

Annual Report 2010



Share Information

ISIN: DE0007830572

WKN: 783057

Exchange Segment: Open Market

Entry Standard of the Frankfurt Stock Exchange

Ticker Symbol: 4DS

Fiscal Year End: 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,

In presenting these financial statements for 2010 we are presenting to you the first group annual statements for Daldrup & Söhne AG, for the financial year ending 12/31/2010. The consolidated successes and particularly the potential of the investment activities, acquisitions and new company start-ups over the last two financial years are now bearing fruit. These group financial statements do not contain any comparative figures, as it is the first set of group results, but lay the foundation for the group figures in future years.

All the companies within the Daldrup-Group are subject to our strategic direction, to further extend our position as the leading drilling technology specialist, project manager and provider of turnkey power station projects in the geothermal sector in central Europe. The process of value creation starts with the acquisition of our own permits to prospect for geothermal energy in specific areas, the development of those fields to be ready to start drilling, carrying out the drilling, building the power station and ends with the sale of energy we have produced. That gradually brings us closer to our long-term goal of making the Daldrup-Group a mid-market player in energy supply. In the claim area of Taufkirchen we have been developing our first geothermal project since December 2010, in collaboration with the Swiss company Axpo AG, and it is planned to go into production by the end of 2012 and start bringing in revenue from the sale of energy and heat.

Against the backdrop of a dynamic economic recovery in Germany and an expanding world economy, in the financial year 2010 the Daldrup-Group achieved a sales of € 57.9 m and, allowing for reductions in work-in-process inventories, overall earnings of € 41.1 m. This total was achieved 58.4 % in Germany and 41.6 % abroad (mainly in the Netherlands and Switzerland). It was not possible to achieve more definite growth as there were several project delays which occurred which were outside the control of Daldrup & Söhne AG. The causes of these were more stringent licensing procedures for drilling projects following the oil well catastrophe in the Gulf of Mexico, the delayed



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



preparation of drilling sites by clients, prolonged tender procedures for geothermal projects, and the clear reluctance by the banks to provide project financing. The result was that the high-tech drilling rig DS 10 Bentec 350 t Euro Rig™ was not in use for a period of around six months during 2010, and some planned projects are now being carried out in 2011/2012.

After scheduled depreciation of € 4.0 m the earnings before interest and tax (EBIT) for the Daldrup-Group are € 4.0 m. Leaving aside the start-up costs associated with the project management business within the Daldrup-Group, the operational drilling and project area delivered an EBIT of € 4.8 m.

The Daldrup-Group's equity at 12/31/2010 totaled € 70.0 m. The high equity ratio, 75.4 % of total assets, underlines once again the financial independence and scope for action of Daldrup & Söhne AG.

The move away from atomic energy is now unstoppable, given the dramatic events at the Japanese atomic power station in Fukushima. Renewable Energies have taken on pole position in ensuring future energy supplies for humanity and maintaining prosperity in a healthy environment. The Daldrup-Group is counting here on local, generally available geothermal energy, which crucially is able to supply base load energy. Geothermal energy is gaining importance in the mix of renewable energy sources for sustainable energy supplies, so that the Daldrup-Group both now and in the future is superbly positioned and will achieve its goals both in terms of value and of growth. The outlook for the sector and the prospects for growth are excellent, given the full order books (the current orders on hand total around € 90.0 m), the political conditions, our reputation and our large number of reference sites.

On 09/28/2010 the German Federal Government agreed a coordinated energy plan which ushers in the age of Renewable Energies. With effective subsidies under the Renewable Energies Law (EEG), the rate of expansion has picked up and in the wake of the renewal of the EEG on 01/01/2012 geothermal energy will be able to rely on improved funding conditions. These look not only at the question of profitability, but also and importantly at spreading drilling costs, the exploration risk, the operational risk and financial risk. The business model of the Daldrup-Group, with its new strategy of covering the whole of the geothermal value creation chain, will be able to profit even further from funding measures in the future.

Finally, we want to thank all our employees for their hard work and high level of commitment during financial year 2010. We know that the integration of the subsidiary companies into the group, the demands on the operational drilling services made by international projects, and the continued company growth within the Daldrup-Group all demand a high measure of commitment, flexibility and responsibility.

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

Sincerely yours,

Grünwald, May 2011
The Management Board



Josef Daldrup
(CEO)



Peter Maasewerd



Andreas Tönies



Report from the Supervisory Board

Dear Shareholders,

In the financial year now ended, the Management and Supervisory Boards have been working hard on the group structure of the Daldrup-Group and how to optimize it. After making a start last year on the new strategic direction of the Daldrup-Group by means of acquisitions and partnerships, the focus for 2010 was to integrate the new entities structurally and organizationally into the newly-formed group. With the extended range of products and services which the Daldrup-Group can offer in the German and European geothermal markets, as well as the new opportunities to generate value, we also pushed forward with the project of our own geothermal power station.

The Management Board involved the Supervisory Board directly and well in advance in all of the major decision-making processes. To this end, the Supervisory Board was involved in a close and regular exchange of information and ideas with the members of the Management Board, and especially the chairmen of both bodies.

The Supervisory Board performed the tasks assigned to it by the law and by company articles with great care in fiscal year 2010 as well. We monitored the management of the Company and advised the Management Board. The Management Board reported regularly both in writing and verbally, comprehensively and in good time about all of the events, contracts and deals of major importance, and about the trends in the most important performance indicators for the Company. Special attention was given to strategic issues of company planning, business policies, business development, financing, risk situations, risk management, and compliance. The Supervisory Board reviewed and discussed in detail the documents, reports and proposed decisions submitted to us. In addition to the Management Board reports, we continuously formed our own view of 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 operational development of Daldrup & Söhne AG and of the business units were regularly major topics of our deliberations. Given the requirement to produce the first group accounts for the Daldrup-Group on 12/31/2010 special attention was paid this year to the introduction of the group accounting directive. In addition, the Supervisory Board focused on the following major topics:

- Annual financial statements for fiscal year 2009
- Half-year report 2010
- Preparation of the Annual General Meeting on July 1, 2010
- Moving the company's registered office from Erfurt to Grünwald
- Identifying strategic investment partners
- Implementing the geothermal project in the claim field at Taufkirchen
- Improving the climate for geothermal energy and increasing acceptance of geothermal energy among the general public in Germany and Europe
- Strategic planning in the deep geothermal and project management business

Subjects requiring approval were submitted to the Supervisory Board properly and in good time for the relevant decisions to be taken. During this financial year, these mainly related to the conclusion of drilling contracts, the sale of company shares in some project companies within the group to investment partners, and increasing the capital at one of the 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 those parts of Board meetings 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 2010.



Annual and Group Financial Audit

In line with the resolution of the Annual General Meeting on July 1, 2010 the Supervisory Board engaged Warth & Klein Grant Thornton AG, Auditors, Düsseldorf, for the audit of the annual financial statements, the group annual financial statements and the dependent companies report for financial year 2010.

The Management Board prepared the annual financial statements of Daldrup & Söhne AG and the group annual financial statements both dated 12/31/2010, consisting of balance sheet, income statement and notes, as well as the management report, in accordance with the requirements of commercial law. These annual financial statements and group annual financial statements, including the accounting, the management report, the dependent companies report, and the good functioning of the internal control systems, were audited by Warth & Klein Grant Thornton AG, Auditors, Düsseldorf. There is no potential commercial jeopardy other than general entrepreneurial risk which requires a mention. The auditors confirmed the correctness of the processes, did not raise any objections, and certified this for the annual financial statements and the group annual financial statements in an unqualified auditor's opinion.

The annual financial statements of Daldrup & Söhne AG, the group annual financial statements, the management report of Daldrup & Söhne AG, the group management report and the dependent companies provided by the Management Board, the relevant audit reports of the auditor, certified by an unqualified auditor's opinion provided by Warth & Klein Grant Thornton AG, Auditors, Düsseldorf, and the proposal from the Management Board for application of earnings were all submitted to the Supervisory Board for review. After consideration of the environment in the financial and capital markets, the financial situation of the company and shareholders' expectations, we agree with the Management Board's proposal for application of earnings. Of the total retained earnings of Daldrup & Söhne AG amounting to a total of € 12.1 m, a dividend of € 0.11 per share, or a total of € 0.6 m, to be paid out, and the remainder to be carried forward.

The Supervisory Board reviewed the documents presented in good time as required by Section 170 paras 1 and 2 of the Public Companies Act (AktG), as well as the audit report from the auditors. The Supervisory Board accepts the audit results of Warth & Klein Grant Thornton AG, Auditors, Düsseldorf.





Dependent companies report

According to the audit carried out by the independent auditors, the dependent companies report prepared by the Management Board includes the information required by Section 312, para 1 of the Public Companies Act (AktG) and shows that Daldrup & Söhne AG was not disadvantaged in the legal transactions and measures described there and received suitable compensation. The auditors 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 by the Company was not unreasonably high for the legal transactions described in the report, or disadvantages were compensated for,
3. the measures described in the report provide no grounds for an evaluation differing significantly from that of the Management Board."

The Supervisory Board agrees 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 dependent companies report.

The auditors reported to the Supervisory Board at the meeting on May 20, 2011 on the audit of the annual financial statements and the group annual financial statements, carried out in line with their terms of engagement, and were available to answer questions and provide additional explanations.

The Supervisory Board approves the annual financial statements of Daldrup & Söhne AG and the group annual financial statements, both as of December 31, 2010. This means that under section 172ff. of the Public Companies Law (AktG) the annual financial statements of Daldrup & Söhne AG are confirmed and the group annual financial statements are approved.

The Supervisory Board would like to thank the Management for their excellent, constructive co-operation based on mutual trust. Particular thanks go to all employees who, despite very challenging conditions in 2010 succeeded in further expanding the market position of Daldrup & Söhne AG and delivering to customers the benefits they were expecting. 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.

Grünwald, May 20, 2010

Dr. W. Beermann
Supervisory Board Chairperson



The Daldrup & Söhne AG Stock on the Capital Markets

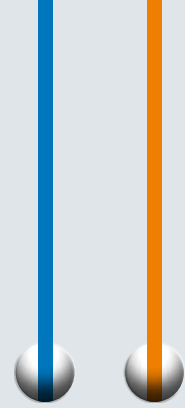
As sobering as was the start of 2010 for investors in the stock markets of the world, as euphoric was the trend in the second half of the year which drove the benchmark indices around the world to show clear price gains in the second half of the year. While still showing high levels of volatility, the capital markets managed to disengage from the clutches of fiscal problems in Europe and global economic topics. The bad start to the new year was mainly due to the start of the reporting season in the US. From the technology sector and again from the financial sector, which was still in the throes of creating massive provisions for defaulting loans, nothing but bad news reached the markets. Added to this was the raising of the prime interest rate in China as the result of a restrictive monetary policy, and in its wake, concerns about a significant cooling-off in the Chinese economy as the global engine for growth. Initially, the high level of public debt in Greece was on the table which, thanks to its scale, was responsible for substantial losses in value for the EURO. And the finances of Portugal, Spain and Ireland all gave cause for concern. The ratings agency Standard & Poors downgraded the country rating for Portugal to AA-, while Greece was downgraded to junk bond status. This made it almost impossible for the Greek State to seek refinancing in the capital markets. The euro countries and the IMF worked under massive pressure to come up with a package of measures to calm the markets. The German DAX benchmark index had already discounted these developments and on February 5 reached its nadir for the year at 5,433.02. During this period the Dow Jones in the US again fell below the psychologically important 10,000 level.

Shares in small- and mid-cap companies faced high levels of volatility during 2010. And the Daldrup & Söhne AG stock can look back on an eventful year on the stock market. At the start of the year prices were still rising, which took our stock over the 25.00 euro mark in the first few days of trading and at 25.10 euro it reached a level which proved to show almost impregnable resistance over the course of the year. In line with clearly troubled sentiment on the worldwide stock markets, and the associated drops in prices on the exchanges, the price for Daldrup & Söhne AG stock also fell back. At the same time as the overall market, at the end of February the stock hit its lowest price of the year so far at 21.76 euro. From the start of the year our stock was being paid attention by many stock market newsletters and magazines.

The lower price also proved attractive to new investors, and the price began a sustainable recovery. Accompanied by the overall market becoming friendlier, and with a few minor corrections along the way, the price reached its high of the year on 15 April at 26.80 euro. A report on the geothermal project in Waldkrainburg, which was very well-received by the media, helped to support this trend.

It was Barclays Bank who sounded the bell for the next turnaround in the financial markets, surprising traders with high profits above expectations. The atmosphere in the market as a whole relaxed visibly. The rescue package from the euro countries and the IMF for the heavily indebted countries in Europe, as well the IMF raising its forecast for growth for the global economy, provided critical support for recovery in the markets and also brought the capital markets back on line as sources of finance. Several companies took the plunge and floated on the stock exchange and Volkswagen AG was also able to place a capital increase successfully. German Industry came in with the strongest spring growth in 14 years, based on exports. But there was still uncertainty everywhere. Negative news, such as the reduction in the FED's forecast for growth in the US kept leading to sharp corrections in the equity markets. Positive announcements, such as the above expectation results for companies in the second quarter, then ensured a bounce-back. Until the end of the third quarter, trading on the markets was subject to high levels of volatility. It was only then that the positive news gained the upper hand. The debt crisis in Europe appeared to be under control and the economic background data looked positive. Ireland and Spain were again able to carry out successful bond auctions; the FED signaled an unconditional readiness to support the economy. Good economic data from China, improved labor market data again from the US, and a clearly improved business climate in Germany all supported the trend. The German stock market started a rally which held until the end of the year, and ended a tumultuous year on the markets just below the all-year high at 6,914.19, or an increase of 16.05 % over the previous year.

While the market as a whole went into a volatile sideways movement at the start of the second quarter, the Daldrup & Söhne AG stock, having reached its peak, was faced with profit-taking which brought the price right back down to the level of the bottom price at 21.70 euro. The excellent results for financial year 2009 with record overall earnings



ended the downward movement and led to an improvement in the price. The overall market volatility did, however, affect our stock, so that profit-taking kept putting the price under pressure and finally brought it back to a new low of 20.72 euro. Several analyst recommendations, as well as a report on successful drilling with the DS 10 Bentec 350-t-AC Euro Rig then reversed that trend. Further positive business news as well as more attention from stock market media and analysts supported

this upward trend and led the stock back up to the resistance level at 25.00 euro, which once again could not be breached. Then the price corrected sharply. In mid-December it again hit the level of the low price and on 16 December came the yearly low at 20.62 euro. But at the end of the year the stock was once again able to move clearly off the bottom, and it ended 2010 on the market at 22.60 euro, almost unchanged year-on-year, but up a clear 9.60% on the bottom.

Daldrup & Söhne AG – Entry Standard 11/30/2007 - 05/06/2011





Management Report for the year 2010

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Group Management Report for fiscal year from January 1 to December 31, 2010

A. Group Business Activities, Competitive Position and General Conditions

1. GROUP STRUCTURE, BUSINESS ACTIVITIES

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 into the business units Geothermics, Raw Materials and Exploration, Water Procurement, and Environment, Development, and Services (EDS). Through building up strategic stakes and partnerships Daldrup & Söhne AG now owns all the elements of the value chain for geothermal projects from holding permits to search for geothermal heat in a specific area, site development through readiness to drill, the drilling project itself, power station construction to energy contracting. So the Daldrup-Group is in a position to offer turnkey geo-thermal power station projects at a fixed price from a "single source".

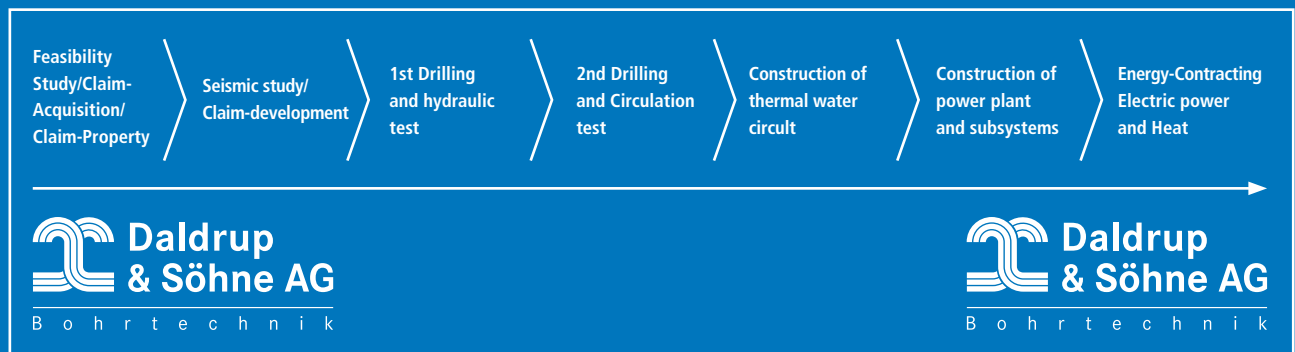
Legal Structure

In financial year 2009 a majority stake was acquired in Geysir Europe GmbH in Grünwald, Germany. At 12/31/2009 we took advantage of the exemption option under section 293 para 4 of the German Commercial Code which meant that no group annual accounts had to be published. So it is at 12/31/2010 that the first group annual accounts are being published, and therefore no comparative values to the previous year are available in the evaluation of the Income, Financial and Asset positions.

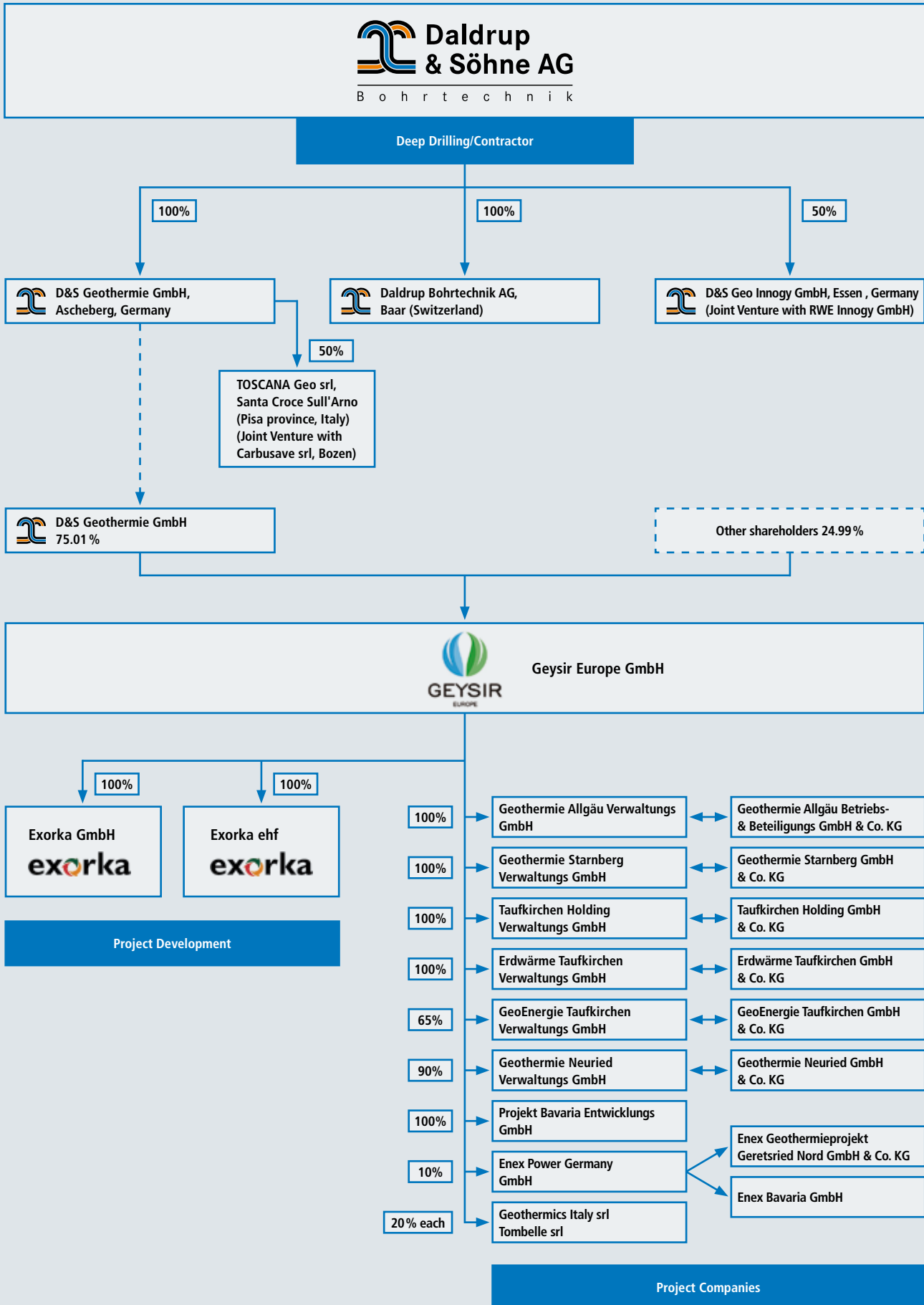
Following the stakeholdings and strategic partnerships in the previous year, during the financial year just ended two changes were made to our legal structure. The founding of and investment in Toscana Geo Srl, Santa Croce Sull'Arno (Pisa/Italy) helps to make our business more international.

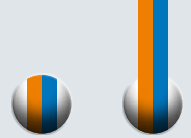
Also an increase in capital at Geysir Europe GmbH raised the shareholding by Daldrup to 75.01 % (previously 51 %) and therefore increased our influence.

Value chain of a typical deep geothermal project



Group structure (as of 12/31/2010 using the company names after re-structuring/new creations)





Organization

All group companies are bound by the business code and/or catalogues of business deals which require approval, and are subject to the strategic direction of the Daldrup-Group. Within this framework they act with the goal of growing the Daldrup-Group's position as the leading drilling technology specialist, project manager and vendor of turnkey power station projects in the geothermal energy sector in Central Europe. Value creation is achieved through the development of geothermal energy projects in our 13 own licensed areas (12 in the Bavarian Molasse Basin/1 in the Upper Rhine Rift Valley) or contracting as a service provider for a third party. Within the organization it is Exorka GmbH that actively provides skills as general contractor, project manager and expert engineer. In addition, the group company Exorka ehf (Iceland) holds the global license for the use of Kalina power station technology, including exclusive rights to the German market. With 16 successfully completed geothermal deep wells so far, down to a depth of 5,000 meters/16,500 feet (TVD=true vertical depth) and thanks to the ability to deal with different geological conditions, the drilling technology skills at Daldrup & Söhne AG, together with our extensive range of drilling equipment, play a key role in the group. The parent company provides central functions for the group companies.

List of references – in extracts

Project Name	Customer	Location	Type of drilling	Depth	Year	Status
Carbo Kohlensäure	Carbo Kohlensäure, Wehr	Wehr	4 wells for carbon dioxide extraction	600-1,000 m TVD	1996-2001	successfully completed
Burg	Entwicklungsgesellschaft Burg (Spreewald) mbH	Burg	Brine extraction well	1,350 m TVD	1998-2000	successfully completed
Rupertsecken	Rhineland Palatinate Geological Survey	Rupertsecken/Palatinate	Exploratory drill – cable drilled bore – final diameter 100 mm	800 m TVD	2000	successfully completed
Grube Messel	Regional Authority for Environment and Geology, Hessen	Messel	Exploratory drill in the Messel mine	433 m TVD	2001	successfully completed
Bad Windsheim	Bad Windsheim Spa Centre Interest Group	Bad Windsheim	Thermal brine well	1,250 m TVD	2004	successfully completed
Minegas 1 and 2	Minegas GmbH	Essen	Targeted bores to collect mine gas. Final diameter 215 and 312 mm	530 and 580 m TVD	2004-2005	successfully completed
Heerlen	Heerlen Local Authority	Heerlen, Netherlands	Geothermics, hydrothermal system in disused mine seams and passages, 5 drills	229-700 m TVD	2006-2007	successfully completed
VDB #1 and VDB #2	A.G. van den Bosch B.V. (Project # 1)	Bleiswijk, Netherlands	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,457 m TVD	2006-2007	successfully completed
Erlenbach 2	Arnsberg Stadtwerke (Municipal Utilities) GmbH & Co. KG	Arnsberg in North Rhine Westphalia	Creating a borehole for a deep geothermal probe	2,835 m TVD	2007-2008	successfully completed
Garching Th1 and Th2	AR-Recycling GmbH	Garching, Bavaria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,165 m TVD	2008	successfully completed
VDB #3 and VDB #4	A.G. van den Bosch B.V. (Project # 2)	Bleiswijk, Netherlands	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,553 m TVD	2008-2009	successfully completed
Aschheim Th1 and Th2	AFK-Geothermie GmbH	Aschheim, Bavaria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,630 m TVD	2008-2009	successfully completed
GTB Sonnengarten	Electricity Works of the City of Zurich	Zurich, Switzerland	Geothermal exploratory drill	2,708 m TVD	2009	successfully completed
Pijnacker Leon Ammerlaan PLA#1 and PLA#2	Ammerlaan Real Estate BV	Pijnacker, Netherlands	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,627 m TVD	2010	successfully completed
Oberhaching Gt1 and GT2	Erdwärme Grünwald GmbH	Taufkirchen, Bavaria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	4,454 m TVD	2010	successfully completed
Waldkraiburg Th1 and Th2	Stadtwerke (Municipal Utilities) Waldkraiburg GmbH	Waldkraiburg, Bavaria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,854 m TVD	2010-2011	successfully completed
Mehrnbach Th1 and Th2	GRB Geothermie Ried Bohrung GmbH	Ried im Innkreis, Austria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,800 m TVD	2010-2011	first borehole underway
Pijnacker Geothermal PNA-GT-03 and PNA-GT-04	Gebr. Duijvestijn B.V.	Pijnacker, Netherlands	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	2,268 m TVD	2010	successfully completed
Taufkirchen GT 1 to GT 4	Exorka GmbH	Taufkirchen, Bavaria	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	3,700 m TVD	2011	order received
GEN 1, GEN 2 and GEN 3	Enex Power Germany GmbH	Geretsried/Wolfratshausen	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	approx. 5,000 m TVD	2011	order received
Schlattingen GT 1 and GT 2	Gemüse- und Landbau (vegetable production and farming) Hansjörg Grob	Schlattingen, Switzerland	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	approx. 1,500 m TVD	2011	first borehole underway
Koekoekspolder KKP-GT-01 and GT-02	Aardwarmtecluster 1 KKP BV	Ijsselmuiden, Netherlands	Hydrothermal pair of bores incl. completing to stage of supply or reinjection drilling	approx. 2,300 m TVD	2011	order received



Business Activities

Services in the Daldrup-Group are brought together at two levels. One level relates to Daldrup & Söhne AG with its direct company shareholdings and the second level brings together the activities of Geysir Europe GmbH and its direct subsidiaries. In this respect the Geysir-Europe-Group forms a sub-group within the Daldrup-Group. The first level mainly includes the business activities for geo-thermal energy, commodities & exploration, water procurement and EDS.

The Geothermics business unit 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 5,000 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 within the total energy mix. Countries which have high enthalpy fields (areas in which high temperatures (over 200 °C/390 °F) and/or pressures can be found at a relatively shallow depth (< 2,000 m/6,500 ft) 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 as part of renovation of buildings for energy conservation should not be ignored. Reference is made here to the tightened regulations of the **Energy Conservation Regulation 2009** (effective since 10/01/2009) relating to energy-saving heat insulation and energy-saving systems engineering for buildings (new construction and renovations). A study by Deutsche Bank Research sets a value for this kind of investment in buildings at a total construction volume up to 2030 of up to 25 billion EUR. The main focus of activities for Daldrup & Söhne AG domestically are in the Bavarian Molasse Basin south of Munich and in future in the Upper Rhine Rift Valley as well as in the North German Plain. International activities in fiscal year 2010 were concentrated especially

on the Netherlands, Austria and Switzerland. Activities across Europe for Daldrup & Söhne AG will be located at sites with especially good geothermal potential and the corresponding sales opportunities for electric power and heat. Deep wells down to 5,000 meters/16,500 feet are a challenge for both the teams and the technology. With 16 successfully completed drills in various different geological conditions Daldrup & Söhne AG has mastered all stages of this kind of project. The contribution of the steadily growing Geothermics business unit to the overall performance at Daldrup & Söhne AG reached 86 % in 2010 (previous year 80 %).

In the Commodities and Exploration business unit, Daldrup & Söhne AG carries out drilling operations on behalf of domestic and international mining companies as they prospect for deposits of fossil fuels (especially hard coal, oil and natural gas) as well as mineral commodities (e.g. salts, ores, copper, nickel, zinc, and lime). Another major area is work for the evaluation and securing of the substratum in mining areas. This business unit's contribution to the total performance of Daldrup & Söhne AG in 2010 amounts to 9 % (previous year 11 %).

The Water Procurement business unit is the original core of the company Daldrup & Söhne AG. It includes drilling wells to obtain 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 key in water procurement: from the stainless steel pipelines for the transport 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. Water management will become highly significant in future. The water distribution networks of the industrialized countries are decaying, a large proportion of the world's population has no access to drinking water supplies and drinks insufficiently cleansed waste water. So clean water is a valuable raw material, and drinking water is a highly valuable foodstuff. The Water Procurement business unit represented 3 % (previous year 6 %) of the total performance of Daldrup & Söhne AG in 2010.



The fourth business unit, Environment, Development & Services (EDS) is where special environmental technology services for a broad range of customers have been combined. Daldrup & Söhne AG's skills have been repeatedly proven during the hydraulic clean-up of contaminated sites, the planning and construction of gas extraction wells for the recovery of trash heap gas, the provision of groundwater quality measurement points, or the construction of water purification plants. In fiscal year 2010, the EDS business unit contributed 2% (previous year 3%) to the overall performance of Daldrup & Söhne AG.

Practical success in applications and learning curve benefits from the other three business units alongside Geothermics have consistently led to further development of our drilling know-how and the training of young and new employees. In addition fluctuations in employment needs for the running of major installations can be absorbed by staff pooling. All of the business units are strategically valuable, and we will continue to work with and staff them.

A decision at the Annual General Meeting of July 1, 2010, led Daldrup & Söhne AG to move its registered offices from Erfurt to Grünwald in Bavaria and to maintain a subsidiary in Ascheberg/Westphalia. As Daldrup & Söhne AG's drilling equipment is mainly in use in southern Germany (Molasse Basin/Upper Rhine Rift Valley) and in the countries bordering the Alps, the company transferred its management center to Grünwald. By sharing offices with the Geysir-Europe-Group further synergies could be realized in organizational procedures and project management. It is also relevant here that the 13 own licensed fields looking for geothermal heat are located in Bavaria (12) and Baden-Württemberg (1).

On average during 2010 Daldrup & Söhne AG had 80 employees (previous year 68) and 6 employees (previous year 9) at Exorka GmbH. Moreover, about 70 additional employees were made available on a flexible basis to Daldrup & Söhne AG by other companies.

Number of Employees at 31 December in the Daldrup-Group:

Employees on December 31, by role	2010	2009
Drilling	61	54
Management (excluding Directors)	16	14
Minor employees	5	5
Trainees	5	6
Daldrup & Söhne AG	87	79
Exorka GmbH	7	6
Group – total	94	85





2. COMPETITIVE POSITION

The competitive position of Daldrup & Söhne AG has the firmest of foundations, thanks to its many years of market presence, its skills, its financial strength, and existing reference sites with drilling depths down to 5,000 meters/16,500 feet.

High technical, financial and official/administrative barriers to entry into the market as well as the limited availability of the necessary drilling capacity serve to reinforce Daldrup & Söhne AG's favorable position. In addition Daldrup & Söhne AG has a comfortable portfolio of orders which guarantees use of capacity and provides planning certainty through to the end of 2012. Thanks to the effects of the financial and economic crisis, which can still be felt, some geothermal energy projects had slowed down and are now picking up speed to reach the point of readiness to drill and implementation. According to data from the International Wirtschaftsforum Regenerative Energien (IWR – renewable energy industry institute) the number of deep geothermal projects is rising significantly. At the end of 2010 there were a total of 13 deep geothermal plants on line and 21 under construction. A further 81 projects are currently on the drawing board. There is an enormous pent-up demand with a considerable impact on market growth for the geothermal sector.

3. STRATEGY, GOALS AND GROUP MANAGEMENT

The goals and strategy of Daldrup & Söhne AG remain unchanged, expressed as the intention to achieve sustainable growth and to expand their leading market position in Germany and Europe as an experienced drilling technology specialist. In addition, the Company's sights are now set on involvement in geothermic power plant projects to generate additional returns from grid feed-in and sale of electric power and heat under the Renewable Energies Act 2009 (EEG 2009). The longer-term goal is to develop the Daldrup-Group into a mid-market energy supply company. Decisive steps in this direction were already taken in 2009 through the founding of a 50/50 joint venture with RWE Innogy GmbH, Essen, as well as Daldrup Bohrtechnik AG, Baar (Switzerland), and the majority holding in Geysir Europe GmbH, Munich.

4. PARTICIPATING INTERESTS AND STRATEGIC PARTNERSHIPS

The Daldrup-Group's investments and partnerships are used to directly and actively pursue the company goals of development and implementation of our own deep geothermal projects through to sales of energy and/or heat. The Daldrup-Group will benefit more than proportionally from the forecast growth in the market and this sector.

D&S Geo Innogy GmbH, Essen

The 50/50 joint venture with RWE Innogy GmbH is focused primarily on the development of the joint license claim at Walldorf next to Frankfurt airport and the possibility of Fraport AG joining our Joint Venture as a potential heat consumer. In 2011 we will undertake the preliminary seismic tests which will be decisive for the next project steps.

Daldrup Bohrtechnik AG, Baar (Switzerland)

Daldrup Bohrtechnik AG operates independently in the very interesting Swiss market, and in addition successfully completed a drilling project in the Netherlands in 2010. The necessary drilling technology and qualified operators are provided as needed by Daldrup & Söhne AG at standard market rates. These activities in a so-called third country (outside of the euro zone) led to some specific organizational, logistical, and administrative challenges. In particular, clearing drilling rigs with their equipment and accessories through customs and handling the supply traffic for the ongoing drilling operation involved additional costs.

As Switzerland's policy is based on the energy policy model of the 2,000 Watt Society from the Confederal Technical University in Zurich (ETHZ), there are excellent pre-conditions there for expanding the use of renewable energies, and in particular for the exploitation of geothermal energy. The goal of the 2,000 watt society is that the energy consumption of every person in the world should average a requirement of 2,000 watts (17,500 kWh/yr), with no reduction in their level of comfort. Switzerland has a current level of approx. 5,000 - 6,000 Watt per inhabitant and the ambitious goal of the 2,000 Watt Society can only be achieved by energy efficiency (energy savings), massive increases in renewable energies (sustainability) and the development of new technologies. Having a local presence and working in the market locally results in additional potential orders in the financially strong and progressive Swiss energy market.

D&S Geothermie GmbH, Grünwald

The main investment activities of the Daldrup-Group are brought together in D&S Geothermie GmbH.

At the end of 2009 Italy created robust energy supply legislation, similar to the German law (EEG) known as "Conto Energia" and liberalized the energy market. On a smaller scale D&S Geothermie GmbH became active in Italy thanks to a 50 % stake in the Toscana Geo Srl, newly created in April 2010, in conjunction with a partner from South Tyrol (Italy). The aim is to secure claim rights in the Tuscany region to enable implementation of geothermal projects. After Iceland, Italy is the largest producer of geothermal energy in Europe, due to highly favorable geological conditions. Iceland and Italy rank in the Top Ten worldwide of geothermal energy producers.

The second level of business activities and services in the Daldrup-Group is brought together within the Geysir-Europe-Group. In 2010 the share of D&S Geothermie GmbH in this business rose from 51 % to 75.01 % thanks to a capital injection, and therefore our influence on the activities of Geysir Europe GmbH increased. The new capital has been used to finance further growth in the operational business of the Geysir-Europe-Group, particularly to implement its own geothermal power station project for energy and heat production starting 2011.

Structure of the Geysir-Europe-Group:

The Geysir Europe GmbH acts as a holding company for the stakes held in the subsidiary and project companies and also holds mining permits for prospecting for terrestrial heat in the areas defined by co-ordinates (so-called fields or claims). The Geysir-Europe-Group owns 13 claims for direct and active implementation of its own deep geothermal projects to generate power and heat.

The subsidiaries Exorka GmbH and Exorka ehf (Iceland) operate under the brand "Exorka" and bring together the relevant project management and power station skills within the Daldrup-Group. As a General Contractor and with expert staff consisting of engineers, technical experts and geologists, Exorka GmbH is in a position to offer and deliver turnkey geothermal projects at fixed prices. The preferred

power station technology is the **Kalina Process** which is a heat transfer process to generate steam developed using a mixture of ammonia and water at low level temperatures to produce energy. Exorka ehf owns the worldwide license for exploitation of the Kalina process, and exclusive rights for its use in Germany.

The Claims are at various different development stages. The projects which are the furthest advanced in their development are in Taufkirchen and Neuried. In the Taufkirchen claim we have been working with Axpo AG (Switzerland) since December 2010 to carry out the first geothermal project in the Molasse basin. The project will be developed as a turnkey system by Exorka GmbH as the general contractor and its commissioning and connection to the grid are planned for the end of 2012.

The Geothermie Neuried GmbH & Co. KG project located in the Upper Rhine Rift Valley will be brought to the point of being ready for drilling during 2011 in collaboration with the community of Neuried.

The work programs for the further development of the other claim fields is being pushed actively forwards, so that the projects can be carried out each in turn, over the next few years.

With its structure, assets and skills Geysir-Europe-Group is one of the most important developers of geothermal projects in Germany and guarantees the Daldrup-Group a sustainable order pipeline for geothermal deep wells, additional revenue opportunities from the management of geothermal power stations and helps to extend the range of services provided within the geothermal marketplace.



5. RESEARCH AND DEVELOPMENT

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

- **Deep geothermal probes:**
Closed circuit within a U-tube or a coaxial probe with a circulating heat transfer medium (e.g. geothermal project for electrical works for the city of Zurich, Switzerland, in the Triemli District).
- **Hydrothermal systems:**
Open circuit in which thermal water flows between two deep bore holes (wells) via natural groundwater conductors (aquifers).
- **Petrothermal systems:**
Open circuit; hydraulic stimulation is used to create cracks and gaps in dry rocks through which artificially introduced/injected water flows.

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

The Daldrup-Group regards itself as a technological pioneer in deep geothermal energy and intends to take up the technological challenges of petrothermal geothermics/the so-called Enhanced Geothermal Systems (EGS) as a prospective field. As part of our research & development an experimental and test project is being initiated for the market-ready application of EGS in the currently ended project with Geothermie Allgäu Betriebs- und Beteiligungs-GmbH & Co. KG in Mauerstetten (Kaufbeuren, Germany). It is intended to make use of an existing, non-productive bore hole of 4,400 m (14,500 feet) MD (= measured depth). This joint project with geothermal experts, the Technical University and Mining School in Freiberg and the Geo Research Centre in Potsdam includes stimulation measures in the so-called Malm karst limestone, so that even in apparently unfavorable geological formations geothermal heat can be made industrially useable.

The largest drilling rig owned by Daldrup & Söhne AG, the DS-10 Bentec 350-t-AC Euro Rig™, is designed to carry out deep drilling projects like this.

Being able to control petrothermal geothermal energy production would solve mankind's energy supply problems in a way which is climate friendly, renewable and inexhaustible.





6. GEOTHERMAL ENERGY IN NUMBERS

Geothermal energy 2009/2010

	2010	2009
Power production	27.2 GWh	18.8 GWh
Installed Capacity for Power Production	7.5 MW	7.5 MW
Heat production (deep geothermics)	300 GWh	250 GWh
Heat production (shallow geothermics)	5,285 GWh	4,681 GWh
Investment (Major installations and Heat pumps)	850 m euro	n/a
Employment (deep geothermics)	1,300 Jobs	1,300 Jobs
Employment (shallow geothermics)	12,000 Jobs	13,200 Jobs

Data from the German Ministry for the Environment (BMU) on the development of renewable energies in Germany in 2010 based on data from the Working Group Renewable Energies-Statistics (AGEE-Stat) – provisional data –

Even if the share of geothermal energy in Germany's energy production is still relatively tiny, the outlook for growth is magnificent. According to a forecast from the German Renewable Energy Federation (Bundesverband Erneuerbare Energie) the installed capacity for power production should be as much as 625 MW by 2020.

Overall, the proportion of renewable energies within total energy provision in Germany has risen slightly in 2010. For power generation the share rose to 16.8 % (previous year: 16.3 %) and the share for heat provision rose to 9.8 % (previous year: 9.1 %). It must be noted here that under the influence of general economic factors there was a clear increase in final user energy consumption and that the renewable energies were able to keep step with this growth.

7. OVERVIEW OF BUSINESS DEVELOPMENT

The general economic situation in Germany has been characterized by the economic recovery which started in the middle of 2009 with impressive speed, peaking in a very strong second quarter 2010. The Council of Experts on the Assessment of Economic Trends (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) expects for 2010 an increase in gross domestic product of 3.7 % – increasingly driven by domestic demand. Their annual assessment for 2010/11 with the title Opportunity for stable growth, forecasts a continuation of economic recovery in 2011, although not at the same rate. The rate of growth of gross domestic product is likely to be 2.2%. In this unusually powerful recovery process we must not forget that the gross domestic product at the middle of 2010 was at a level which was last seen at the end of 2006/start of 2007. According to the forecast from the council of experts the losses in production caused by the crisis will have been fully recovered by the end of 2011. This possible stable positive development should be strongly supported by economic policy. That needs to create the pre-conditions for the German economy to be able to realize its opportunities for growth in the medium and long-term as well. Compared to the other EU countries, in the last decade Germany had achieved only low levels of growth and this needs to be changed in favor of a higher and therefore initially steeper path to growth.



The world economy is experiencing divergent levels of recovery. In 2010 global production regained its level from before the financial crisis. Equally, world trade expanded exceptionally strongly and recovered most of the ground lost in the drastic falls of the previous year. This clear economic improvement was essentially supported by the very expansive monetary and fiscal policies of many countries, combined with stable demand from emerging markets. Global production in 2010 is expected to have grown at a rate of 4.8%. The contribution of individual groups of countries to this result was, however, very mixed. While economic performance in many emerging countries is now well above the levels before the crisis, the fall in gross domestic product in most industrialized countries has yet to be fully recouped. World economic recovery, according the council of experts, will lose speed during the period of its forecast.

Against this economic backdrop, the Daldrup-Group in financial year 2010 achieved a sales of € 57.9 m and, allowing for reductions in work-in-process inventories, overall revenues of € 41.1 m. It was not possible to achieve more definite growth as there were several project delays which occurred which were not under the control of Daldrup & Söhne AG. The causes of these were more stringent licensing procedures for drilling projects following the oil well catastrophe in the Gulf of Mexico, the delayed preparation of drilling sites by clients, prolonged tender procedures for geothermal projects and clear reluctance by the banks to provide project financing. The result was that the high-tech drilling rig DS 10 Bentec 350 t Euro Rig™ was not in use for a period of around six months during 2010 and the projects are now being carried out in the subsequent years 2011/2012.

The overall performance for 2010 was delivered 61.2% in Germany and 38.8% abroad (mainly the Netherlands and Switzerland).

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

1. EARNINGS POSITION

Here is a rapid overview of the earnings position of the Daldrup-Group:

Income Statement	2010 '000 €
Sales	57,890.00
Overall performance	41,128.00
Other operational income and tax refunds	7,786.00
Cost of materials	25,987.00
Personnel expenses	5,570.00
Amortization and depreciation on intangible and tangible assets	3,996.00
Other operating expenses	9,398.00
EBIT	3,963.00

The process of value generation and delivery at Daldrup & Söhne, which is typical of the industry and project dependent, requires regular valuation of inventories, in particular the valuation of work in process. In accordance with accounting principles and applying 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 results are not realized and shown in the income statement until after completion, acceptance, and final billing of a project. In contrast, the project and operating costs are posted immediately they are incurred. The Income Statement of the Daldrup-Group is therefore heavily influenced by project activities.

The overall performance for financial year 2010 was made up of revenues of € 57.9 m and substantial reductions in inventories of € 16.8 m. The reductions in inventory result from drilling orders which were completed, calculated and billed within the financial year. These included in particular the drilling projects in Garching and Oberhaching (both in Bavaria) as well as in Pijnacker (Netherlands). In addition project-related delays occurred to planned and scheduled drilling contracts and, because a high-tech deep drilling rig was out of service for six months, no compensating income could be earned.

The other operational income including refunds of other taxes for a value of € 7.8 m is made up of income from co-operative ventures, income from hiring out of deep drilling rigs, income from the sale of financial investments, from the reversal of provisions and from compensation payments from insurance.

The cost of materials with a traditionally high proportion of services bought in from third parties (e.g. drill hole measurements, directional drilling services, drilling mud service and bought-in staff services) was € 26.0 m during the reporting period, and the gross profit ratio was 36.8%.

Personnel expenses of € 5.6 m (of which € 0.73 m for Management Board compensation) rose more than proportionately in comparison to overall performance trends and are commensurate with the hiring of new well-qualified employees. The availability of our own staff can be important for certain contracts and the use of staff agencies will be reduced to a minimum.

The other operational expenses totaling € 9.4 m include mainly costs of premises, insurance premiums, vehicle costs, advertising and travel costs, ongoing maintenance expenses in the operational business units, legal and consultancy services as well as the cost of exchange losses. In the area of insurance, special drilling risks (machine breakdown, business interruption) were insured on behalf of clients and in some cases this was rebilled to them. In addition, the costs of vehicles, advertising and travel costs, as well as ongoing maintenance, have risen due to the increasingly international character of our activities.

Scheduled depreciation was € 4.0 m and relates primarily to the drill rigs and vehicles. The deep drilling rigs are being depreciated on the basis of a useful life of 15 years under normal operational conditions.

Earnings before interest, tax and exceptional costs (EBIT) for the Daldrup-Group are € 4.0 m.

The result from financial operations is more or less balanced and ends up as a cost of € 0.3 m in the books. This combines interest income from investments of € 0.2 m and costs of € 0.5 m. These are interest costs for loans from other share-holders and the proportional share in the result of D&S Geo Innogy GmbH.

The group profit for the financial year 2010 is € 2.4 m.



Assets and Liabilities

Overview of the Assets and Liabilities of the Daldrup-Group:

Assets	01/01/2010 '000 €	12/31/2010 '000 €
A. Fixed assets		
I. Intangible assets	7,480.00	8,216.00
II. Fixed Assets	47,208.00	49,207.00
III. Financial Assets	793.00	2,541.00
B. Current assets		
I. Inventories	12,106.00	6,854.00
II. Receivables and other Assets	12,418.00	21,705.00
III. Liquid Assets	6,943.00	4,156.00
C. Prepaid expenses and deferred income	595.00	46.00
D. Deferred tax credits	67.00	91.00
	87,611.00	92,816.00

Shareholders' Equity and Liabilities	01/01/2010 '000 €	12/31/2010 '000 €
A. Shareholders' equity	64,758.00	70,035.00
I. Subscribed capital	5,442.00	5,441.00
II. Capital reserves	30,503.00	30,503.00
III. Earnings reserves	143.00	109.00
IV. Equity adjustment due to exchange rates	1.00	146.00
V. Group accumulated profits	19,781.00	26,789.00
VI. Other Shareholder Interests	8,888.00	7,047.00
B. Accruals	1,722.00	2,660.00
C. Liabilities		
I. Liabilities to Banks	0.00	563.00
II. Trade payables	7,407.00	8,091.00
III. Other Liabilities	12,787.00	11,082.00
D. Accrued expenses	732.00	192.00
E. Deferred Tax Liabilities	204.00	193.00
	87,611.00	92,816.00





At the balance sheet date of 12/31/2010 the total assets of the Daldrup-Group were € 92.8 m. Asset values of € 60.0 m are made up of intangible assets of € 8.2 m, which represents the value of the 13 claims for prospecting for geothermal heat in a specific area at their current state of development (including seismic mapping). The value of the Kalina license has also been included here. This is a heat transfer process to generate steam using a mixture of ammonia and water at low temperatures for production of energy. The Daldrup-Group owns the worldwide license for exploitation of the Kalina process, and in particular the exclusive rights for its use in Germany.

Fixed Assets include land and buildings on the land to a value of € 4.0 m, which are for business purposes and directly linked to the drilling and power station projects. The machines, technical and other equipment worth € 27.6 m are mainly our range of drilling equipment, other vehicles, plus the necessary technical and office equipment. In addition there are down payments on equipment under construction totaling € 17.6 m which have been made in relation to the geothermal energy projects in Taufkirchen and Mauerstetten, as well as on a turbine.

Financial investments of € 2.5 m include a value of € 0.4 m for the stake in D&S Geo Innogy GmbH, which is shown using the equity method. In addition to this, there are long-term investments in securities (€ 2.0 m) and loans to Enx Power Germany GmbH (€ 0.1 m).

The value of raw materials, consumables and fuel, at € 3.6 m, represents the necessary inventory of goods and supplies to operate a drilling business. Given the ability and willingness to deliver of our suppliers it is not necessary to hold a larger inventory. Incomplete deliveries, valued prudently, represent € 3.2 m as of the balance sheet date. Advance payments received of € 10.9 m were explicitly deducted from the orders work in process.

The high level of receivables, resulting from timing, at € 13.6 m, given the solvency of our customers, is reliable and does not include any special recognizable risks. Receivables of € 2.3 m from companies in whom we hold a stake relate to the expected investment of co-shareholder GeoEnergie Taufkirchen GmbH & Co. KG, which was not paid in until the new financial year. The other assets include an amount of € 2.5 m which derives from booking contracts for drilling equipment with customers. The liquid assets (cash/bank) of € 4.1 m were invested short-term in risk-free daily and term deposits in the local banks where we hold accounts. Daldrup & Söhne AG was solvent at all times throughout the fiscal year.

The equity of the Daldrup-Group at 12/31/2010 is € 70.0 m which means an equity ratio of 75.4 % to the total assets, and indicates both the financial independence and the scope for action of the Daldrup-Group.

In the provisions for pensions the new German Accounting Law Modernization Act (BilMoG) led to a recalculation and adjustment as at 01/01/2010. For tax payments the expected tax expense of € 0.2 m was provided for. As in the previous, year provisions were set aside for liabilities which are presumed to exist and for potential risks, applying the prudence principle, to a value of € 2.0 m.

Liabilities to credit institutions at the balance sheet date consisted solely of clearing delays. Account compensation was carried out immediately on the start of the new financial year. Existing credit lines are adequate to cover the suretyships, guarantees, and letters of credit usual in the industry. Liabilities resulted in particular from the trade procurement process. Other liabilities result from current salary and tax liabilities, social contributions and also exist in relation to other shareholders of Geysir Europe GmbH.

2. FINANCIAL POSITION

The financial position of the Daldrup-Group can be seen from the following abbreviated capital flow statement:

Capital flow statement	2010 '000 €
Net income for the year	2,428.00
Depreciation	3,996.00
Other changes to funds from operational activities (net)	-5,829.00
Cash Flow from Asset Management	595.00
Funds outflow due to investment activity	-6,794.00
Funds inflow from funding activities	3,310.00
Change in liquid assets	-2,889.00
Changes to funds due to currency rates and consolidation factors	102.00
Liquid assets 01/01	6,943.00
Liquid assets 12/31	4,156.00

General Statement on Economic Situation

Set in a context of a positive national and global economic situation, the Daldrup-Group overall shows very good and stable economic and financial qualities. Geothermal energy is gaining importance in the mix of renewable energy sources for sustainable energy supplies, so that Daldrup & Söhne AG, both now and in the future, is superbly positioned and will achieve its goals both in terms of value and of growth. The outlook for the sector and the prospects for growth are excellent, given the political conditions, Daldrup & Söhne AG's reputation and our large number of reference sites.



C. Events after the Reporting Period

As the senior company in the group, Daldrup & Söhne AG for the first time in the company's history, in March 2011 took out flexible bank lines of credit for € 10 m. This potential liquidity is now available for investments, and in particular for providing capital to group companies for project funding. Thanks to the global financial crisis, the banking system continues to be unable to provide well-functioning project finance as needed. These conditions of scarcity in the financial markets led the highly credit worthy Daldrup & Söhne AG to equip itself with funding via two regional banks. This makes a reliable source of refinancing available to the Daldrup-Group and continues to guarantee our financial freedom of action and stability.

D. Risk Report

The deliberate and controlled management of opportunities and threats is a key element of corporate management at Daldrup & Söhne AG. Our opportunities and threats evaluation system is regularly updated to handle the increasing complexity and volatility in the world today.

The risk evaluation system, the risk environment, and the potential threats to Daldrup & Söhne AG are described below:

1. STRATEGIC RISKS

A fast-growing company brings with it risks from new employees, adjustments to organizational structures, and a change in the risk environment. Integration and re-engineering processes are a part of day-to-day business.

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

2. BUSINESS RISKS

Risks in operational drilling activities and in project management

There are basically three separate threats/risk areas which are related to deep boreholes and the project management business:

- a. The subsoil risk, i.e. the risk of unforeseen effects and difficulties caused by the subsoil, is in practice (construction law) borne by the customer, even if the subsoil of the site he has provided was previously examined and described in accordance with the generally accepted state of technology. In its position as contractor for drilling projects, Daldrup & Söhne AG has solely an obligation to survey and notify or warn in the event of clearly discernible risks. With trained/certified staff, the use of the most modern drilling technology and continuous monitoring of drilling projects by the responsible mining authority, the Daldrup-Group initially is not open to any risk. When implementing our own geothermal projects, given the fact that the owner of the mining rights is a group company, the subsoil risk is managed by careful planning and preparation. Additional security is achieved by the sub-contracting of complex planning and engineering tasks to contractors with the necessary insurance.
- b. The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption can be insured. For injury to people and damage to goods or the environment we have adequate worldwide cover from our business and product liability insurance from an insurance company. A separate machine insurance (including lost in hole) insures possible damage to the deep drilling equipment as well as all accessory machines and equipments at an initial level. The risk of business interruption as the result of damage can be insured normally. Blowout risks are fundamentally part of the subsoil risk, but can also be covered via increased insured values in individual cases as part of the business liability insurance. The best insurance against a blowout is to use modern and functional blowout preventers (BOP), which Daldrup always uses in any case.

No other particular risks exist beyond the scope of normal business liability risks. Risk and claim avoidance by applying a consistent and certified quality and safety policy are prime factors in the Daldrup Group's operations. In individual cases we will carry out corrections free of charge ourselves so that the claim level with insurers continues to remain very low.

c. Insurance cover for a drilling project striking out Specialized policies from insurance consortia can now cover the considerable risk of the non-success of a deep borehole. The strike parameters are defined unambiguously in terms of the quantity of fill, the temperature and the lowering of the water level. In judging the insurance risk, the insurability and the level of the premiums of a project, the experience and reference sites of the drilling company involved as well as the likelihood of a strike as assessed by the external expert are all critical. The insurability of geothermal projects which are planned, drilled and implemented by the Daldrup-Group have always been commercially insurable. Whether such insurance cover is taken out is in the end a judgment to be made by the customer.

The existing and functional insurance approaches cover the significant risks for geothermal drilling and so help the geothermal technology of the future to grow its market niche.

Competitive Risks

New, lucrative, and growing markets attract additional market players. The efforts of companies in related sectors to enter the geothermal energy market are highly visible due to the high barriers to market entry. Daldrup & Söhne AG does not see any noteworthy heightening of competition for drilling services in the medium term, because demand for these services will in future continue to be higher than available capacity. Our numerous reference sites, the many years we have been well-known, and our position in the market give the Daldrup-Group an important competitive advantage.

Procurement Risks

The procurement of technical equipment and inventories of raw materials, consumables and fuel and the procurement of third-party services have not had a negative impact on the delivery of performance by Daldrup & Söhne AG. Procurement risks are limited by diversification on the procurement side and having alternative sources available. There are core vendors based on good terms, product quality and reliable delivery. Once again there are no special vendor dependencies to report. New challenges and opportunities have been recognized and implemented by Daldrup through the extension of the vertical and horizontal value chain. This helps us as a drilling technology specialist to further develop into a fully integrated and stable geothermal energy group.

Personnel Risks

Daldrup & Söhne AG has several key employees (e.g. project managers, experienced machine operators) whose contacts and expertise of many years' standing are important for the success of the Company. The loss of key employees – e.g. by them being tempted away, or through illness – could at least temporarily leave a gap. Nor is it possible to relieve the traditional scarcity of certified professionals to operate our wide range of drilling equipment through internal training and qualifications. Strategic investments and acquisitions are therefore being actively pursued.

Financial Risks

Foreign currency risks are reduced as far as possible by negotiating contracts and prices in EURO. For contracts and procurements in foreign currencies (during 2010 primarily Swiss Francs) currency and rate insurance instruments such as forward currency transactions are systematically used, which when consolidated into the group become irrelevant. 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 2010.

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

The global financial crisis continues to have an impact and finance from credit institutions for geothermal projects is not available, or only under onerous conditions. This could lead to further barriers to growth for the geothermal market.

3. TECHNOLOGY RISKS

The drilling technology used by Daldrup & Söhne AG reflects the latest state of the art and is not subject to rapid technological change so that there is no particular risk potential here. The Kalina power station technology used particularly in Husavik, Iceland as well as in Unterhaching in Germany is particularly well suited to generating power under low temperature conditions. The Daldrup-Group is the license holder for this process and is absolutely convinced that the combined use of geothermal heat and the Kalina technology will be able to make a substantial contribution world-wide to safeguarding energy provision.

4. LEGAL RISKS

Legal disputes can rise from the delivery process and in relation to warranty claims. In particular project-based business brings with it various areas where disputes can easily arise. In most cases such disputes can be settled without the need for legal advice. In a few cases court disputes cannot be avoided. As appropriate, protective measures are taken in the balance sheet, or external specialist attorneys are engaged to protect the interests of Daldrup & Söhne AG. Except for the necessary legal procedural costs so far there has been no need to create a provision.

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

5. GENERAL OPINION OF RISK SITUATION

While pursuing a conscious risk strategy seeking opportunities, seizing them quickly and being willing to change existing plans, the Company's management is focused on 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.

The capacity to absorb risk is a given, with the existing and potential financial reserves, the favorable balance sheet conditions as well as a well thought-through insurance approach. The business opportunities outweigh the possible risks.



E. Forecast Report

1. FUTURE DIRECTION OF THE COMPANY

The Daldrup-Group is continuing to transform itself into a fully integrated geothermal energy group and therefore is building up its national and international market position as a turnkey provider of geothermal power station projects.

By exploiting internal growth potential and in particular through strategic acquisitions and partnerships we are planning ahead for the expected rapid growth in the geothermal energy market and expanding our technical, staff and organizational capacity. Our intention is that a clear division of tasks and functions will be maintained structurally within the group.

2. FUTURE GENERAL ECONOMIC CONDITIONS

In terms of energy policy the year 2010 was marked in Europe by continuing discussions about the use of Renewable Energies and the extension of the useful lives of atomic power stations. The retention of atomic power is to serve as a bridge technology during the further expansion and financing of Renewable Energy Sources to achieve the ambitious climate-related

goals. At the same time a clean-tech-crisis occurred as the scale and the long-term effects of the over-subsidized photovoltaic and wind energy sectors became clear, and reductions were applied to the relevant feed-in payment rates. The misallocation of public funds in the last few years has initially led to a massive increase in Germany of these ineffective Renewable Energy Sources. The additional and durable costs for energy consumers resulting from the high indirect costs for the necessary grid expansion and the maintenance of redundancy to safeguard energy supply became visible for the first time. In contrast, geothermal energy is close to the consumer, permanently online, able to provide base load and at 16 cents/kWh basic payment is only modestly subsidized. Expensive expansions of the grid and redundant power stations would be close to non-existent under a logical expansion of the inexhaustible geothermal energy source. This means that strong support by political decision-makers for the advance and expansion of the use of hydro- and petro-thermal geothermal energy is desirable. The German Federal Geothermal Association (GtV) and the Geothermal Business Forum (WFG) have produced a position paper on the update to the Renewable Energies Law (EEG) which proposes the following amendment to the EEG:

EEG-compensation for geothermal electricity in euro-cents/kWh	former	new	Degressive
Basic compensation	16	20	1 % from 2019
Early starter bonus	4	7	10 % from 2019
Heat bonus	3	3	1 % from 2019
Technology bonus	4	4	1 % from 2025



With the proposed changes to the EEG many future-oriented geothermal projects could be implemented and the momentum this would create would also lead to cost reductions due to the benefits of scale, learning curves as well as planning and estimating certainty. The additional data and expertise which would be gained would improve the ratio of strikes and thereby improve investment and financial certainty. Not least, the continuous development of pumps and power station technology would contribute to making geothermal energy a reliable source of energy capable of base energy loads within the Renewable Energy Mix. According to the two groups (GtV and WFG) with a suitable reworking of the EEG, by 2025 just in Bavaria and Upper Rhine Rift Valley around 120 hydro-geothermal projects could be implemented with an electrical generating capacity of around 4.6 TWhel. The major potential of the North German Basin with many projects in planning is not even included in this.

The second decade of the 21st century will be marked by the continued expansion of the potential of Renewable Energies. The atomic crisis, triggered by the devastating accident in the Japanese atomic power station in Fukushima has effected a rethink of energy policies. The German Federal Government has reacted with a moratorium on older types of atomic power stations in Germany and overall has speeded up the move away from using atomic power. Particularly in the still new application of geothermal energy there is the greatest scope for expansion and rapid technological advances can be expected around the world. The central energy policy goal is an economic and environmentally friendly energy supply for Germany with a majority share of Renewable Energy Sources in the energy mix. Even as soon as 2020 the share of electrical production from Renewable Energy Sources is supposed to reach 35 % of gross energy consumption; by 2030 it should rise to 50 %, by 2050 to 80 %. Wind, sun and bio energy sources cannot provide security of supply in an economic and reliable way. Wind and sun depend strongly on location factors, seasons and daily conditions and bio-energy needs biomass, with its associated production costs and it promotes monocultures. It is precisely geothermal energy which can supply the base load from a safe, economic and environmentally friendly energy source which offers the best opportunities and options for decentralized energy and heat supply in many different regions.

Daldrup has recognized this potential for geothermal energy since 2004/2005 and followed through on it successfully. From a longer-term perspective, by the year 2020 the Daldrup-Group will be running its first own geothermal heating and power stations, and will be making significantly increased sales and profits from the sale of heat and energy. Daldrup will be able to profit handsomely from the spurt in growth thanks to its position as market leader. By the end of this decade we will have moved a large part of the way closer to our declared strategy and goal of becoming a mid-market energy supplier.

3. EXPECTED EARNINGS, FINANCIAL POSITION

The drilling and project management business is accompanied by many natural unknown factors, as delays and fluctuations can occur based on planning, approval and tender processes, the geology, particular infrastructural conditions and the demands of project financing. One cannot preclude the effect of such factors, which are beyond the control or influence of the Daldrup-Group, on the earnings and financial position of the Daldrup-Group.

With the extension of the value chain of drilling and project management business by the Daldrup-Group, through the high and stable level of remuneration for drilling services, and the backlog created by the economic and financial crisis in the implementation of geothermal projects, a prosperous trend in business can be expected. The Daldrup-Group has taken care in advance of the need for the financing of further organic and non-organic growth processes by taking out sufficient lines of bank credits. This additional financial power has a catalytic effect and strengthens the economic and financial position of the Daldrup-Group.

With full order books and full reservations of the drilling capacity stretching well into 2012, the Management Board of Daldrup & Söhne AG assumes that in 2011 clear growth can be expected in both activities and earnings. Sector experts forecast for Daldrup & Söhne AG in 2011 an overall increase in earnings to € 57.4 m and an EBIT of € 8.8 m and in financial year 2012 total earnings of € 72.0 m and an EBIT of € 11.6 m.



4. GENERAL STATEMENT ON LIKELY DEVELOPMENTS

At the start of the 2011 financial year there are three High-Tech-deep drill bores in Waldkraiburg (Bayern), Ried im Innkreis (Austria) and Schlattingen (Switzerland) engaged on deep geothermal drilling down to 4,000 meters (14,000 feet). The next round of geothermal projects in Koekoekspolder (Netherlands) and Taufkirchen (Bavaria) will reach the point of readiness to start drilling during early 2011. In the three projects currently underway it is heat usage which is the customers' main interest. Following projects in Germany are combined electricity/heat projects. In addition, work will start shortly in Teufen on two large

diameter drills in a shaft infill chimney for the RAG Aktiengesellschaft at the location in Haus Aden (Bergkamen). The very precise vertical drills of 1,000 meters depth each (3,500 feet) are to be used to remove mine floodwater, and the contract lasts for around 24 months. Our order books are pleasantly full, further contracts can be expected to come in, and the current capacities are loaded until well into 2012. Therefore the focus of expenditure in 2011 will be to find suitable investments and/or acquisitions to allow for a useful expansion of the technical and human drilling capacities

Order Book and Likely Trend in Orders 2010 - 2012

Project, Type and Duration	2010												2011												2012														
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D			
Zürich (Geo/R&D)	█	█	█	█	█	█																																	
Oberhaching (Geo/Pair)	█	█	█	█	█	█																																	
Ammerlaan (Geo/Pair)					█	█	█	█	█	█	█	█																											
Waldkraiburg (Geo/Pair)						█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█																	
GB Water extraction																█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
GB Extraction & Exploration																█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Duijvestijn (Geo/Pair)																							█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Haaksbergen (E&E)																																							
Schlattingen (Geo/Pair)																																							
Ried i. Innkreis (Geo/Pair)																																							
Koekoekspolder (Geo/Pair)																																							
Taufkirchen (Geo/Trio)																																							
Bergkamen (E&E)																																							
Altdorf (Geo/2 wells)																																							
Neuried (Geo/Pair)																																							
Geretsried (Geo/Trio)																																							

Based on estimates by Daldrup & Söhne AG

From December 2010, the implementation of the Taufkirchen geothermal project, in which the Daldrup-Group has a 65 % stake, has moved into the implementation phase with Exorka GmbH, also part of the Daldrup-Group, as general contractor. After the successful conclusion of the drilling site preparation a start will soon be made on the decisive drilling phase. This project is being carried out with great concentration and care. In the summer of 2011 we can expect confirmation of the strike forecasts after completion of the initial drilling. By the end of 2012 the successful commissioning of the geothermal power station is planned. In parallel we need to move forward consistently, both technically and financially, in developing the other claims through to implementation.

The move away from atomic energy is now unstoppable, given the dramatic events at the Japanese atomic power station in Fukushima. The enormous costs of reactor safety, atomic waste storage, reinstatement and remediation of contaminated sites are only now becoming clear in their totality and will be a burden on future generations. Renewable Energies have taken on pole position in ensuring future energy supplies for humanity and maintaining prosperity in a healthy environment. The Daldrup-Group is counting here on the widely available geothermal energy, which is able to supply base load energy levels.

F. Closing Statement from the Management Board on the Dependent Companies 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 taken or not taken, received reasonable consideration for every legal transaction and was not disadvantaged by the measures which were taken or not taken.

Grünwald, May 13, 2011

Daldrup & Söhne AG
The Management Board



Josef Daldrup
(CEO)



Peter Maasewerd
(Management Board)

Andreas Tönies
(Management Board)

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Group Income Statement for Fiscal Year January 1 to December 31, 2010

	01/01/2010 - 12/31/2010 €
1. Sales	57,890,036.44
2. Reduction in work in process	-16,795,264.13
3. Other capitalized production	33,380.40
4. Other operating income	7,505,371.88
5. Cost of materials	
a) Cost of raw materials, supplies and fuels and merchandise	11,766,592.59
b) Cost of purchased services	14,220,593.76
	25,987,186.35
6. Personnel expenses	
a) Wages and salaries	4,745,697.05
b) Social security, pensions, and other benefits – of which pension-related: € 22,611.75	824,563.92
	5,570,260.97
7. Amortization and depreciation of intangible and tangible assets	3,996,294.72
8. Other operating expenses – of which from currency movements: € 210,948.51	9,250,938.17
9. Other interest and similar income – of which discounting of reserves: € 9,874.74	195,087.76
10. Write-down of long-term financial assets and current securities	30,000.00
11. Expenses related to investments in associated companies	115,845.01
12. Interest and similar expenses – of which discounting of reserves: € 34,060.80	436,282.40
13. Net operating income	3,441,804.73
14. Extraordinary expenses = Extraordinary earnings	-57,756.00
15. Taxes on income	-1,089,844.10
16. Other taxes	133,840.07
17. Group Annual Surplus	2,428,044.70
18. Annual earnings attributed to other shareholders	215,728.89
19. Retained earnings carried forward	19,781,130.54
20. Re-allocation due to purchase of own stock	-34,291.50
21. Re-allocation due to changes in relative holdings	4,398,733.47
22. Unappropriated retained earnings	26,789,346.11



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Group Balance Sheet at December 31, 2010

Assets	12/31/2010 €	01/01/2010 €
A. Fixed Assets		
I. Intangible Assets		
Franchises, trademarks, patents and similar rights, and licenses to similar rights	8,216,025.35	7,479,740.53
II. Fixed Assets		
1. Land, similar rights, and buildings including buildings on leasehold land	3,963,959.50	2,069,413.42
2. Technical equipment and machinery	21,341,949.00	23,250,563.00
3. Other equipment, factory and office equipment	6,300,601.57	5,658,472.52
4. Advance payments and construction in process	17,600,574.71	16,229,554.52
	49,207,084.78	47,208,003.46
III. Financial Assets		
1. Shares in affiliated companies	1.00	1.00
2. Shares in associated companies	374,412.87	485,258.88
3. Participating interests	6,501.10	6,501.10
4. Loans to companies where a holding exists	64,800.00	60,000.00
5. Securities held as investment assets	2,095,054.80	241,117.00
	2,540,769.77	792,877.98
	59,963,879.90	55,480,621.97
B. Current Assets		
I. Inventories		
1. Raw materials, supplies and fuels	3,635,413.99	3,839,459.92
2. Work in process	14,078,933.36	30,874,197.49
3. Customer advances	-10,860,466.82	-22,607,134.71
	6,853,880.53	12,106,522.70
II. Receivables and other Assets		
1. Trade receivables	13,639,151.86	10,148,410.74
2. Receivables from affiliated companies	16,327.69	350,297.46
3. Receivables from companies where there is a holding	2,283,523.90	27.12
4. Other assets – of which maturity more than one year: € 479,392.49	5,765,957.16	1,919,729.67
	21,704,960.61	12,418,464.99
III. Cash on hand, Bank balances	4,156,072.45	6,943,140.35
	32,714,913.59	31,468,128.04
C. Deferred Income	46,073.07	594,909.16
D. Deferred Tax Refunds	91,474.56	67,460.03
	92,816,341.12	87,611,119.20

Equity & Liabilities	12/31/2010 €	01/01/2010 €
A. Shareholders' Equity		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury stock	-4,017.00	-2,417.00
	5,440,983.00	5,442,583.00
II. Capital reserves	30,502,500.00	30,502,500.00
III. Earnings reserves		
1. Statutory reserves	25,000.00	25,000.00
2. Other earnings reserves	83,898.82	118,190.32
IV. Corrective entries for currency translation	146,387.54	1,175.97
V. Unappropriated retained earnings	26,789,346.10	19,781,130.55
	57,547,132.46	50,427,996.84
VI. Other shareholder interests	7,047,024.84	8,887,806.32
	70,035,140.30	64,758,386.16
B. Accruals		
1. Accruals for pensions	394,144.00	35,512.02
2. Tax accruals	236,276.03	496,049.86
3. Other accruals	2,029,326.83	1,190,126.82
	2,659,746.86	1,721,688.70
C. Liabilities		
1. Bank loans and overdrafts – of which with maturity one year or less: € 563,446.12	563,446.12	31.76
2. Trade payables – of which with maturity one year or less: € 8,091,335.58	8,091,335.58	7,407,469.27
3. Liabilities to companies where a holding exists	0.00	53,131.43
4. Other liabilities – of which with maturity one year or less: € 455,483.59 with maturity more than five years: € 10,626,716.11 of which from taxes: € 179,617.08 of which for social security: € 21,338.04	11,082,201.70	12,733,813.48
	19,736,983.40	20,194,445.94
D. Deferred Expenses	191,970.56	732,181.55
E. Deferred Tax Liabilities	192,500.00	204,416.85
	92,816,341.12	87,611,119.20



Group Fixed Assets Report for Fiscal Year January 1 to December 31, 2010

	Acquisition Costs					As per 12/31/2010 €
	As per 01/01/2010 €	Currency differences €	Additions €	Disposals €	Repostings €	
I. Intangible Assets						
Franchises, trademarks, patents, and similar rights and licenses to such rights	7,811,399.34	431,158.81	1,971,981.86	710,788.22	0.00	9,503,751.79
	7,811,399.34	431,158.81	1,971,981.86	710,788.22	0.00	9,503,751.79
II. Fixed Assets						
1. Land and buildings	2,185,119.86	0.00	2,621,824.50	658,599.42	-12,845.00	4,135,499.94
2. Technical equipment and machinery	25,290,587.67	0.00	147,876.23	268,733.53	0.00	25,169,730.37
3. Other equipment, fixtures and office equipment	7,910,379.47	0.00	1,895,897.29	170,073.99	0.00	9,636,202.77
4. Advance payments and construction in process	16,229,554.52	0.00	1,403,362.68	45,187.49	12,845.00	17,600,574.71
	51,615,641.52	0.00	6,068,960.70	1,142,594.43	0.00	56,542,007.79
III. Financial Assets						
1. Shares in affiliated companies	1.00	0.00	0.00	0.00	0.00	1.00
2. Shares in associated companies	500,000.00	0.00	5,000.00	1.00	0.00	504,999.00
3. Participating interests	6,501.10	0.00	0.00	0.00	0.00	6,501.10
4. Loans to companies where there is a holding	60,000.00	0.00	4,800.00	0.00	0.00	64,800.00
5. Securities held as investment assets	241,117.00	0.00	2,037,091.57	153,153.77	0.00	2,125,054.80
	807,619.10	0.00	2,046,891.57	153,154.77	0.00	2,701,355.90
	60,234,659.96	431,158.81	10,087,834.13	2,006,537.42	0.00	68,747,115.48

	Depreciation				Net Book Values	
	As per 01/01/2010	Additions	Disposals	As per 12/31/2010	As per 12/31/2010	As per 01/01/2010
	€	€	€	€	€	€
	331,658.81	979,657.73	23,590.10	1,287,726.44	8,216,025.35	7,479,740.53
	331,658.81	979,657.73	23,590.10	1,287,726.44	8,216,025.35	7,479,740.53
	115,706.44	55,834.00	0.00	171,540.44	3,963,959.50	2,069,413.42
	2,040,024.67	1,820,428.48	32,671.78	3,827,781.37	21,341,949.00	23,250,563.00
	2,251,906.95	1,140,374.51	56,680.26	3,335,601.20	6,300,601.57	5,658,472.52
	0.00	0.00	0.00	0.00	17,600,574.71	16,229,554.52
	4,407,638.06	3,016,636.99	89,352.04	7,334,923.01	49,207,084.78	47,208,003.46
	0.00	0.00	0.00	0.00	1.00	1.00
	14,741.12	115,845.01	0.00	130,586.13	374,412.87	485,258.88
	0.00	0.00	0.00	0.00	6,501.10	6,501.10
	0.00	0.00	0.00	0.00	64,800.00	60,000.00
	0.00	30,000.00	0.00	30,000.00	2,095,054.80	241,117.00
	14,741.12	145,845.01	0.00	160,586.13	2,540,769.77	792,877.98
	4,754,037.99	4,142,139.73	112,942.14	8,783,235.58	59,963,879.90	55,480,621.97



Group Equity for Financial Year January 1 to December 31, 2010

	Parent Company					
	Subscribed capital	Treasury stock	Capital reserves	Group Equity Generated from Income	Accumulated other Group Income	
	€	€	€	€		€
					Adjustment to Correct for Currency Conversions	Other neutral Transactions
As of 01/01/10	5,445,000.00	-2,417.00	30,502,500.00	19,924,321.00	1,176.00	0.00
Share Issues						
Purchase of own Stock		-1,600.00				-34,292.00
Changes in Relative Shareholdings						4,364,442.00
Group Annual Surplus				2,643,774.00		
Other Group Earnings					145,212.00	
As of 12/31/2010	5,445,000.00	-4,017.00	30,502,500.00	22,568,094.00	146,388.00	4,330,150.00





		Minority Shareholders			Group Equity	
Shareholders' Equity	Minority holdings	Accumulated other Group Income		Shareholders' Equity		
€	€	€		€	€	
		Adjustment to Correct for Currency Conversions	Other neutral Transactions			
55,870,580.00	8,887,806.00	0.00	0.00	8,887,806.00	64,758,386.00	
0.00	2,746,790.00			2,746,790.00	2,746,790.00	
-35,892.00	0.00			0.00	-35,892.00	
4,364,442.00	-4,324,871.00			-4,324,871.00	39,571.00	
2,643,774.00	-215,729.00			-215,729.00	2,428,045.00	
145,212.00	0.00	-46,972.00		-46,972.00	98,240.00	
62,988,115.00	7,093,997.00	-46,972.00	0.00	7,047,025.00	70,035,140.00	



Group - Appendix for fiscal year from January 1 to December 31, 2010

General Information about the Annual Financial Statements

The parent company of the group, Daldrup & Söhne AG, with registered office in Grünwald, is a supplier of drilling and environmental services.

Daldrup & Söhne AG is registered in the Munich trade register under company number HRB 187005. It is a company founded in Germany, with limited liability and with its registered office at 82031 Grünwald, Bavariafilmplatz 7.

Whenever it was possible to choose whether to include information in the balance sheet or the income statement, or in the notes, the alternative of including the remarks in the balance sheet or income statement was selected. For the group fixed assets report, a disclosure has been attached as an appendix to the Notes.

The company is required by section 290 para 1 of the German Commercial Code (HGB) to prepare a set of group financial statements and a group management report. At 12/31/2009 we took advantage of the exemption option under section 293 para 4 of the Commercial Code (HGB). The initial consolidation point is January 1, 2010.

The presentation of the group annual financial statements is based on the accounting requirements set out in the Commercial Code, the Limited Company Law and the Public Limited Company Law.

Consolidation methods

The group annual financial statements include, along with the parent company, all substantial domestic and foreign subsidiaries which are subject to the legal control of Daldrup & Söhne AG. The annual financial statements of subsidiary companies are prepared using standard accounting and valuation policies, and on the same date as the annual financial statements of the parent company.

The effects of intercompany transactions within the group have been eliminated. Payables and receivables between the companies included have been consolidated.

The liability shown for differences of '000 EUR 18,913 derive from the accumulated profits of subsidiary companies after acquisition of the holdings but prior to the date of the first consolidated accounts. They have therefore been included, without any impact on earnings, in the internally generated capital.

Non-consolidated subsidiaries have been accounted for using the equity method. Initially these subsidiaries are shown at their acquisition cost. The share of the group in the profits and losses of these companies is included from the time of their acquisition in the income statement. The cumulative changes are applied to the valuation of the holding.

They are accounted for using a standard policy for the group, in order to obtain consistent accounting for all companies included.

Scope of consolidation

In the group annual financial statements on December 31, 2010, 17 domestic and 5 foreign subsidiaries have been included, along with the parent company. These are made up as follows:

Name and registered office of the company	Direct Stockholding	Indirect Stockholding
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D & S Geothermie GmbH, Grünwald	100.00	
D&S Geo Innogy GmbH, Essen	50.00	
TOSCANA GEO S.r.l., Santa Croce Sull'Arno/Italy		50.00
Geysir Europe GmbH, Grünwald		75.01
Exorka GmbH, Grünwald		100.00
Exorka ehf, Husavik/Iceland		100.00
Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, Grünwald		100.00
Geothermie Allgäu Verwaltungs GmbH, Grünwald		100.00
Geothermie Neuried GmbH & Co. KG, Grünwald (previously Geothermie Weilheim GmbH & Co. KG, Munich)		100.00
Geothermie Starnberg Verwaltungs GmbH, Grünwald (previously Geothermie Weilheim Verwaltungs GmbH, Munich)		100.00
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald (previously Geothermie Bidingen GmbH & Co. KG, Munich)		65.00
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald (previously Geothermie Bidingen Verwaltungs GmbH, Munich)		65.00
Taufkirchen Holding GmbH & Co. KG, Grünwald (previously Geothermie Marktoberdorf GmbH & Co. KG, Munich)		100.00
Taufkirchen Holding Verwaltungs GmbH, Grünwald (previously Geothermie Marktoberdorf Verwaltungs GmbH, Munich)		100.00
Geothermie Neuried GmbH & Co. KG, Neuried		90.00
Geothermie Neuried Verwaltungs GmbH, Neuried		90.00
Projekt Bavaria Entwicklungs GmbH i.L., Wolfratshausen		100.00
Geothermics Italy srl, Bozen/Italy		20.00
TOMBELLE - S.R.L., Lana/Italy		20.00

In addition via Geysir Europe GmbH there is a 10 % holding in Enex Power Germany GmbH.

The holding in Geysir Europe GmbH was increased by means of a capital injection during the 2010 financial year from 51.0 % to 75.01 %.



Foreign currency translation

The annual financial statements of the foreign subsidiary companies are based on the approach of using the euro as their functional currency. The local national currency is used as the functional currency. Assets and liabilities are converted at the currency mid-rate on the date of the balance sheet, and items in the income statement at the annual average rates. The share of equity to be included in the consolidated capital, and the retained earnings carried forward, are converted at historical rates. If this gives rise to differences in the balance sheet, these are shown within equity, so with no impact on earnings, as "Adjustment to Correct for Currency Translation".

	Exchange rate 1 € =	Annual average rate at 12/31/2010	Rate on balance sheet date at 12/31/2010
Swiss Franc	CHF	1.38330	1.25045
Icelandic Krona	ISK	165.2893	153.3742

Accounting and Valuation Principles

Assets

Tangible and intangible assets have been valued at acquisition or manufacturing cost and, if a depreciable asset, reduced by scheduled depreciation.

Investment holdings in joint companies (50 % Joint Ventures) have been valued using the equity method.

Loans to companies where a holding relationship exists are shown at their nominal value.

Inventories have been valued at acquisition or manufacturing cost. They have been valued at current market value if this is lower at the balance sheet date.

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

Cash on hand and bank balances are shown at nominal value. Balances in foreign currency are converted using the mid-rate at the date of the balance sheet.

Deferred tax claims and liabilities are basically determined using the tax rates which applied at the balance sheet date. Any future changes in tax rates are taken into account, provided that at the date of the balance sheet any material conditions for application in the relevant legislation are met. In this case a flat-rate tax rate of 30.0 % was applied, which includes the single corporation tax rate of 15.0 % and the solidarity supplement of 5.5 % and also an average local company tax rate of 14.2 %.

Shareholders' Equity and Liabilities

The subscribed capital is shown at its nominal value.

The calculated nominal value of the treasury stock is shown separately from the subscribed capital.

Accruals have been created for contingent liabilities from pension commitments. The creation of provisions has been done on the basis of actuarial calculations using the PUC method (Projected Unit Credit).

Other provisions have been made for all other uncertain liabilities at a level of the necessary value to cover them, based on a prudent assessment. All discernible risks have been taken into consideration. Where the time to maturity is more than one year, a discount appropriate to the maturity has been applied using the interest rates published by the German Bundesbank.

Liabilities have been recognized at the repayment amount.

Exchange Rates

Payables and receivables in foreign currency are initially valued using the rate at the date of the transaction. Losses due to movements in exchange rates at the balance sheet date are always taken, but gains from currency rate movements only where the remaining time to maturity is one year or less.



Explanatory Comments on the Balance Sheet and Income Statement

I. BALANCE SHEET

Fixed Assets

The fixed assets statement as per 12/31/2010 is included as an Appendix to the Notes.

The holdings in affiliated companies relate to Projekt Bavaria Entwicklungs GmbH i.L., Wolfratshausen ('000 € 0.001). As the company is currently in liquidation, it has not been consolidated as part of the group annual financial statements (section 296 para 1 of German Commercial Code (HGB)).

The holdings in associated companies relate to the following companies:

a) D&S Geo Innogy GmbH ('000 € 1,000 subscribed capital), Essen.

The Company holds 50 % of the share capital. This company was established for the implementation of geothermal projects in the form of a joint venture with REW Innogy GmbH, Essen. Its recognition value in the balance sheet at 12/31/2010 is '000 € 370.

b) TOSCANA GEO S.r.l. ('000 € 10 subscribed capital), Santa Croce Sull'Arno (Pisa, Italy). The Company holds 50 % of the share capital. The purpose of this company is the planning, engineering, implementation and operation of installations to produce energy from geothermal sources, the operation of services and further activities relating to these. Its recognition value in the balance sheet at 12/31/2010 is '000 € 4.

The holdings in the following companies are shown as investments:

a) Enex Power Germany GmbH ('000 € 25 subscribed capital), Wolfratshausen. The Company holds 10 % of the share capital. Its recognition value in the balance sheet at 12/31/2010 is '000 € 7.

Loans with a value of '000 € 65 exist to Enex Power Germany GmbH, Wolfratshausen.

The securities included under Assets include long-term investments in securities ('000 € 2,000) and loans to minority shareholders in Geysir Europe GmbH ('000 € 95).

Current Assets

Inventories

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

The valuation of work in process is derived from order values, taking into account the degree of completion at the balance sheet date, plus a lumpsum deduction of 12.5 % for the unrealized profit component, and for costs which cannot be capitalized.

Other assets

Other assets totaling '000 € 5,766 include a claim for damages against two customers (together '000 € 2,500) from the reinsurance ('000 € 433), local company tax claims ('000 € 316), corporation tax claims ('000 € 358) VAT claims ('000 € 798), other tax claims ('000 € 92), deposits ('000 € 66), advance payments made ('000 € 575), receivables from litigations ('000 € 485) and other receivables ('000 € 143).

There are other assets to a value of '000 € 47 with more than one year remaining to maturity.

Deferred taxes were calculated using a tax rate of 30.0 %. The calculation of deferred tax is carried out using a corporation tax rate of 15.0 %. To this is added a solidarity surcharge of 5.5 % on the corporation tax, as well as an average local business tax of 14.2 %. The liability items relating to tax, due to differing valuation of provisions for vacation outstanding and pension provisions, are lower than in the company balance sheet and lead to an asset for deferred taxes ('000 € 91).

Shareholders' Equity

The changes in equity are presented in the equity statement which forms a part of the group annual financial statements.

Share Capital

The share capital amounts to '000 € 5,445, split into 5,445,000 bearer shares with no par value (no-par value shares). The approved capital at 12/31/2010 was '000 € 2,723. Contingent capital is '000 € 1,800.

The calculated nominal value of the purchased own shares (treasury stock) ('000 € 4) has been deducted from the subscribed capital shown on the balance sheet. In the year being reported the holding of own stock was increased by 1,600 shares to 4,017 shares. No sales took place.

Capital reserves

The capital reserves consist of goodwill acquired in the context of a share issue ('000 € 30,503).

Statutory reserves

The statutory reserve under section 150 of the Public Limited Company Law (AktGt) totals '000 € 25.

Other earnings reserves

The other reserves of earnings total '000 € 84.

Group retained earnings

The group retained earnings are made up as follows:

	'000 €
Earnings brought forward at 01/01	19,781.00
Group Annual Surplus	2,428.00
Annual earnings attributed to other shareholders	215.00
Purchase of own Stock	-34.00
Change of level of stake	4,399.00
Unappropriated retained earnings	26,789.00

For the financial year just completed the Board of Management is not proposing to pay a dividend to the shareholders.

It is basically not the group retained earnings which are available to pay out as dividends, but the results in the financial statements of the parent company. At 12/31/2010 these amounted to '000 € 12,064.

The total value of the amounts which fall under the terms of the restriction in section 268 para 8 of the Commercial Code is '000 € 68. This amount results from the capitalization of deferred tax claims in the annual financial statement of the parent company.

Provisions

The total amount of provisions on the balance sheet is '000 € 2,660.

The pension provisions for the CEO Josef Daldrup are calculated actuarially. ('000 € 394) The calculations were based on the calculatory basis of the guideline tables 2005 G for pension insurance, prepared by Prof. Klaus Hauberk. 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, grouped according to age, sex, and year of birth. As a calculatory discount rate the German Bundesbank's published interest rate on 12/31/2010 of 5.15 % per annum was applied. A rate of benefit increase during the benefit period of 1.5 % and a rate of increase during the qualifying period of 0.0 % were used. In detail the calculations followed the international calculation rules of the well-known PUC method (Projected Unit Credit), a method where the cash value of the total future dynamic benefits which can be attributed to the years of service already completed are valued. This equates to a declining defined present value of the benefit obligation ("cash value of the earned entitlement").

Tax provisions total '000 € 236.

Other provisions include mainly personnel-related provisions ('000 € 650).

The flat rate provision for warranties was created using 0.5 % of the average sales of the last five years ('000 € 160). This included applying a differentiated weighting to individual years as well as discounting.

The provision for individual warranties relates to a single project ('000 € 126).



Liabilities

Trade payables exist for a total of '000 € 8,091. The liabilities have a time to maturity of one year or less.

Other liabilities for a total of '000 € 11,082 include liabilities to minority shareholders in Geysir Europe GmbH ('000 € 10,267), liabilities arising from wages and salaries ('000 € 240), liabilities from payroll taxes ('000 € 67) and other liabilities ('000 € 15).

Liabilities to minority shareholders have a time to maturity of more than 5 years ('000 € 10,627). These liabilities have an agreed qualified subordinate ranking; interest is suspended until 2019.

The other liabilities have a time to maturity of one year or less.

Liabilities are secured against the normal reservations of title.

II. INCOME STATEMENT

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

Sales totaling '000 € 57,890 break down into '000 € 43,368 (74.91 %) for domestic sales and € 14,522 (25.09 %) for sales abroad. Owing to the long lead-times for order completion, the sales figures represent only an incomplete picture of the performance achieved during the financial year. Therefore, the total performance of '000 € 25,156 (61.16 %) domestically and '000 € 15,973 (38.84 %) abroad is shown as information.

Other operational income ('000 € 7,505) includes primarily claims for damages ('000 € 2,500), income from the sale of fixed assets ('000 € 1,400) and income from consortia ('000 € 610) as well as insurance compensation ('000 € 422). In addition there is income from the reversal of provisions, exchange gains and other forms of income.

Other operational expenses ('000 € 9,398) is made up of the following:

	'000 €
Advertising and travel expenses	1,044.00
Rent for mobile assets	879.00
Insurance and other subscriptions	941.00
Premises	543.00
Automobile costs	448.00
Spoil and waste disposal	432.00
Repairs and maintenance	429.00
Legal and consultancy costs	532.00
Other	4,003.00
Total	9,251.00

The amortization and depreciation applied in the reporting period to intangible and fixed assets include only scheduled amortization and depreciation. Securities held as financial assets were written down exceptionally by '000 € 30.

The exceptional expenses include the top-up amount (additional cost) of '000 € 58 resulting from changes to the valuation of provisions caused by the first-time application of the German Accounting Law Modernization Act (BilMoG).

III. MISCELLANEOUS INFORMATION

Other Financial Obligations

Daldrup & Söhne AG rents its office, warehouse and workshop space and a hall/hangar from GVG Grundstücksverwaltungs-GmbH & Co. KG for an annual rent totaling '000 € 315. The **lease** for the properties is for an indefinite term and can be terminated by giving 3 months' notice at the end of any calendar quarter.

Within the framework of the **capitalization agreement** of March 13, 2009, Daldrup & Söhne AG undertook to make available to its subsidiary, D & S Geothermie GmbH, the funds required to secure the granting of loans to companies in the Geysir-Europe-Group, up to a likely maximum value of '000 € 8,949. These loans are necessary to secure the further involvement of Daldrup & Söhne AG within the Geysir-Europe-Group. The drawdown as per 12/31/2010 is '000 € 3.

In addition Exorka GmbH has other financial commitments for rental and other leases for a total of '000 € 82, Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG has '000 € 8, and Geothermie Allgäu Verwaltungs GmbH has '000 € 5.

Contingent Liabilities

Daldrup & Söhne AG is a joint and several debtor of a maximum amount surety bond in the amount of '000 € 1,000 to the Thuringian Ministry for Agriculture, Nature Conservation, and Environment. This surety expires on 31/12/2017 and serves to secure an investment obligation for a remediated plot of land in Thuringia and the creation of permanent jobs.

It is not expected that any call will be made on the surety bond as the project has already been successfully completed and there are no indications that any claims exist.

Daldrup & Söhne AG has issued a comfort letter in favor of Axpo AG, Baden (Switzerland) and in favor of GeoEnergie Taufkirchen GmbH & Co. KG on 12/14/2010. In this Daldrup & Söhne AG confirms that it will employ all necessary means up to a maximum of € 42 m to ensure that Geysir Europe GmbH and Exorka GmbH will meet their commitments to Axpo AG and GeoEnergie Taufkirchen GmbH & Co. KG in relation to agreed drilling contracts.

It is not expected that a claim will be made against the comfort letter, as the drilling projects themselves should provide adequate financial resources.

Daldrup & Söhne AG provided two comfort letters on 11/30/2010 in favor of Exorka GmbH for submission to the German Federal Ministry for the Environment, Nature Conservation and Reactor Safety. In the event of approval for federal funding for the planned

- Stimulation experiment at Mauerstetten/stimulation in the malm limestone in a deep geothermal borehole and
- Development of a modular Kalina or ORC-installation for geothermal energy production

then Daldrup & Söhne AG undertakes to provide adequate financial resources to the recipient of the subsidy, so that it is able in particular to provide the necessary project costs of either € 2.5 m or € 1 m and to complete the planning and meet the terms of the subsidy within the agreed deadlines.

It is not expected that a claim will be made against the comfort letter as financial resources are available on the scale required.

Daldrup & Söhne AG is the **personally liable partner** pursuant to Section 285, Sentence 1, Item 11a of the German Commercial Code (HGB), under the terms of participation in the following consortia:

- "Arnstadt" consortium (company under civil law), registered office in 46238 Bottrop (until 3/2010)
- "Bergbau Phoenix Ost" consortium (company under civil law), registered office in 50858 Cologne

It is not expected that any call will be made on the personal guarantee as the project has already been successfully completed and there are no indications that any claims exist.

Evaluation units

At December 31, 2010 one evaluation unit exists in the form of a micro-hedge. As part of the drilling order for Daldrup Bohrtechnik AG, Switzerland, the currency risk arising from currency fluctuations in the expected payment streams from Daldrup Bohrtechnik AG in CHF (value risk) has been covered by means of put options. At the date of the balance sheet this evaluation unit includes transactions with Daldrup Bohrtechnik AG, expected with a high degree of probability, for a value of '000 CHF 1,800. The current value of the option deal as at December 31, 2010 is '000 € 1,451. The level of the evaluation unit risk covered is '000 € 106 and it arises from the absence of a provision for likely losses from unsettled transactions. For the currency risk covered, the reverse effects on the value of the underlying transaction and the hedging transaction in fact balance each other throughout the lifetime of the hedging transaction (option term June 30 2011 to 09/30/2011), as they are exposed to the same risk, on which identical factors will have the same impact. This means that the evaluation unit is deemed effective in the future.

Auditors Fees

The total fees charged by the auditors Warth & Klein Grant Thornton AG Auditors, Düsseldorf, for the financial year 2010 ('000 € 61) is split into the fee for the audit activities ('000 € 45) and other services ('000 € 16).



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, Job title
Josef Daldrup	Chairman of Management Board (CEO)
Peter Maaserwerd, geologist	Member of Management Board (CFO)
Andreas Tönies	Member of Management Board (COO)

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

Name, Job title	Administration, Management or Supervisory Board mandate or Partner Position
Dr.-Eng. (hon) Wilhelm Beermann, Supervisory Board Chair	<ul style="list-style-type: none"> • Chair of Supervisory Board MIBRAG GmbH, Zeitz • Chair of Advisory Board CS Additive GmbH, Essen • Member of Advisory Board DIHAG Deutsche Geisserei- und Industrie-Holding AG, Essen • Chair of Supervisory Board Catholic Hospital Bochum gGmbH
Wolfgang Clement, German Federal Minister, (Ret.) Deputy Chair of Supervisory Board	<p>Member of 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 • Member of the Foundation Board at the Peter Dussmann Foundation and Chair of Supervisory Board of the Dussmann Stiftung & Co. KGaA, Berlin • Member of Management Board of the Karl Spiehs-Privatstiftung foundation, Vienna • Member of the Supervisory Board of Energy Consulting Group, Moscow
Wolfgang Quecke, Engineer Member of Supervisory Board	<p>Member or Manager of the following Companies:</p> <ul style="list-style-type: none"> • General Manager "terra-concept GmbH", Marl • Managing Partner "Der Zechenbau-Meister Verwaltung GmbH", Herten, of Ewald Energie GmbH & Co. KG, Herten • Member of management of "Neue Marler Wohnungsbaugesellschaft 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 2010 amounted to '000 € 731.

The total compensation paid to the Supervisory Board for its work in fiscal year 2010 amounted to '000 € 40.

There is a loan account with the Chair of the Management Board Josef Daldrup, which on 12/31/2010 showed an amount receivable of '000 € 18.9. (12/31/2009: '000 € 3). Interest on the loan account is charged at 6 % annually.

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	2010
Manual workers	59
Office workers	22
Minor Employees	5
Total	86

Number of Employees at 31 December in the Daldrup-Group:


Employees on 31 December, by role	2010
Drilling	61
Management (excluding Directors)	16
Minor employees	5
Trainees	5
Daldrup & Söhne AG	87
Exorka GmbH	7
Group – total	94

Grünwald, May 13, 2011

Daldrup & Söhne AG

The Management Board


Josef Daldrup
(CEO)


Peter Maasewerd
(Management Board)


Andreas Tönies
(Management Board)



SWL 1125ml



Auditor's Report on Group Annual Accounts and Group Management Report

We have audited the group accounts drawn up by Daldrup & Söhne Aktiengesellschaft, Grünwald – consisting of a balance sheet, income statement, notes, capital flows and equity statements – and the Management Report for the financial year from January 1 to December 31, 2010. The establishment of the group financial statements and the group management report according to German commercial law, and other supplementary provisions of the company articles, is the responsibility of the company's legal representatives. Our task is to issue an opinion based on the audit we have carried out, of the group financial statements and the group management report.

We carried out our audit of the group financial statements as required by section 317 of the German Commercial Code (HGB) and taking into account the principles of correct auditing of annual accounts laid down by the German Institute of Auditors (IDW). This lays down that the audit must be planned and carried out in such a manner that it can be ensured with adequate certainty that any errors or infringements of regulations, including the application of the principles of correct book-keeping, which would impact the presentation in the financial statements and the management report, of the asset, financial and earnings situation, would be detected. When defining the audit processes, we take into account our knowledge of the business activities and of the business and legal context of the group, and of the likelihood of error. As part of the audit, the effectiveness of the internal accounting-related control systems and the existence of confirmation of the information published in the group financial statements and management report were assessed on the basis of random samples. The audit includes the assessment of the financial statements of the companies included in the group statements, the definition of the scope of consolidation, the accounting and consolidation principles applied, and any significant judgments made by the legal representatives, as well as an assessment of the overall presentation of the group financial statements and the group management report. We believe that this audit provides an adequate basis for our opinion.

Our audit did not give rise to any qualifications.

In our judgment, based on the knowledge obtained during the audit, the group financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, at December 31, 2010 comply with the legal requirements and the additional provisions in the company articles, and provide a view of the asset, financial and earnings position of the group which reflects the actual circumstances while applying the principles of correct book-keeping. The group management report is in alignment with the financial statements, provides overall an accurate view of the group's position and presents future development opportunities and risks accurately.

Düsseldorf, May 16, 2011

Warth & Klein Grant Thornton AG
Auditors

Michael Häger Auditor	Carsten Carstens Auditor
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Fiscal Calendar for Daldrup & Söhne AG

May 2011:	Annual Report 2010
July 14, 2011:	Annual General Meeting 2011 in Munich
September 2011:	Half-year Report 2011

IR Contact

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 **Daldrup
& Söhne AG**

B o h r t e c h n i k