calculated actuarially. The imputed interest rate is 6%. The "Reference Tables 2005 G" of Professor Klaus Heubeck serve as the basis for the calculation. These are generation charts which show the transition probabilities in the company pension plan such as mortality rate, reduction in earning capacity, or frequency of marriage, staggered according to age, sex, and year of birth (€295,403.00).



The tax accruals include the corporate income tax and the applicable solidarity surcharge for the fiscal year which have not been levied (€59,223.00) and the trade tax (€270,139.00).

Other accruals include accruals for contributions to the employers' liability insurance association (€26,800.00), for bonuses to executive employees (€202,000.00), for compensation paid to Supervisory Board members (€40,000.00), and for litigation costs (€32,323.68).

Accruals for vacation leave not yet taken cover a total of 1,445.50 days of vacation which had not yet been taken as per December 31, 2009, (€299,516.14).

Provisions for warranties were created as a lump sum of 0.5% of turnover based on rates proven by experience to be usual (€122,700.00).

The single warranties cover several projects (€364,736.54).

The accrual for preparation and auditing of financial statements includes the expenses for the audit of the annual financial statements (€25,000.00).

Owing to the statutory requirement to archive business documents, a provision for contingencies related to the expenses incurred in the future in this context has been formed (€12,375.00).

Liabilities

Other liabilities in the amount of €1,493,095.97 include liabilities for wages and salaries (€179,155.12), liabilities for income and church tax (€51,177.11), liabilities for social security (€14,445.51), trade tax liabilities (€409,978.73), and value-added tax liabilities (€838,339.50). The liabilities have a remaining term of up to one year.

II. Income Statement

The type of expenditures format was selected for the income statement.

Sales totaling €24,064,615.42 break down into €19,507,093.16 (81.06%) for domestic sales and €4,557,522.26 (18.94%) for sales abroad. Owing to the long periods required for completion of orders, the sales figures represent only an incomplete picture of the performance realized during the fiscal year. That is why the total performance in Germany of €34,260,725.75 (86.70%) and abroad of €5,257,522.26 (13.30%) is shown in addition.

Other operating income (€2,338,896.21) essentially shows income from the reversal of accruals (€1,162,070.29) and from consortiums (€869,388.89).

In contrast to the previous year, expenses previously measured as other operating expenses have been allocated to costs of goods sold.

Other operating expenses (€6,598,594.70) include mainly room costs (€486,794.17), insurance and contributions (€283,598.77), motor vehicles (€480,960.75), advertising and travel (€897,066.25), freight (€335,699.62), repairs and maintenance (€286,817.30), training and advanced training (€384,719.73), consulting fees (€617,727.84), clean-up and waste removal (€221,500.58), fuels for construction sites (€435,064.01), telephone (€122,231.80), costs for workshop (€131,382.46), warranties (€113,136.54), rents for chattel (€1,187,168.58). The item also includes expenses related to other periods in the amount of €98,452.60, namely, the passing on of motor vehicle expenses from J. D. Apparate & Maschinenbau GmbH from previous years.

The write-offs taken during the reporting period are related solely to scheduled depreciation.





Treasury stock was written down by €3,475.49 to the lower attributable value on the balance sheet date of €53,053.15.

Taxes are related exclusively to the profit from ordinary business activities.

III. Miscellaneous Information

Other Financial Obligations

Daldrup & Söhne AG rents its office, warehouse, and workshop space and a hall from GVG Grundstücksverwaltungs-GmbH & Co. KG for an annual rent totaling €290,332.56. The **lease** for the properties has an indefinite term and can be terminated by giving 3 months' notice, expiring at the end of a calendar quarter.

Within the framework of the **capitalization agreement** of March 13, 2009, Daldrup & Söhne AG undertook the obligation with respect to its subsidiary D & S Geothermie GmbH to provide to this company the funds, up to a presumable total of €12,000,000.00, required to secure the granting of loans to the companies in the Geysir Group. These loans are necessary to secure the further involvement of Daldrup & Söhne AG within the Geysir Europe Group.

Contingent Liabilities

The loan to D & S Geothermie GmbH in the amount of €2,204,015.43 is a **subordinated loan**. All of the Company's claims, both present and future, from the granted loan are subordinate to any and all claims of any and all creditors, both present and future, of D & S Geothermie GmbH.

Daldrup & Söhne AG is a joint and several debtor of a **maximum amount** suretyship in the amount of €1,000,000.00 with respect to the Thuringian Ministry for Agriculture, Nature Conservation, and Environment. This suretyship expires on December 31, 2010, and serves to secure an investment obligation for a remediated plot of land in Thuringia and the creation of permanent jobs.

Pursuant to Section 285, Sentence 1, Item 11 a HGB, Daldrup & Söhne AG is the **personally liable partner** within the framework of the participation in the following consortiums (hereinafter: ARGE):

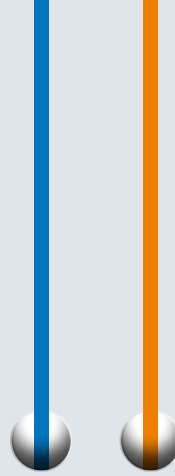
- ARGE "Langendreerholz, Bochum" (civil law company), registered office in 99084 Erfurt (until 4/2009)
- ARGE "Schachanlage Niederberg" (civil law company), registered office in 99084 Erfurt (until 11/2009)
- ARGE "Arnstadt" (civil law company), registered office in 46238 Bottrop (until 3/2010)
- ARGE "Bergbau Phoenix Ost" (civil law company), registered office in 50858 Cologne

Proposal for Appropriation of Profits

The Management Board proposes to appropriate profits as follows:

The net income for the year amounts to €3,800,277.63.

The Management Board proposes to the Annual General Meeting that the net income for the year be carried forward to a new account.



Miscellaneous Mandatory Information

Names of Members of Management and Supervisory Boards

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

| Name | Position, Occupation Held |
|--------------------------------|---|
| Josef Daldrup | Chairperson (CEO) |
| Peter Maasewerd, Dipl.-Geologe | Management Board member and geologist (CFO) |
| Andreas Tönies | Management Board member (COO) |

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

| Name, Position | Administration, Management or Supervisory Board Offices or Partner Positions |
|--|---|
| Wilhelm Beermann, Dr.-Ing. E.h. Chairperson of the Supervisory Board | <ul style="list-style-type: none"> • Chairperson of the Supervisory Board MIBRAG GmbH, Zeitz • Chairperson of the Advisory Board CS Additive GmbH, Essen • Member of the Advisory Board DIHAG Deutsche Geisserei- und Industrie-Holding AG, Essen • Chairperson of the Supervisory Board Katholisches Klinikum Bochum gGmbH • Member of the Administration Board St. Vincenz Gruppe Ruhr gGmbH, Herne-Witten (until 08/2009) |
| Wolfgang Clement, German Federal Minister (Ret.) Deputy Supervisory Board Chairperson | <p>Member of the Supervisory Boards of the following companies:</p> <ul style="list-style-type: none"> • RWE Power AG, Essen • Landau Media Monitoring AG & Co. KG, Berlin • Versatel AG, Berlin • DIS AG, Düsseldorf • Dussmann AG & Co. KGaA, Berlin <p>Member of the following comparable supervisory boards of corporations in Germany and abroad:</p> <ul style="list-style-type: none"> • Chairman Adecco Institute, London (until 12/2009) |
| Wolfgang Quecke, Dipl.-Ing. | <p>Member of management and/or manager of the following companies:</p> <ul style="list-style-type: none"> • General Manager "terra-concept", Marl • Managing Partner "Der Zechenbau-Meister Verwaltung GmbH", Herten, Ewald Energie GmbH & Co. KG, Herten • Member of management of "Neue Marler Wohnungs-baugesellschaft mbH", Marl (NEUMA GmbH) • Member of the Advisory Board of Nawaro GmbH, Dortmund |



Compensation Paid to Members of Management and Supervisory Boards

The total compensation paid to the Management Board for its work in fiscal year 2009 amounted to €731,571.44.

The total compensation paid to the Supervisory Board for its work in fiscal year 2009 amounted to €40,000.00.

Average Size of Staff Employed During the Current Year

The following average number of employees worked for the Company in each of these employee groups:

| Employee Groups | 2009 | 2008 |
|---------------------|-----------|-----------|
| Blue-collar | 49 | 46 |
| White-collar | 12 | 6 |
| Marginal employment | 7 | 0 |
| Total | 68 | 52 |

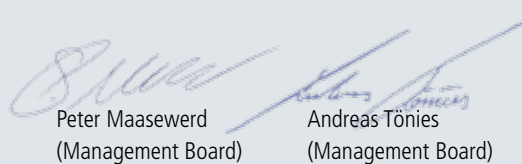
Erfurt, April 21, 2010

Daldrup & Söhne AG

The Management Board



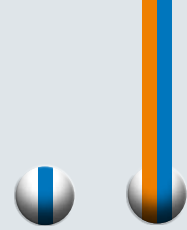
Josef Daldrup
(CEO)



Peter Maasewerd
(Management Board)



Andreas Tönies
(Management Board)



Referring to the German drawn-up annual accounts and management report, a clean opinion according to Article 317 HGB [German Commercial Code] was approved. The translation of the audit certificate is given below:

Auditor's opinion

"We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – together with the bookkeeping system and the management report of Daldrup & Söhne Aktiengesellschaft, Erfurt, Germany, for the financial year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and with the supplementary provisions of the articles of association are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with article 317 HGB [German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements, and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements of Daldrup & Söhne Aktiengesellschaft, Erfurt, Germany, comply with legal requirements and with the supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of Daldrup & Söhne Aktiengesellschaft, Erfurt, in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

Düsseldorf, April 29, 2010

Warth & Klein Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed Michael Häger (Wirtschaftsprüfer)
[German Public Auditor]

signed Berthold Oster (Wirtschaftsprüfer)
[German Public Auditor]



**Capital Flow Statement** for the Fiscal Year January 1 to December 31, 2009

| | 01.01.2009 - 31.12.2009 | 01.01.2008 - 31.12.2008 |
|--|-------------------------|-------------------------|
| | KEURO | KEURO |
| Profit before taxes | 5,419 | 6,041 |
| Taxes on income | -1,619 | -2,008 |
| Depreciation on intangible and tangible assets | 2,660 | 1,305 |
| Profit from the disposal of fixed assets | -138 | -12 |
| Cash flow | 6,322 | 5,326 |
| Change in | | |
| - Inventories (incl. customer advances) | -7,474 | -371 |
| - Accruals | -1,772 | -3,778 |
| - Trade receivables | -1,455 | -2,165 |
| - Receivables from affiliated companies | -268 | 0 |
| - Trade payables | 2,794 | 393 |
| - Other operating assets | -380 | 1,633 |
| - Other operating liabilities | 1,477 | -602 |
| Cash flow from asset management | -7,078 | -4,890 |
| Cash outflow/inflow from business activities | -756 | 436 |
| Inflow from disposals of intangible and tangible assets | 199 | 15 |
| Payments for investments in | | |
| - intangible and tangible assets | -4,190 | -22,073 |
| - Shares in affiliated companies | -91 | 0 |
| - Participating interests | -500 | 0 |
| Cash outflow/inflow from investment activities | -4,582 | -22,058 |
| Payments from capital increase | 0 | 13,920 |
| Loans to affiliated companies | -2,204 | 0 |
| Cash outflow/inflow from financing activities | -2,204 | 13,920 |
| Change in cash | -7,542 | -7,702 |
| Cash at beginning of period | 12,124 | 19,826 |
| Cash at end of period | 4,582 | 12,124 |

Fiscal Calendar for Daldrup & Söhne AG

| | |
|------------------------|---|
| May 7, 2010: | Publication of the Annual Financial Statements as per December 31, 2009 |
| July 1, 2010: | Annual General Meeting in Münster, Germany |
| September 2010: | Semi-annual Report 2010 |
| November 2010: | Interim Report on Order Development and Ongoing Projects |

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