

Annual Report 2007



B o h r t e c h n i k



The Share

ISIN: DE0007830572

Reuters/Bloomberg: 4DSG.DE/4DS GR

Stock exchange segment: open market
(Entry Standard) of the Frankfurt Stock Exchange

Stock exchange abbreviation: 4DS

End of business year: December 31

Shareholder Structure after
Capital Increase at May 6, 2008:

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



Foreword from the Board of Directors

Esteemed shareholders, valued business partners and dear colleagues,

We are very happy to be able to inform you of a very exciting and successful 2007 fiscal year, in which we were able to further expand our position as one of the leading suppliers of boring and environmental services in Germany.

Total operating revenue increased in comparison to the previous year by approx. 40% to € 25.2 million (previous year € 18.1 million). Earnings before interest and taxes (EBIT) increased 15.1% from € 3.7 million to € 4.3 million in spite of the large amount of time invested by management regarding the initial public offering and the start-up costs related to initiating large projects. The profit for the period decreased from € 2.4 million to € 1.7 million, which resulted in particular from the one time cost related to the initial public offering (€ 1.7 million) as well as the results from the tax audit for the assessment period between 2002 and 2005 (€ 0.6 million).

At the end of 2007, cash and cash equivalents amounted to just under € 20 million (previous year, € 3.0 million), which mainly results from an injection of funds from the initial public offering. This is also reflected in the equity ratio of 70% that clearly lies above the industry average.

Growth was obtained as a result of our earlier entry into the dynamic geothermal market (over 25% share of total operating revenue in 2007) and our strong position in our traditional markets – especially raw material exploration (over 50%). Price increases for energy and raw materials (e.g., copper, gold, coal) as well as the CO₂ issue had positive effects on our business development and order situation.

Overall, we are anticipating renewed dynamic growth in total operating revenue and a clear increase in results for the 2008 fiscal year.

At this point, I would like to sincerely thank all of our employees for their commitment, also with regard to the Initial Public Offering. This successful business year would not have been possible without such a strong and committed team. We would also like to sincerely thank our shareholders for the confidence you have shown us. We are looking toward the future with confidence and are very pleased that you will continue to accompany us in this journey.

With kind regards,

Erfurt, May 2008
The Board of Directors

signed Josef Daldrup (Chairman of the Board)

signed Peter Maasewerd

signed Andreas Tönies



Supervisory Board Report

For the period under review, the Supervisory Board observed the advisory and control tasks incumbent on them according to law and the bylaws. During the financial period, the unchanged composition of the active Supervisory Board was informed in detail, continuously and in real time, based upon written and oral reports from the Board of directors and in multiple regular and extraordinary meetings, in compliance with legal requirements. The extraordinary meetings were required for preparing and executing the initial public offering of Daldrup & Söhne AG. The Supervisory Board did not create any committees. The reporting covered the situation of the company, the business development as well as business policies. The Supervisory Board was continuously informed about current market developments also outside of the meetings.

An important component of the reporting is the reporting system that is used to present and explain the fundamental current performance and financial data that results from regular bookkeeping information. This data is supplemented occasionally and as needed through investment, financial and budget estimates. The Supervisory Board has inspected the fundamental forecasting and annual accounting documents and is certain of their correctness and adequateness. The supervisory board checked and discussed all reports and documents presented to it to a necessary degree. There were no objections regarding the activities of the Board. The supervisory board occupied itself with the basic inquiries regarding company strategy, as well as corporate planning, especially with regard to financial, investment and personnel planning. It was involved in decisions of fundamental importance for Daldrup & Söhne AG.

The Supervisory Board is convinced that the board carried out its business properly and undertook all necessary measures in a timely and effective manner. All of its members always participated in all supervisory board meetings. If necessary, external advisors took part in the meetings to clarify certain legal and tax issues. Many decisions were reached furthermore after telephonic and written discussion through the so-circulation procedure.

The Daldrup & Söhne AG financial statements prepared by the Board as of December 31, 2007 were, together with the accounting records, management report and subordinate status report, audited by Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, which had been selected as the auditor during the extraordinary shareholders' meeting held on September 28, 2007. The audit procedures also included the reliability of the internal control system. The auditor did not raise any objections and certified them in an unqualified opinion.

The Daldrup & Söhne AG financial statements, the management report and the subordinate status report, which were provided with an unqualified opinion by Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, as well as the auditor's opinion and the suggestion by the Board regarding the allocation of profits have been presented to the supervisory board for examination. The board's proposal to fully carry

forward the 2007 balance sheet profit to a new account was supported by the supervisory board after examination and in agreement with law and the bylaws of Daldrup & Söhne AG. The legal reserves have already fully allocated.

The supervisory board checked the documents and the auditor's report that were timely provided to it according to § 170, sections 1 and 2 of AktG (stock corporation act). The supervisory board agrees with the audit results of Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf.

The auditors reported to the supervisory board chairman during a supplemental meeting on May 19, 2008 on the ordered audit of the financial statements as of December 31, 2007. During a telephone conference held on the same date, the supervisory board ascertained and approved the financial statements. This decision was then signed using the circulation procedure and the financial statements as of December 31, 2007 were published on-time by the board of directors on May 28, 2008.

As a closing result of its examination, the supervisory board ascertained that it had no objections to raise. The supervisory board approved the financial statements for the 2007 fiscal year. Thereby, the financial statements were approved according to § 172 AktG (Stock corporation act). The supervisory board declared that it is in agreement with the board's management report.

The supervisory board expresses its thanks and recognition to the board as well as all employees for the work they performed during the past fiscal year as well as for their great commitment – especially within the framework of the preparation and execution of the initial public offering.

Erfurt, May 27, 2008
Chairman of the Supervisory Board

signed Dr. Wilhelm Beermann





Status Report for the Year 2007

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Management report for the fiscal period between January 1 and December 31, 2007

A. Business activities, competitive strengths and surrounding conditions

1. Business activities and competitive position

With its company history that spans more than 60 years, Daldrup & Söhne AG is a specialist supplier of boring and environmental services and is positioned among Germany's leading companies. Its activities are divided among the following business areas: geothermal power, raw materials & exploration, water catchment as well as Environment, Development & Services (EDS).

Whereas individual company development is influenced by consumer and investment behaviour in many industries, cyclical fluctuations are nearly insignificant for Daldrup & Söhne AG. Services for energy and raw material production as well as development, redevelopment and securing measures are constantly requested. Daldrup & Söhne AG's business is marked by oligopolistic market structures on the supply side.

In the geothermal business area, boring services are provided not only for surface-near geothermy (especially thermal ground probes for heat pumps) but also for boring services for subsurface geothermy. For the so-called subsurface geothermy, drilling services between approx. 500 and 5,000 metres is provided, in order to use the available heat of the earth for energy or heat recovery. Currently, the geothermal power business area, with its particular growth potential, now represents more than one quarter of Daldrup & Söhne AG's total operating revenue. The supply oligopoly in subsurface geothermy is a result of the still very young market, the entrance barriers due to the required levels of know-how and high investment costs as well as the limited availability of the corresponding boring technology. There is intense competition in the surface-near area down to a drilling depth of 100 metres, as this type of drilling does not require the presentation any special qualifications or certification.

Intangible Assets

In the raw materials and exploration business area, the drillings carried out by Daldrup & Söhne AG are used for the exploration and exposure of deposits of fossil fuels (especially hard coal, oil and gas) as well as mineral raw materials (ex. ore, copper, nickel, zinc, lime). Up until now,

this is the most significant business area for Daldrup & Söhne AG with a share of approximately half of total operating revenues.

The water catchment business area includes well drilling for the catchment of drinking, process, spa, mineral, boiler feed or cooling water as well as thermal sole. At the same time, Daldrup & Söhne AG's business origins lie in well drilling, therefore they possess an especially long-standing experience. Today Daldrup & Söhne AG can offer a wide range of drilling procedures, in order to realize well drilling plans. The water catchment business area presently represents approximately one tenth of Daldrup & Söhne AG total operating revenues.

The fourth business area, Environment, Development & Services (EDS), includes special environmental services such as hydraulic clean-up of contaminated sites, the construction of gas siphon wells for the extraction of landfill gas, the building of ground water quality measuring facilities or the construction of water treatment plants. The EDS business area is the smallest business area and currently represents less than 5% of Daldrup & Söhne AG's total operating revenue.

Daldrup & Söhne AG's competitive position is overall strongly established due to its long-standing market presence and expertise. The rule applies that the competition tends to drop off strongly for drilling far away from the surface due to the technical and specialised qualifications that are necessary. In this straightforward competitive environment, Daldrup & Söhne AG is well positioned and established in all business areas.

As of December 31, 2007 Daldrup & Söhne AG employs 25 employees at its locations in Ascheberg and Erfurt. Generally, this is supplemented by the 80-120 employees that are made available to Daldrup & Söhne AG through other companies.



2. Competitive strengths

Daldrup & Söhne AG successfully completed geothermal projects in Germany and in neighbouring countries with drilling depths to approx. 3,000 metres. The comprehensive and flexibly implementable drilling equipment portfolio (inventory of more than 35 drilling systems) in combination with the long-standing specialist knowledge in engineering and geology fields have proven to be special strengths for Daldrup & Söhne AG in carrying out complex drilling projects. Expertise and numerous references from the remaining three business areas in addition to geothermal power provide a very good starting position in order to share in an above average amount of the expected market growth for challenging geothermal depth drilling. A new high-tech large drilling system with a boom overload of 350 t, which makes drilling down to depths of 6,000 metres possible, will be able to be used as of October 2008. With this investment, new technological aspects and considerable requirements for environmental and noise protection (near metropolitan residential areas) are taken into consideration. Therefore, additional capacities will be available shortly for meeting the enormous demand for drilling services for the building of geothermal power plant projects for heat and power production.

It should also be emphasized that Daldrup & Söhne AG's innovative strengths are combined with the ability to combine various drilling technologies (targeted drilling, diverted drilling, drilling through ground formations influenced by mining) with each other. In addition, experience from the foundation engineering area is used in drilling projects in order to obtain competitive advantages.

With a wide range of services and the ability to realise cost advantages through a comprehensive inventory of various drilling systems, Daldrup & Söhne AG is active in many markets and market segments and can thereby clearly distinguish itself from its competition.

Due to its decades of experience in the market, Daldrup & Söhne AG and its predecessor companies have a high level of awareness and have good contacts with municipal and industrial customers for the offered services. This market position, together with considerable experience in obtaining the authorisations that are necessary for carrying out large drilling projects, offers customers high level consultancy expertise. This knowledge is an important advantage particularly in reference to the German market, and makes market entry difficult for national and foreign competitors.



3. Company goals and strategy

Daldrup & Söhne AG has a clear development vision as a boring technology specialist. The management of the company is mainly oriented toward chances of success as well as the reference value of individual projects/orders. The measurement of the total success can be seen on the balance sheet from the result before interest and taxes and extraordinary results (EBIT per fiscal period as well as in the multiyear comparison).

The thriving demand for drilling services for geothermal projects, the exploration for mineral raw materials and fossil fuels as well as for water catchment is being used to obtain organic growth. Subsurface thermal energy – the inexhaustible energy source of the future – plays a key role in this. In the area of renewable energy, geothermal power for heat and/or power production through the improvement of basic macroeconomic and political conditions has gained in importance and supports Daldrup & Söhne AG in its long-term growth. Geothermal power is an inexhaustible raw material and has some decisive advantages in comparison to other forms of renewable energy sources:

- Independence from seasonal or weather related influences
- Climate friendly (positive carbon footprint) and also very environmentally friendly (no use of poisonous heavy metals, no invasion in the environment and landscape, no danger for flora or fauna, no social consequences)
- Base loadable, which means very cost effective power production for covering the base load in a power grid
- Heat use with multiple areas of application in all economic sectors and for many infrastructure provisions
- Energy supply/feed-in business-cycle resistant

Strategically, Daldrup & Söhne AG is also concerned with participation in geothermal power plant projects.

The continuing raw material super cycle with enormous price increases has made the exposure of smaller – and up until now unprofitable – deposits profitable. Likewise, Daldrup & Söhne AG is actively involved in the exploration business.

If business chances are offered through company takeovers, Daldrup & Söhne AG will carefully examine these additional growth opportunities.

Business growth also means a stronger internationalisation of business activities. The emphasis lies above all on European foreign countries. There are already profitable business contacts, for example in Poland, France and Italy, that will be developed over the upcoming years.

Daldrup & Söhne AG offers its investors a long-term, profitable investment with a potential for enhancing shareholder value. From ethical – and not purely financial – points of view, resource conservation also offers a contribution toward sustainable climate protection and a reduction in social conflict.



4. Research and development

In the newly developing geothermal power market, Daldrup & Söhne AG has and will continue to undertake considerable technological endeavours in order to reach and expand upon market leadership. This does not only include technical feasibility studies for depth drilling, but also encompasses optimal quotations, with which the break-even point is reached through the new production techniques.

The planning and implementation of each unique depth-drilling project enhances Daldrup & Söhne AG's special knowledge. Routine use strengthens the market and competitive position and the further development of drilling procedures.

5. Overview of business development

Daldrup & Söhne AG continued its dynamic growth strategy in 2007. Total operating revenue increased in comparison to the previous year by approx. 40 % to € 25.2 million (previous year € 18.1 million). Growth was obtained as a result of early entry into the promising geothermal power market and strong positioning in niche markets. Price increases for energy and raw materials as well as the recognisable climate changes had positive effects on the business development and order situation. Requests for drilling for the construction of various geothermal power projects have almost tripled. Due to capacity reasons (machines/personnel) Daldrup & Söhne AG can and could only handle a part of these requests. The prices for depth drilling have become considerably more expensive during 2007. In this respect, the total operating revenue will also be driven in the future by large geothermal projects. The other business areas should grow with the market, for which a 14 % growth rate is foreseen.





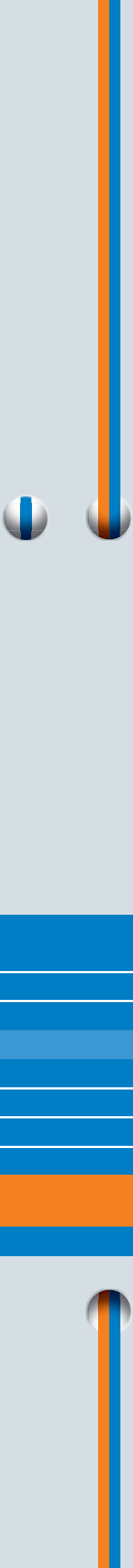
B. Profit and loss, financial and net worth situation

With a notarial certified merger contracted dated September 27, 2007, J.D. Holding GmbH was merged into Daldrup & Söhne AG retroactively as of August 31, 2007 (merger). Prior to this, J. Daldrup Vermögensverwaltungs- und Beteiligungsgesellschaft mbH was merged into J.D. Holding GmbH. Based upon these events, the values in the balance sheet as well as the income statement for Daldrup & Söhne AG as of December 31, 2007 can only be limitedly compared to the amounts from the previous year as of December 31, 2006. Similarly, the successful initial public offering on November 31, 2007 also distorts the financial statements and the possibility of comparison with the previous year. It should be noted that with the certified financial statements, a new accounting period has started for Daldrup & Söhne AG as of December 31, 2007. Below, significant positions in the financial statements as of December 31, 2007 are explained.


Assets	31.12.2007	31.12.2006
	KEURO	KEURO
A. Fixed assets	6,053	0
B. Current assets		
I. Inventories	3,509	2,379
II. Receivables and other assets	5,361	8,063
III. Cash in hand, Federal bank deposits, deposits at credit institutes and cheques	19,826	2,995
C. Deferred expenses and accrued income	10	119
	34,759	13,556



Liabilities	31.12.2007	31.12.2006
	KEURO	KEURO
A. Shareholders' equity		
I. Subscribed capital	4,965	250
II. Capital reserve	17,063	0
III. Revenue reserves		
1. legal reserves	25	25
2. other revenue reserves	67	1,598
IV. Net Profit	2,073	1,346
B. Provisions	7,299	7,377
C. Accounts payable	3,267	2,960
	34,759	13,556



Income statement comparison	2007	2006
	KEURO	KEURO
Total operating revenue	25,166	18,133
Cost of materials	11,501	7,510
Personnel costs	1,240	1,304
Other operating costs	9,340	7,591
Earnings before interest and taxes and extraordinary income (EBIT)	4,311	3,746



1. Profits and loss situation

Daldrup & Söhne AG is increasingly active in the project development business as a drilling technique specialist. The illustration of industry-typical value adding and service processes from the awarding of the contract through the handling of the work, calculations up to invoicing involves a very distinctive image. The partially very long implementation of drilling projects leads to the fact that profits can first be realised with the final invoice and therefore in the year that the project is completed. Project costs are however already accumulating in the previous year, so these costs are not compensated by any revenue, but are simply changes in inventory for work in progress, without having the share in profits included in the total operating revenue. The dynamic development in total operating revenue for the 2007 financial period has been highlighted qualitatively through a backlog of orders of approx. € 30 million as well as additional promising requests and letters of intent with potential clients.

The fundamental influencing factor for the profit and loss situation on the cost side are material costs, which are made up of the related raw materials and supplies (energy, drilling equipment and construction material such as steel and stainless steel pipes, cement, drilling fluid) as well as the related services from third party companies, such as drill hole measurements, directional drilling services and additionally contracted personnel services. In this respect, this is still of significant relevance, as the 2007 costs include considerable preproduction costs for the development of geothermal technologies. In particular, the drilling for the projects in Bleiswyjk/Netherlands and Arnsberg include costs for investing in new drilling technologies.

In addition, personnel costs and other operating costs (vehicle costs, machine leases, other site costs, repair and maintenance) must be pointed out as well as the depreciation.

The financial result amounts to 228 K€.

Costs for the initial public offering have been included among extraordinary expenses. Earnings before interest and taxes (EBIT) of € 4.3 million (after 304 K€ of depreciation) was reduced through the costs from the initial public offering that were incurred during the period under review by € 1.7 million.

The result of the audit carried out by the tax authorities in Erfurt for the time period between 2003 - 2005 of the three merged companies is considered in the financial statements as of December 31, 2007 with an amount of € 0.6 million.

The profit for the 2007 financial period results to be € 1.7 million after a tax charge of € 0.5 million.





2. Financial and net worth situation

The balance sheet total increased clearly to € 34.8 million due to the above described mergers and the proceeds from the initial public offering during the financial period. The company premises and real estate are rented from GVG-Grundstücksverwaltungs-GmbH & Co. KG, Erfurt, (GVG), thereby the fixed assets that amount to € 6.1 million as of the effective date consists of plant machinery and equipment and vehicles. GVG is an associated company. The lease contracts with Daldrup & Söhne AG were concluded as if between unrelated parties with an appropriate rent that is based upon local prices. Of declared current assets of € 28.7 million, € 1.1 million are accounted for by raw materials and supplied, € 2.4 million by work in progress, € 5.4 million by accounts receivables and other assets. The available cash of € 19.8 million mainly results from the proceeds of the initial public offering issue and will be mostly invested in a new large high-tech drilling system (use as of 10/2008).

Provisions that amount to € 7.3 million are mostly related to provisions for taxes in the amount of € 2.3 million as well as provisions for individual guarantees for an amount of € 4.2 million.

Trade accounts payable. Since decades, there have been no accounts payable to credit institutes, and Daldrup & Söhne AG did not secure any lines of credit. Sufficient lines exist for industry standard bonds, guarantees and credit orders.

Daldrup & Söhne AG financial management strategy is classic and conservative. Safe funds that are available in the short-term are preferred such as overnight money and time deposits. Funds from the initial public offering and current cash-flow are not ends in themselves but are used as a temporary investment until they are disbursed for investments in new technologies and personnel and in the framework of company growth. This extraordinary liquidity guarantees Daldrup & Söhne AG's permanent ability to pay and is furthermore of a reserve nature.

Development of Shareholders' equity is in line with the inflow from the initial public offering on November 30, 2007 and amounts to € 24.2 million including reserves and retained profits. The equity ratio increased to approx. 70 % of the balance sheet total.

3. Overall assertion of the economic situation

Daldrup & Söhne AG has a solid net worth, financial and profit and loss situation. The relevant markets with the highest revenue potential are marked by oligopolistic competitive structures with high entrance barriers due to the required know-how, the technical equipment and personnel requirements, long-year customer relationship as well as the authorisation process in Germany. Daldrup & Söhne AG has been active in this environment for decades and believes that it can profit in an over proportional manner in the national and international business in its engaged business areas – especially in depth-geothermal power – with good margins.

C. Supplementary report

1. Declaration of events of significant relevance

Daldrup & Söhne AG has employed a noteworthy number of site personnel, for example from contractors or temporary agencies on a regular basis and according to the degree of utilisation. As of January 1, 2008, 29 employees were taken over from contractors and hired by Daldrup & Söhne AG. The workforce thereby increased from 25 to 54 employees. In addition, work-load dependent personnel (35-85 workers) are recruited from other contractors/temporary agencies.

One of these contractors/temporary agencies from which Daldrup & Söhne AG had regularly leased trained and qualified personnel up until now filed for bankruptcy in 2008. Through mediation and cooperation efforts by Daldrup & Söhne AG, the released personnel have found employment at other contractors/temporary agencies. Daldrup & Söhne AG was successful in creating a lasting connection to the human resources.

With the agreement of the supervisory board, Daldrup & Söhne AG decided to partially use the authorised capital according to § 5 of the bylaws and carry out an increase in capital with an exclusion of subscription rights with 480,000 no-par shares.

The proceeds from the increase in capital are used for financing further growth, especially for upgrading capacities for geothermal depth-drilling and for gaining highly-qualified employees. Daldrup & Söhne AG is currently in the process of closing further contracts for drilling services for the building of geothermal power plant projects for the production of power and heat beyond 2008.

2. Impact of the events on the profit and loss, financial and net worth situation

Securing skilled human resources is of particular importance for Daldrup & Söhne AG's growth process. Future availability of personnel capacities for operating the drilling technology supports the company's performance and consolidates the profit and loss, financial and net worth situation.

The 480,000 no-par shares from the increase in capital were placed on the market by equinet AG with institutional investors on April 30, 2008. Share capital increased therefore from 4,965 K€ by 480 K€ to 5,445 K€. With an issue price of € 29.00 per no-par share, Daldrup & Söhne AG received gross proceeds from the initial public offering of approx. € 13.9 million.

The new no-par shares have full dividend rights starting from the 2008 fiscal year, that is, as of January 1, 2008.

D. Risk report

1. Potential for economic danger

Daldrup & Söhne AG employs a few key employees (example, board members, project managers, experienced machine operators), whose long-year contacts and expert knowledge are important for company success. Loss of these key employees – for example through head-hunting, illness – could leave hard to close gaps.

In general, there is no potential for economic danger to be mentioned that goes beyond normal business operations and general business risk. In particular, based upon the regulatory environment, the optimistic market assessment and the company's financial setting with liquid funds, it can be assumed that Daldrup & Söhne AG is well equipped for the future.

Purchases and merchandise procurement is occurring increasingly on global markets. Delivery terms for high-quality steel products (e.g., drilling rods), special drilling equipment and high-quality piping systems have lengthened cyclically and due to raw material shortages. Timely performance for securing procurement paths/possibilities and project execution is important.

Foreign currency risks are mainly avoided due to contract and price negotiations being carried out on a EURO basis (e.g., purchases in China). Procurement in the USA occurs on a US dollar basis. For amounts depending on significant transactions with longer production and delivery terms, monetary/exchange rate hedges are used with forward exchange operations. In addition, customary international business instruments such as guarantees and credit orders are used for covering credit-worthiness, payment and supply risks. For this, the importance and size of the individual transaction is greatly considered.

Derivative and speculative interest, monetary and/or raw material transactions do not exist and are not planned.

2. Legal asset endangering potential

Legal asset endangering potential does not exist as the company has provided guarantees in order to generate corresponding contract volumes. Risks from claims of an appreciable size have not yet ensued; the amount of the guarantees is reducing continuously.

3. Other risks with particular influence on the net worth, financial and profit and loss situation

As a family company, Daldrup & Söhne AG has a long history of being a technical, medium-sized company with a reduced degree of organisation. With its entry in the capital market through the initial public offering, a new era has begun. Investments in personnel and IT as well as seminars are forced for reorganising the structure to meet the requirements of the capital market. In the case of need, external support will be used in order to help with the implementation of this process.

4. Overall assertion of the risk situation

Company activities are always subject to risk, which could hinder or even prevent the reaching of company goals.

At Daldrup & Söhne AG, an internal system is being created in order to refine early risk detection. The previously used methods for business/project monitoring (e.g., deployment scheduling, work-out discussions, evaluation of financial accounting/bookkeeping) are used as a starting basis. As a result, investments are being made in personnel, hardware, software as well as training measures.

In order to cushion, limit or prevent any risk, financial reserves or the potential for the short-term acquisition of funds are available.



E. Forecast report

1. Future corporate orientation

With the initial public offering in 2007, the future of Daldrup & Söhne AG was clearly documented. Additional deliberations regarding changing or adjusting this direction do not exist. The company's further development from the construction industry to energy and raw material production is in progress. Additional development potential is seen through the involvement in geothermal power plant projects and thereby the use of the sustainable energy supply (heat and/or electricity).

2. Future economical surrounding conditions

The amendment to the Renewable Energy Law (EEG) as well as to the Renewable Energy Heat Law (EEWärmeG) with improved public subsidy and financing terms, the development of insurance solutions for covering discovery risks and the general price development for energy and raw materials (mainly electricity and oil) will also bring Daldrup & Söhne AG above average growth rates in total operating revenues and margins in the geothermal and exploration area. Currently, only 14%, roughly, of Germany's power requirement is produced with renewable energy. As of 2030, this amount should be increased to 45% of the power requirement. In addition to power generation, the use of heat has only been slightly developed and can be greatly expanded upon. The areas of geothermy that are relevant for Daldrup & Söhne AG (electricity and/or heat) are gaining above average importance through market stimulation programmes. The geothermal conditions in Germany (molasse basin, in the upper Rhine rift, in the northern German lowlands) offer good discovery and development prospects. In Europe, important geothermal areas include in particular Tuscany in Italy and the Paris Basin in France.

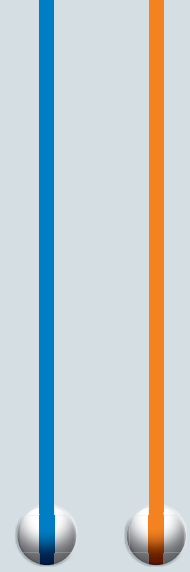
3. Expected profit and loss and financial situation

The particularities related to acquiring and the successful execution of large geothermal projects must be emphasised. The planning, preparation and execution of these projects is very time intensive, so that a project can extend beyond more than one fiscal year. This could result in fluctuations in the total operating revenues and in the result.

The medium term goal is an average year EBIT margin of 20% of total operating revenues across all business areas. These evaluations are also supported by external business studies (Source: Equinet Research).

The good profit and loss situation will strengthen the financial situation of the company and will contribute toward maintaining and expanding upon the market and competitive position. Financial reserves make it possible for Daldrup & Söhne AG to react quickly to chances that are offered and to defend against unforeseeable risks.





4. Overall assertion regarding expected development

With its good result, 2007 had an influence on further company policies. The expectations and activities for establishing new business areas have been and are more than fulfilled. Business prospects are also positively assessed for 2008 and 2009. A contract supply of up to 15 months with a value of approx. € 30 million leads to very high capacity utilisation.

The company's financial instruments are oriented toward risk-free types of investment. Derivative financial instruments are not used and the conclusion of this type of business is not consistent with the investment and business policies of Daldrup & Söhne AG.

A risk potential with our customers has not yet been identified due to the wide diversification. There are no dependencies even in the case of commissioning through large corporations such as EON, DSK and RWE, as the customers are various legally independent subsidiaries of the corporations.

Further increases in capital are possible through shareholder resolution. This possibility of raising capital can be used if business and market development requires investments in new drilling technologies and drilling equipment for capacity expansion.



F. Special events

Daldrup & Söhne AG was listed in the Entry Standard of the Frankfurter Wertpapierbörse with its initial listing on November 30, 2007 (IPO). Including over allotment (so-called Greenshoe Option), 4,965,000 shares were issued on the upper end of the price spread for € 13.50 each. Within the framework of the increase in capital on April 30, 2008, 480,000 shares with a price of € 29.00 each were placed on the market with institutional investors. The market trend demonstrates the high interest in the business activity of Daldrup & Söhne AG.

The proceeds from the initial public offering and the increase in capital will be used for financing further growth and in particular for purchasing new high-tech large drilling system for depth-geothermal power projects.

In spite of the initial public offering, the medium-sized character of the company has been conserved. The majority of the company shares are held by the Daldrup family, who has been managing the company, now in the third generation, for more than 60 years. Management is professionally supplemented by family-independent board members.

G. Closing Statement of the Board Regarding the subordinate Status Report

Finally, we can ascertain that with regard to the legal transactions Daldrup & Söhne AG undertook, according to the circumstances that were known to us up to the point in time, for every legal transaction, they received a reasonable consideration and were not disadvantaged.

Erfurt, April 30, 2008
The Board of Directors

signed Josef Daldrup (Chairman of the Board)

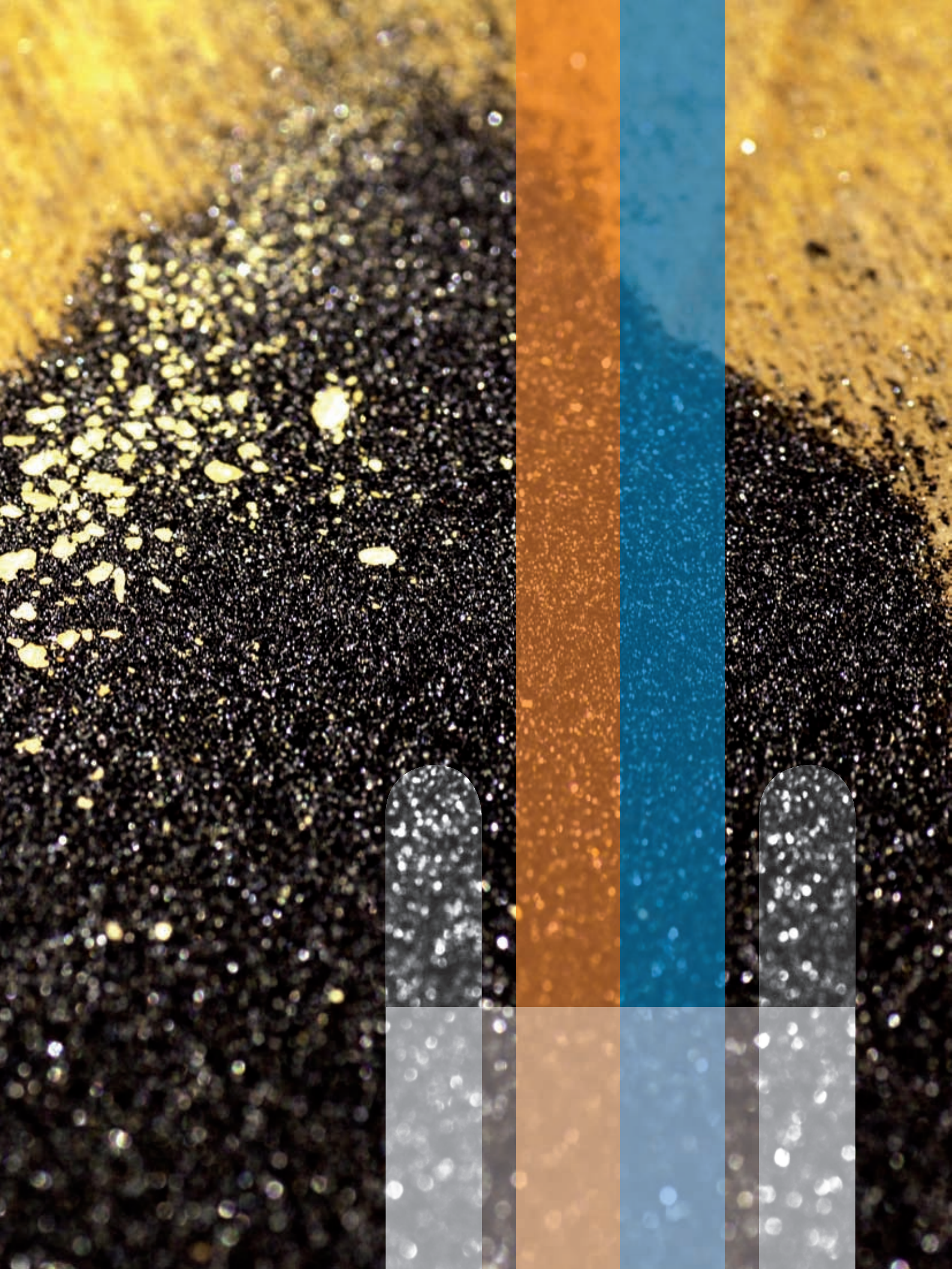
signed Peter Maasewerd

signed Andreas Töniess



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**Income Statement** for the financial year January 1 and December 31, 2007

	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
	EURO	EURO
1. Sales revenues	28,181,736.73	24,924,872.00
2. Decrease in stock of work in progress	-3,016,145.66	-6,792,258.73
3. Other operating income	1,537,820.14	2,023,058.23
4. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	2,640,135.43	(1,591,374.18)
b) Cost for purchased services	8,860,657.69	(5,918,557.52)
	11,500,793.12	7,509,931.70
5. Personnel costs		
a) Wages and salaries	1,164,956.38	(1,030,852.28)
b) Social security and other pension costs - thereof for pension costs: € 32,724.31 (previous year: € 29,615.10)	74,666.35	(273,621.00)
	1,239,622.73	1,304,473.28
6. Depreciation of intangible assets and property, plant and equipment	304,437.77	0.00
7. Other operating costs	9,339,909.19	7,591,168.60
8. Income from investments	0.00	3,577.47
9. Other interest and similar income	375,074.33	268,289.96
10. Interest and related expenses	146,655.42	30,888.16
11. Result from ordinary activities	4,547,067.31	3,991,077.19
12. Extraordinary expenses =		
13. Extraordinary income	2,309,124.40	0.00
14. Taxes on income	515,233.98	1,545,576.64
15. Other taxes	8,097.48	8,120.17
16. Year profit	1,714,611.45	2,437,380.38
17. Profit brought forward	1,577,274.21	127,004.27
18. Allocations to other revenue reserves	1,218,690.19	1,218,690.19
19. Net Profit	2,073,195.47	1,345,694.46
Total operating revenue	25,165,591.07	18,132,613.27
EBIT (Earnings before interest and taxes)	4,310,550.92	3,745,555.22



**Balance Sheet** as of December 31, 2007

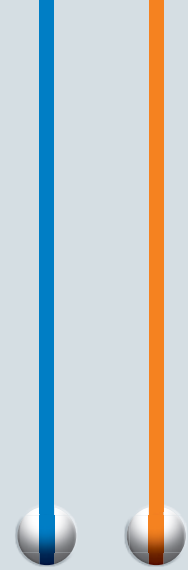
Assets	31.12.2007	31.12.2006
	EURO	EURO
A. Fixed assets		
I. Intangible assets		
Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets	12,268.50	0.00
II. Property, plant and equipment		
1. Land, buildings and other equivalent rights including buildings on leased land	36,640.50	0.00
2. Plant machinery and equipment	489,164.29	0.00
3. Other equipment, plant and operating equipment	5,514,902.50	0.00
	6,040,707.29	0.00
	6,052,975.79	0.00
B. Current assets		
I. Inventories		
1. Raw materials and supplies	1,112,461.10	1,023,410.00
2. Work in progress for production of goods	16,983,932.08	20,000,077.74
3. Payments received on account of orders	-14,586,789.07	-18,643,881.12
	3,509,604.11	2,379,606.62
II. Receivables and other assets		
1. Trade accounts receivable	1,909,549.33	2,102,419.75
2. Other assets	3,451,280.45	5,960,237.09
	5,360,829.78	8,062,656.84
III. Cash in hand and at banks	19,825,667.02	2,994,885.73
	28,696,100.91	13,437,149.19
C. Deferred expenses and accrued income	9,850.37	118,919.50
	34,758,927.07	13,556,068.69

Liabilities	31.12.2007	31.12.2006
	EURO	EURO
A. Shareholders' equity		
I. Subscribed capital	4,965,000.00	250,000.00
II. Capital reserve	17,062,500.00	0.00
III. Revenue reserves		
1. Legal reserves	25,000.00	25,000.00
2. Other revenue reserves	66,639.99	1,597,949.80
IV. Net Profit	2,073,195.47	1,345,694.46
	24,192,335.46	3,218,644.26
B. Provisions for liabilities and charges		
1. Provisions for pensions	277,837.00	255,785.00
2. Provisions for taxation	2,258,225.06	1,376,685.59
3. Other provisions	4,763,396.15	5,744,429.17
	7,299,458.21	7,376,899.76
C. Accounts payable		
1. Trade accounts payable		
- with a residual term of up to one year: € 2,480,010.38 (Dec. 31, 2006: € 2,543,962.39)	2,480,010.38	2,543,962.39
2. Other accounts payable		
- with a residual term of up to one year: € 787,123.02 (Dec. 31, 2006: € 416,562.28)		
- thereof from taxes: € 650,158.98 (December 31, 2006: € 140,157.68)		
- thereof for social security: € 0.00 (Dec. 31, 2006: € 9,239.27)	787,123.02	416,562.28
	3,267,133.40	2,960,524.67
	34,758,927.07	13,556,068.69

**Fixed asset movement schedule** for the fiscal period between January 1 and December 31, 2007

	Historical cost			
	Additions from merger 01.09.2007	Additions	Reductions	As of 31.12.2007
	EURO	EURO	EURO	EURO
I. Intangible assets				
Concessions, intellectual property rights and similar rights and assets as well as licenses to such	13,328.85	0.00	0.00	13,328.85
	13,328.85	0.00	0.00	13,328.85
II. Property, plant and equipment				
1. Land and buildings	38,498.17	0.00	0.00	38,498.17
2. Plant machinery and equipment	517,880.61	0.00	0.00	517,880.61
3. Other machinery, plant and operating equipment	4,788,896.42	1,003,135.51	4,326.00	5,787,705.93
	5,345,275.20	1,003,135.51	4,326.00	6,344,084.71
	5,358,604.05	1,003,135.51	4,326.00	6,357,413.56

	Depreciation		Book value
	Additions	Reductions	As of 31.12.2007
	EURO	EURO	EURO
	1,060.35	0.00	1,060.35
	1,060.35	0.00	1,060.35
	1,857.67	0.00	1,857.67
	28,716.32	0.00	28,716.32
	272,803.43	0.00	272,803.43
	303,377.42	0.00	303,377.42
	304,437.77	0.00	304,437.77
			12,268.50
			12,268.50
			36,640.50
			489,164.29
			5,514,902.50
			6,040,707.29
			6,052,975.79



Explanatory notes for the fiscal year from January 1 until December 31, 2007

General information regarding the financial statements

The Daldrup & Söhne AG financial statements were prepared on the basis on the accounting criteria of the German Commercial Code and the Stock Corporation Act.

As far as options that can be exercised regarding the presentation of amounts in the balance sheet, income statement or in the explanatory notes, it was chosen to make the entry in the balance sheet or in the income statement.

According to the size classes provided in § 267 HGB (German Commercial Code), the company is a medium-sized corporation.

With a notarial certified merger contract dated September 27, 2007, J.D. Holding GmbH, Erfurt was merged into Daldrup & Söhne AG retroactively as of August 31, 2007 (merger). Prior to this, J. Daldrup Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Erfurt was merged into J.D. Holding GmbH. Based upon these events, the values in the balance sheet as well as the income statement for Daldrup & Söhne AG as of December 31, 2007 can only be limitedly compared to the amounts from the previous year as of December 31, 2006.

Information regarding accounting and evaluation, including fiscal measures

Principals of accounting and evaluation

Property, plant and equipment were assessed at its acquisition and manufacturing cost and, as far as depreciable, reduced by scheduled depreciation.

The depreciation was carried out according to the foreseeable useful life of the asset and according to tax regulations based on the straight-line method. Movable property part of property, plant and equipment up to a value of € 410.00 was booked in the year of acquisition and fully depreciated.

Inventory was assessed at its acquisition or manufacturing cost. If the present value was lower on the balance sheet date, that value was applied.

Accounts receivable were evaluated in consideration of all known risks. They are reported at their nominal amount, as far as discounting was not required.

For uncertain liabilities, provisions were created due to pension obligations. The creation of provisions was done based upon actuarial calculations in compliance with tax regulations according to the entry age normal method.

The provisions for taxation contain the not yet assessed taxes related to the fiscal year.

The other provisions were created for all other uncertain liabilities in the amount of their foreseeable utilisation. Thereby, all identifiable risks were considered.

Accounts payable were assessed at the redemption amount. If the present value lied above the redemption amount, accounts payable were assessed at the higher present value.

No fundamental changes in the accounting and evaluation methods were made in comparison to the previous year.

Notes to the balance sheet and income statement

I. Balance sheet

Fixed assets

The assets analysis as of December 31, 2007 is presented in the appendix to the explanatory notes.

Current assets

Inventories

Deposits received were straightforwardly deducted from the inventory.

Other assets

Accrual accounting was used for the determination of profits. The amounts are accounts receivable related.

The other assets in the amount of € 3,451,280.45 include, among others, the settlement account for J.D. Apparate- und Maschinenbau GmbH (€ 31,769.61), the settlement account for GVG GmbH & Co. KG (€ 514,798.44), the settlement account for GVG GmbH (€ 3,326.71) as well as receivables from the Chairman of the Board and majority shareholder Josef Daldrup in the amount of € 92,824.62. All accounts receivable from the settlement accounts have a residual term of 1-5 years.

Furthermore, the other assets include reinsurance claims (€ 291,955.19) and paid security guarantees (€ 407,291.11). The residual term of this asset lies beyond 5 years.

The other assets also include the tax refunds from the current or previous year. Of this, € 291,372.00 accounts for business tax and € 399,240.67 for corporate income tax and € 1,215,299.50 for sales tax. The residual term for this is up to one year.

Provisions

The calculation of the pension provision for the Chairman of the Board Josef Daldrup was done in application of the approximation chart from Dr. Klaus Heubeck 2005 G.

The provisions include the taxes not yet assessed related to the fiscal year and the previous year – business tax (€ 1,030,576.00) and corporate income tax (€ 1,185,745.29) as well as sales tax (€ 41,903.77).

The provision for unused leave includes a total of 495 leave days, which as of December 31, 2007 were not yet taken

Provisions for guarantees were created according to the flat standard rate of 0.5 % of revenue.

Individual guarantees comprehend multiple projects.

A provision for financial statements and audits has been created for the preparation and audit of the 2007 financial statements.





Shareholders' equity

Share capital

Share capital amounts to € 4,965,000.00, it is divided into 4,965,000 shares of registered, no par value stock (no par shares). Changes in comparison to the previous year result from the increase in capital from the company's own resources through the conversion of other revenue reserves (€ 2,750,000.00), an increase in capital in kind through the capital contribution of shares in J.D. Holding GmbH (€ 600,000.00) and through the issue of 1.2 million new shares of stock within the framework of an IPO as well as 165,000 shares of stock within the framework of the Greenshoe-Option (total € 1,365,000.00).

Capital reserve

Within the framework of the initial public offering on November 30, 2007, an amount of € 15,000,000.00 above the minimum offering price was redeemed and appointed to the capital reserve. Through the utilisation of the Greenshoe-Option through Equinet AG, an additional € 2,062,500.00 above the minimum offering price was redeemed and applied to capital reserves, so that the capital reserves amounts to € 17,062,500.00 as of December 31, 2007.

Own shares

On December 14, 2007, 300 own shares (corresponding to 0.006% of share capital) were purchased at a price of € 18.00, which were given to employees in lieu of normal Christmas bonuses and for giving them to loved ones within the framework of a "family and friends" package. As of December 31, 2007 Daldrup & Söhne AG no longer owned any of its own shares, but is keeping 200 shares in the company owned securities account for those employees who do not have their own securities account. The employees are entitled to the legal and economic property.

Other revenue reserves

The decrease of € 1,531,309.81 in other revenue reserves results from the increase in capital from the company's own resources.

Profit brought forward

The balance sheet profit as of December 31, 2006 in the amount of € 1,345,694.46 was increased by the operating profit related to the time period between January 1 and August 31, 2007 of J.D. Holding GmbH in the amount of € 806,015.16. From this, € 574,435.41 was used for an increase in capital in kind. The amount of profit brought forward amounts to € 1,577,274.21.

Net Profit

Of the € 1,345,694.46 net profit as of December 31, 2006, € 1,218,690.19 were placed among the other revenue revenues as per assembly resolution of September 28, 2007. The remaining amount of € 127,004.27 was brought forward to new account. The net profit as of December 31, 2007 amounts to € 2,073,195.47.

Authorised capital

On October 24, 2007 authorised capital I in the amount of € 1,800,000.00 and authorised capital II in the amount of € 600,000.00 were resolved during the Shareholders' meeting. With a supplement on December 12, 2007 Equinet AG was granted a Greenshoe-Option in the amount of € 165,000.00 during the Shareholders' meeting from authorised capital I. After utilisation of the option, authorised capital I still amounts to € 1,635,000.00 as of December 31, 2007.

Accounts payable

Other accounts payable in the amount of € 787,123.02 mainly include the settlement account for Thomas, Bernd, Karl & Michaela Daldrup (€ 92,624.75) as well as tax and contribution payables (€ 569,832.52). Furthermore, they include other wage and salary payable (€ 44,339.29) and wage and church tax payable (€ 80,326.46). The accounts payable have a residual term of up to one year.



II. Income statement

The total cost method was selected for the income statement.

Other operating income includes income resulting from the dissolution of special reserves that were taken over within the framework of the merger of J.D. Holding GmbH according to § 7g EStG (Income tax act) in the amount of € 75,000.00.

Of the extraordinary expenses, € 1,718,437.73 account for costs within the framework of the initial public offering and € 590,686.67 for the tax audit for the assessment period between 2002 and 2005.

The taxes apply only to the result from ordinary activities, as the extraordinary result is negative.

III. Other information

Contingent liabilities

In addition to the accounts payable listed in the balance sheet, the following contingent liabilities should be commented on:

Becker/Daldrup, Zerlith € 1,300,000

At the moment of preparation, utilisation is not to be expected.

Other financial obligations

Daldrup & Söhne AG rents its office, storage and workshop spaces as well as a hall from GVG GmbH & Co. KG. Annual rent amounts to € 290,332.56.

Recommendation for appropriation of net income

The Board of Directors makes the following recommendation regarding the appropriation of net income:

The profit for the year amounts to € 1,714,611.45.

The Board of Directors makes a recommendation to the Shareholders meeting to carry the year profit forward to new account.





Other mandatory information

Names of Board and Supervisory Board Members

During the past fiscal year, the following people were part of the Board:

Name

Mr. Josef Daldrup
Mr. Peter Maasewerd
Mr. Andreas Tönies

Function, occupation held

Chairman of the Board
Board Member and Geologist
Board Member

The following people were members of the Supervisory Board:

Name, Function

Dr. E.h. Wilhelm Beermann
Chairman of the Supervisory Board

Administration, Management Board or Supervisory Board mandate or partner position

Chairman of the Supervisory Board MIBRAG GmbH, Theißen
Chairman of the advisory council CS Additive GmbH, Essen
Member of the Governing Board of Treuhandstelle (THS) GmbH,
Gelsenkirchen
Member of the advisory council DIHAG Deutsche Gießerei- und
Industrie-Holding AG, Essen
Chairman of the Supervisory Board Katholisches Klinikum gGmbH
Member of the governing board St. Vincenz Hospital gGmbH

Managing Partner of the advisory
Ingenieure für Geotechnik & Bauwesen – Prof. Dr.-Ing. H. Klapperich GmbH
Speaker of the Board of CIF Kompetenz-Zentrum für Interdisziplinäres
Flächenrecycling e.V. Freiberg/Berlin
Professor for soil mechanics, underground geotechnology and founda-
tions at the Geotechnology Institute at the technical university of the
mining academy in Freiberg

Dr. Herbert Klapperich
Assistant Chairman of the Supervisory Board

Wolfgang Quecke
Supervisory Board member

Member of the Management Board of Montan-Grundstücks-
gesellschaft mbH

Remuneration of Board and Supervisory Board Members

The total gross remuneration for the activity in the 2007 fiscal year of the Board of Directors amounts to € 645,931.77.

The total gross remuneration for the activity in the 2007 fiscal year of the Supervisory Board amounts to € 12,300.82.



Average number of workers employed during the current year

The following worker groups were employed at the company during the fiscal year:

Worker groups	Number
Board Members	3
Manual workers	18
Clerical workers	4
Trainees	1

Erfurt, April 30, 2008

Daldrup & Söhne AG

The Board of Directors

signed Josef Daldrup (Chairman of the Board)

signed Peter Maasewerd

signed Andreas Tönies





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 AG, Erfurt, Germany, for the financial year from January 1, to December 31, 2007. 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 AG, Erfurt, Germany, comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company 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, May 5, 2008

Warth & Klein GmbH
Wirtschaftsprüfungsgesellschaft (Auditing Company)

signed Michael Häger, Wirtschaftsprüfer [German Public Auditor]

signed Berthold Oster, Wirtschaftsprüfer [German Public Auditor]

On publication or further submission of the annual financial statements in a form other than that certified by us (including translations into other languages), a further statement will be required from us if our audit opinion is cited or reference is made to our audit. We refer hereby in particular to section 328 HGB.

Fiscal Calendar for Daldrup & Söhne AG

May 2008: Publication of the 2007 financial statements

August 20, 2008: Shareholders' meeting for the 2007 fiscal year in Münster

September 2008: Publication of the semi annual statement as of June 30, 2008

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 **Daldrup
& Söhne AG**

B o h r t e c h n i k