

Annual Report 2008



Share Information

ISIN: DE0007830572

WKN: 783057

Exchange Segment: Open Market

Entry Standard of the Frankfurt Stock Exchange

Ticker Symbol: 4DS

End of the Fiscal year: December 31



Shareholder Structure

Number of Shares: 5,445,000 100.0%

Daldrup Family: 3,600,000 66.1%

Free Float: 1,845,000 33.9%

Daldrup Family: 66.1%

Free Float: 33.9%

04	Foreword from the Managing Board
06	Report From the Supervisory Board
08	The Trend of the German Stock Market of 2008



Management Report for the year 2008

12	A. Business Activities, Competitive Position, and Business Environment
18	B. Net assets, Financial Position, and Results of Operations
22	C. Supplementary Report
23	D. Risk Report
25	E. Forecast Report
27	F. Closing Statement from the Managing Board regarding the Subordinate Status Report

Annual Financial Statements for the year 2008

30	Income Statement
32	Financial Statement
34	Fixed Asset Schedule
36	Notes for the fiscal year from January 1, 2008 to December 31, 2008
42	Auditor's Opinion
43	Fiscal Calendar
	IR Contact
	Imprint

Foreword from the Managing Board

Dear Shareholders, Colleagues, and Valued Partners,

In 2008, we carried out the planned investments in two state-of-the-art and fully equipped high-tech deep drilling rigs from the proceeds of our IPO and capital increase. With this systematic approach, we are now implementing our growth strategy and – also as a result of increasing our number of employees from 25 to 64 (as of December 31, 2008) – we have created the foundation for our company to be successful over the long term. Using our existing equipment, we were also able to create further references through two successful deep geothermal projects in the Bavarian Molasse basin south of Munich, expanding our position in Germany as a leading drilling technology specialist. Daldrup & Söhne AG drew national and international attention from numerous publications reporting on the aforementioned successes, which in turn led to an increase in inquiries from neighboring countries.

With total operating revenues of €25.4 million (previous year: €25.2 million), Daldrup & Söhne AG was able to generate earnings of €5.8 million before the one-time extraordinary expenditure of €0.5 million stemming from the successful capital increase. The only slight increase in revenues was the result of the delayed launch of the new high-tech deep drilling rigs. We had originally planned to already bring them into operation in the fourth quarter of 2008. However, as a result of factors outside of Daldrup & Söhne AG's control, we were forced to postpone bringing them into operation until after the balance sheet date.



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



Earnings before interest and taxes (EBIT) increased by 23% over last year's result to €5.3 million (previous year: €4.3 million). The EBIT margin is equal to 20.9% (previous year: 17.1%). Annual net income for fiscal year 2008 significantly increased by approx. 135% to €4.0 million (previous year: €1.7 million). This increase was primarily the result of the dissolution of warranty provisions which were no longer required during a regular review. Earnings per share also increased significantly from €0.46 last year to €0.76 this year.

Daldrup & Söhne AG has been largely untouched by the economic and financial crisis and is in an outstanding position. With nominal equity of €42.1 million (previous year: €24.2 million) and a corresponding equity ratio of 86% (previous year: 70%) as well as a large supply of liquid assets, the company is financially stable and economically independent.

As was intended with the IPO, the geothermics division was already able to take the lead as the company's strongest performing division in 2008. The division's portion of revenues was increased from 32% last year to 44%. Industry growth – particularly the industrial use of geothermal power – will continue to progress dynamically in alignment with our expectations.

Government incentives on both federal and EU level (Renewable Energy Law 2009), public subsidies and financing programs by the KfW, and various insurance solutions to cover the discovery risks from deep geothermal drilling have continued to have a positive effect on the growth of geothermics. This is also evident in the large order volume worth over €50 million as of December 31, 2008 (previous year: over €30 million) and the sustained demand shown especially in the field of deep geothermal projects.

Supported by the high volume of orders, an uninterrupted order pipeline, and the use of the new drilling rigs, a significant increase in revenues and earnings can be expected in 2009 and beyond. Daldrup & Söhne AG will regularly evaluate and adjust its internal structures for further company growth.

We would like to take a moment and thank all of our employees for their performance in the past year. Through their high level of dedication, they played a decisive role in Daldrup & Söhne AG's success. Furthermore, we would like to thank our shareholders for placing their confidence in Daldrup & Söhne AG.

Kind regards,

Erfurt, May 2008
The Managing Board

signed Josef Daldrup (CEO)

signed Peter Maasewerd

signed Andreas Tönies



Report From the Supervisory Board

Dear Shareholders,

The 2008 fiscal year – the first full fiscal year after Daldrup & Söhne AG's successful IPO – was characterized by significant strategic and operative decisions. Most notable was, the purchase of the two new high-tech drilling rigs, the DS 10 Bentec 350-t-AC Euro Rig and the DS 20 Drillmec City Rig HH 300, as well as the measure taken to raise capital by carrying out an approved 10% capital increase on April 30, 2008. As a result of the significance of these events to the company, the Supervisory Board was active on a regular basis last year. The Managing Board always ensured that the Supervisory Board was promptly and directly involved in all important decision-making processes.

The Supervisory Board executed its duties as stipulated by law and the company's Articles of Incorporation in the reporting period with the utmost diligence. We received prompt and comprehensive information from the Managing Board regarding the company's situation, plans, strategy, the status of investments, its current performance, its financial situation, and personnel changes on a regular basis during the fiscal year. This information was provided both verbally and in writing. In addition, we also received information regarding opportunity and risk management as well as compliance. The Managing Board coordinated all of Daldrup & Söhne AG's corporate policies with us. The members of the Supervisory Board formed their own opinions of the company's situation and, for this purpose, also kept in touch with the Managing Board outside of scheduled meetings. We examined the documents, reports, and proposed resolutions presented to us and have discussed them in detail.

The Supervisory Board did not form any committees.

Meetings and Topics of Discussion

In fiscal year 2008, the Supervisory Board held six meetings, some of which were held via conference call. In addition to the operative performance in the individual divisions, the financial situation of the company, and the company's order volume, the following topics were discussed:

- The Annual Report for fiscal year 2007
- Carrying out a 10% capital increase on April 30, 2008
- The 2008 Semi-Annual Report
- The agenda of the General Meeting on August 20, 2008
- The preparations for founding the joint venture with RWE Innogy GmbH
- Strategic plans for deep geothermal drilling and project-based operations

The Supervisory Board is confident that the Managing Board is running the company properly and undertook all necessary measures in a timely and effective manner. All transactions and activities that required approval were promptly presented to the Supervisory Board and decided upon positively after an appropriate assessment. All members of the Supervisory Board were always present at meetings. If necessary, external consultants were included in the meetings to clarify specific legal or tax-related issues.

Annual Audit

The annual financial statements of Daldrup & Söhne AG, prepared by the Managing Board on December 31, 2008, pursuant to German commercial law, consist of the balance sheet, income statement, and notes. These statements were audited by Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, Germany, which was selected as auditor at the General Meeting on August 20, 2008. The audit also took the company's bookkeeping, management report, and subordinate status report into account. In addition, the integrity of the company's internal control system was also included in the audit. There are no potential economic risks worth mentioning that extend above and beyond a general level of business risk. The auditor confirmed the correctness of the processes, did not raise any objections, and certified this in an unqualified opinion.





The Daldrup & Söhne AG financial statements, the management report, the subordinate status report, the respective auditor's reports that were certified with an unqualified auditor's opinion from Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, Germany, and the recommendations from the Managing Board were all presented to the Supervisory Board for examination. Upon review, the recommendation by the Managing Board to carry the net earnings from 2008 forward to a new account has been agreed upon by the Supervisory Board in accordance with the German Stock Corporation Act and the Daldrup & Söhne AG's Articles of Incorporation. The statutory reserves have already been filled.

The Supervisory Board reviewed the documents and the auditor's report that were presented to it in a timely manner as stipulated by Article 170, Paragraphs 1 and 2 of the German Stock Corporation Act. The Supervisory Board approves the results of the audit by Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, Germany.

Upon examination, we have determined that the subordinate status report prepared by the Managing Board contains the information required as stipulated by Article 312, Paragraph 1 of the German Stock Corporation Act, and shows that Daldrup & Söhne AG was not put at a disadvantage and received good and valuable consideration as a result of the legal transactions presented within. The auditor issued the following unqualified opinion regarding this report:

"As a result of our mandatory examination and assessment, we confirm that

1. the actual information presented in the report is accurate,
2. the consideration paid by the company in the legal transactions presented in the report was not unreasonably high."

As a result of our own examinations, the Supervisory Board agrees with the auditor's assessment and approves its report. As a result, the Supervisory Board has no objections to the statement from the Managing Board at the end of the subordinate status report.

The auditor reported to the Supervisory Board in its meeting on May 8, 2009, regarding the contracted audit of the annual financial statements for the 2008 fiscal year, and also answered questions and provided additional information.

The Supervisory Board has adopted Daldrup & Söhne AG's annual financial statements. As such, the financial statements are considered approved.

Changes to the Supervisory Board

At the annual general meeting held on August 20, 2008, the retired federal minister Mr. Wolfgang Clement was elected to the Supervisory Board of Daldrup & Söhne AG. Mr. Clement was elected to serve in the Supervisory Board for the remaining term of the retired member of the board Professor Herbert Klapperich – that is, until the end of the annual general meeting which will resolve to discharge the Supervisory Board from liability for fiscal year 2012.

In its meeting on August 20, 2008, the Supervisory Board elected Mr. Wolfgang Clement to the position of Deputy Chairman of the Supervisory Board.

Mr. Wolfgang Clement is a member of the supervisory boards of the following companies:

- RWE Power AG, Essen
- Landau Media Monitoring AG & Co. KG, Berlin
- Versatel AG, Berlin
- DIS AG, Düsseldorf
- Dussmann AG & Co. KGaA, Berlin

Furthermore, he is a member of the following comparable domestic and international supervisory bodies of commercial enterprises:

- Chairman Adecco Institute, London

We would like to thank the Managing Board as well as the employees of Daldrup & Söhne AG for their high level of dedication in the previous fiscal year. We would also like to thank the shareholders for the confidence they have shown us.

Erfurt, May 12, 2009

signed Dr. W. Beermann
Chairman of the Supervisory Board



The Trend of the German Stock Market of 2008

The Trend of the German Stock Market

Global markets in 2008 were characterized by both downward trends and significant volatility. The mortgage crisis in the US, which began in the second half of 2007, developed into a worldwide financial crisis over the course of the reporting period, and Germany also felt the brunt of its effects. In the first half of the year, a fear of inflation caused by high energy and materials costs was prevalent in the minds of the market's participants. The second half of the year was dominated by both the economic outlook becoming rapidly worse and declining commodity prices, which caused an increase in worries about deflation in the market's participants. Numerous interventions by both central banks and governments all over the world could not restore confidence in the stock markets.

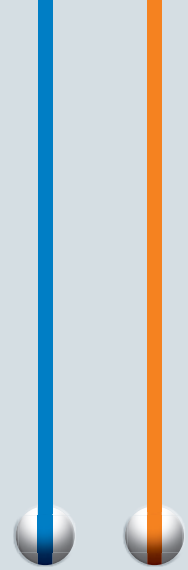
This global economic trend was also reflected in our national stock market indices. The leading German index DAX began the reporting year above 8,000 points, and on the first trading day rose to its yearly high of 8,100.64 points. Over the course of the following months, the DAX declined significantly and sank to 4,014.60 points on October 24, its lowest point in the reporting period. The leading German index ended the year at 4,810.20 points, shedding almost 40.4% compared to one year before (8,067 points). However, second-tier stocks were hit even harder as a result of the financial crisis. The companies listed on the SDAX recorded a decline of 46.1% over the course of the year. The Small Cap Index ended the reporting year at 2,801 points.

The Trend of Daldrup & Söhne Shares

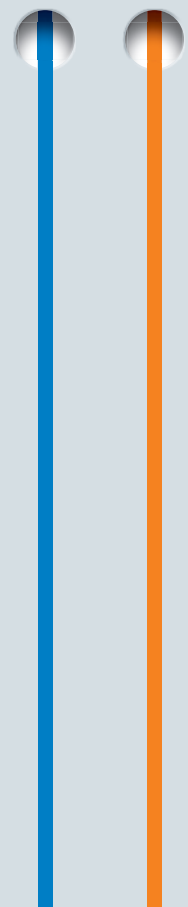
Daldrup & Söhne AG's shares were unable to avoid the fluctuations in the stock markets, and the share price noted its yearly low of €15.51 on January 22, but then quickly rose above the 20 euro mark. On February 13, Wolfgang Clement announced his plans to join the Supervisory Board of Daldrup & Söhne AG. As a result of price increases on the commodities markets, the share price rose over the course of the first half of the year, reaching its yearly high of €38.59 on May 22.

The company announced its preliminary financial results for 2007 on April 28. On April 30, it was announced that Daldrup & Söhne AG successfully carried out a capital increase of 480,000 shares. With an issue price of €29.00, Daldrup & Söhne AG raised approx. €13.9 million. Although the share price once again began to decline starting in the beginning of September, it withstood the overall trend of the market in the reporting year and ended the year with a closing price on the Xetra exchange of €28.40. This corresponds to an increase during the year of about 25%. The company's market capitalization on December 31, 2008 totaled €154,638,000.

Daldrup & Söhne AG's shares are listed in the Entry Standard transparency level of Deutsche Börse AG in the Open Market segment. In the 2008 reporting year, a total of 3,719,731 shares in Daldrup & Söhne AG were traded on all German exchanges. Of these, 2,251,577 shares were traded on the Xetra exchange in the relevant period – that is, almost 60%. A total of 5,445,000 shares have been issued as of the last day of the fiscal year.

**Market Data on Daldrup & Söhne Shares**

	31.12.2008	31.12.2007
Closing price (Xetra) in €	28.40	22.80
52-week high/low in €	38.59/15.51	24.00/13.80
Total number of shares	5,445,000	4,965,000
Market capitalization in €	154,638,000	113,202,000



12 A. Business Activities, Competitive Position, and Business Environment

- 12 1. Business Activities and Competitive Position
- 14 2. Competitive Position
- 15 3. Company Goals and Strategy
- 17 4. Research & Development
- 17 5. Overview of Company Performance

18 B. Net assets, Financial Position, and Results of Operations

- 18 1. Earnings Position
- 21 2. Financial and Assets Positions
- 22 3. Overall View of the Economic Situation

22 C. Supplementary Report

- 22 1. Declaration of Events of Significant Importance
- 23 2. Effects of these Events on the Company's Net Assets, Financial Position, and Results of Operations

23 D. Risk Report

- 23 1. Strategic Risks
- 24 2. Economic Risks
- 25 3. Technological Risks
- 25 4. Legal Risks
- 25 5. Overall View of the Risk Situation

25 E. Forecast Report

- 25 1. Future Strategic Orientation
- 25 2. Future Economic Conditions
- 26 3. Expected Earnings and Financial Position
- 26 4. Overall View of Expected Development

27 F. Closing Statement from the Managing Board regarding the Subordinate Status Report







Management Report for the fiscal year from January 1 to December 31, 2008

A. Business Activities, Competitive Position, and Business Environment

1. Business Activities and Competitive Position

With a company history that spans three generations, Daldrup & Söhne AG is a specialized supplier of drilling and environmental services, and is one of Germany's leading companies. Its activities are spread among the following divisions: Geothermics, Raw Materials and Exploration, Water Procurement, and Environment, Development, and Services (EDS).

While in many industries the growth of individual companies is influenced by consumer and investment behavior as well as the availability of financing on capital markets, Daldrup & Söhne AG has not been affected by the global economic and financial crisis as much as other sectors. Over three fourths of Daldrup & Söhne AG's clients are municipalities, municipal companies, and industrial and energy supply groups. Economic or financial difficulties experienced by clients have not yet had negative effects on Daldrup & Söhne AG's success with regard to the acquisition of drilling projects. If anything, such effects have become apparent on the supply side. Within the scope of purchasing large-scale capital goods, isolated delays have occurred as a result of individual suppliers ignoring credit terms or not being able to promptly provide advance payment guarantees for advance payments made by Daldrup & Söhne AG.

Specializing in drilling services with investments made in state-of-the-art, high-tech drilling equipment, and focusing on the growing market for the industrial use of deep geothermal energy have proven to be the right strategic step. Daldrup & Söhne AG's business outlook is punctuated by an unchanged oligopolistic market on the supply side and an uninterrupted order pipeline.

In the geothermics division, drilling services are provided primarily for deep geothermics as well as for near-surface geothermics (especially geothermal probes for heat pumps). Deep geothermics sees holes between 500 and 5,000 meters being drilled in order to use the available geothermal energy for the supply of electricity and/or heat. Geothermal power is establishing itself as an important part of the renewable energy market, both in Germany and abroad. Within Germany, we are primarily active in the Bavarian Molasse basin south of Munich, and from a long-term perspective at the Upper Rhine Rift as well as in the North German Plain. The gradual internationalization of our business operations is a clear part of our company strategy. In addition to the projects already implemented in the Netherlands, we have projects lined up within Europe in Austria, Switzerland, Italy (Toscana), France (the Paris basin), Hungary, and Turkey. The continually growing geothermics division was responsible for 44% of Daldrup & Söhne AG's total operating revenue in 2008 (previous year: 32%). There were additional market incentives stemming from the Renewable Energy Law 2009 (EEG 2009), which was enacted by the German government on December 5, 2009, and ratified by the European Union on August 20, 2008, from public subsidies and financing programs by the kfW Group as well as from the development of insurance solutions to cover the risk of non-discovery enable and support the growth of geothermal power.



In the raw materials and exploration division, Daldrup & Söhne AG conducted exploratory and test drilling to discover deposits of fossil fuels (particularly coal, oil, and natural gas) and minerals (e.g. ores, copper, nickel, zinc, and lime). Up until this year, this division had been the largest; however, it has since been pushed from its leading position by the geothermics division. This division was responsible for 38% of Daldrup & Söhne AG's total operating revenue in 2008 (previous year: 55%).

The water procurement division, where Daldrup & Söhne AG has its corporate origins, comprises the drilling of wells for the procurement of drinking water, service water, medicinal water, mineral water, boiler feed water, cooling water, as well as thermal water. The water procurement division was responsible for 2% of Daldrup & Söhne AG's total revenues (previous year: 9%) in 2008. Since clean and germ-free drinking water is becoming an increasingly scarcer and high-value commodity all over the world, Daldrup & Söhne AG will continue to pay attention to this division and plans to strategically intensify its well-drilling operations. A decline in output in 2008 in this division was the result of the concentration of capacities and resources on the geothermics division.

The fourth division – Environment, Development, and Services (EDS) – comprises specific environmental services such as the hydraulic clean-up of contaminated locations, the construction of gas extraction wells for recovering landfill gas, the creation of groundwater-quality measuring sites, and the construction of water treatment plants. The EDS division was responsible for 16% of Daldrup & Söhne AG's total operating revenues (previous year: 4%). The significant increase from last year resulted from the fulfillment of a large order.

In summary, when taking all divisions into account, it can be stated that the geothermics divisions contributed significantly to Daldrup & Söhne AG's total operating revenues. The three other divisions are strategically valuable and, given the stable market conditions and growth trends, will be further attended to and staffed. In these divisions, differences in employment numbers will result year for year, due to order and project volume.

Thanks to our long-standing market presence and expertise, Daldrup & Söhne AG's competitive position remains strong. Given our technical, commercial, and financial strength across all divisions, Daldrup & Söhne AG is well-positioned and established in this clear competitive environment. Significant barriers to entry as a result of the required technical expertise, the high investment costs, and the limited availability of suitable drilling technology play a role in Daldrup & Söhne AG's dominant position.

Daldrup & Söhne AG's headquarters are located in Erfurt, Germany, and the company has a branch office in Ascheberg, Germany. On average, the company employed 58 people in 2008 (previous year: 25). This is in addition to about 80 further employees provided to Daldrup & Söhne AG by other companies.

2. Competitive Position

Daldrup & Söhne AG successfully completed geothermic projects in Germany and in neighboring countries with drilling depths of up to approx. 3,000 meters, and has a comfortable order volume of approx. €51 million (as of December 31, 2008). The order pipeline and expected incoming orders for the first half of 2009 underscore the growth path being pursued and are encouraging for the further progression of business, future growth, and the expansion of our already strong competitive position. On the basis of our order log, our clients are either municipalities (19%), industrial companies and utilities with at least a one-third interest held by a municipality (57%), other industrial companies/utilities (13%), and private/miscellaneous companies (11%). The financial strength of most of our clients once again demonstrates that the economic and financial crisis is only marginally relevant to Daldrup & Söhne AG's operations. The clients have thoroughly prepared the commissioned projects over the course of years, and are financing them almost exclusively from their own resources.

An extensive range of drilling equipment which can be easily adapted to various uses, consisting of over 40 rigs and the corresponding equipment, in combination with long-term expertise in engineering and geology, have further improved Daldrup & Söhne AG's competitive position. This improvement has been made substantially as a result of the purchase of two new high-tech drilling rigs which were financed from the proceeds of the IPO in November of 2007 and the equally successful capital increase in April of 2008.

In order to complete the present orders and serve the high demand for drilling services for the construction of geothermal power plants to generate heat and power, Daldrup & Söhne AG now has a total of three state-of-the-art deep drilling rigs with hook loads of 175 tons (DS-05 Wirth B 12), over 272 tons (DS-20 Drillmec City Rig HH 300), and 350 tons (DS-10 Bentec 350-t-AC Euro Rig), allowing us to reach drilling depths of up to 6,000 meters. With this investment, new technological aspects and significant requirements stemming from environmental and noise protection (proximity to inner-city residential construction) have been taken into consideration.

We must continue to emphasize Daldrup & Söhne AG's innovative strength and the ability to combine various drilling techniques (targeted drilling, multi-directional drilling, drilling through ground formations impacted by mining). Furthermore, experience from the field of foundation engineering is incorporated into drilling projects in order to achieve competitive advantages. Its wide range of services and presence in many markets and sub-segments creates cost benefits and allows Daldrup & Söhne AG to significantly distinguish itself from its competitors.

Due to its decades of experience in the market, Daldrup & Söhne AG is well known and has good contacts with municipal and industrial clients for the services offered.



3. Company Goals and Strategy

Daldrup & Söhne AG is pursuing a long-term growth strategy. Our main goals in order to increase total operating revenues and earnings are the clear market position as leading drilling technology specialist, and the investment in geothermal power-plant projects to achieve additional earnings from feeding in and selling electricity and heat through the Renewable Energy Act 2009 (EEG 2009). The further internationalization of our business operations underscores our planned growth.

In order to increase the value of the company over the long term, the management is mainly focused on the chances of success of individual projects/orders as well as their value as references. Earnings before interest and taxes is a good measurement of the company's success from a financial standpoint (EBIT per fiscal year as well as in a multi-year comparison). To ease comparisons with previous years given the increase in scheduled depreciations and amortizations as a result of investments in drilling technology, earnings before interest, taxes, depreciations, and amortizations (EBITDA) will also be used in the future for controlling purposes.

In 2008, the awareness and importance of geothermal power as the newest entry into the field of renewable energies increased significantly. Given the perceptible change in climate and the general change of mindset leading to a break from the use of fossil fuels, a period of enormous growth awaits the geothermic industry. According to a study by the International Energy Agency (IEA), in order to reduce global carbon dioxide emissions by 50% by the year 2050, half of the world's electricity will have to come from renewable energy sources. Germany has already taken a leading role in bringing about this change. In 2007, renewable energies made up 14% of the German electricity supply according to the German Association for Energy and Water.



Geothermal energy is an inexhaustible and permanently available raw material. With a basic load potential of over 8,000 operating hours per year, it has decisive advantages over other forms of renewable energy (with the exception of the exhausted potential of water power in Germany). Geothermal power plants are built close to places of use and users, which means there are no additional billion euro costs for long cables and the modification of the supply infrastructure. It is well known that such indirect electricity and heating costs are paid for by all consumers through electricity and heating prices. These costs are important to companies and industries that use large amounts of power, since energy is a production factor of fundamental significance. The competitiveness of producing electricity and heat from geothermal energy has increased significantly as a result of more efficient drilling and power-plant technologies, through new knowledge gained via learning and practical experience, through secured subsidies, financing, and payment regulations, and also through the ability to insure the risks stemming from discovery projects. The risks for project developers have decreased and the willingness of investors and financiers to finance such projects has increased.

Should business opportunities arise in this positive environment through acquisitions or strategic partnerships, Daldrup & Söhne AG will carefully examine these additional inorganic growth opportunities.





4. Research & Development

In the newly developing geothermal market, Daldrup & Söhne AG will continue to place significant value on its position as a technological innovator as well as using more efficient and reduced-emission drilling equipment.

Every geothermal project which requires deep drilling is unique and needs to be planned and executed individually. In such a project-based business, it is important that all those involved work together smoothly. In cooperation with a variety of service providers, Daldrup & Söhne AG operates in a permanent state of improvement, seeking to optimize drilling procedures and refining our guided drilling, control, and directional drilling techniques.

Daldrup & Söhne AG's largest drilling rig, the DS-10 Bentec 350-t-AC Euro Rig, has been equipped to use the "Hot Dry Rock" (HDR) drilling technique. As soon as this technique becomes widely used, a substantial contribution could be made over the long term towards the generation of electricity through geothermal power plants. This would achieve national independence of the energy supply and a break from the use of fossil fuels. Daldrup & Söhne AG does not yet use the HDR technique.

5. Overview of Company Performance

In 2008, the first full fiscal year after the IPO, Daldrup & Söhne AG generated total operating revenues of €25.4 million (previous year: €25.2 million), and therefore topped last year's results. The percentage of revenues generated in Germany equaled 82% (previous year: 92%), and the percentage of revenues generated abroad (primarily in the Netherlands) rose from 8% to 18%. Compared to the figures reported in the first half of 2008, reductions in inventory in the second half of the year increased by €5.6 million – from €7.9 million to a total of €1.6 million. With these efforts, Daldrup & Söhne AG's performance for the entire 2008 fiscal year remained stable, despite the slow start into 2008 which was due to the aftereffects of the IPO, which were extremely time- and personnel-intensive, the subsequent international acquisitions of two high-tech deep drilling rigs, and numerous organizational and sales activities.

Ultimately, a significant increase in total operating revenue was not possible on the basis of using the same drilling equipment as last year. Contrary to our expectations, the DS-10 Bentec 350-t-AC Euro Rig, our new high-tech deep drilling rig which was ready for operation in November of 2008, was not able to be set up at the planned drilling site. Delays in drilling site construction which were outside of Daldrup & Söhne AG's control, coupled with an early and harsh winter, meant having to postpone the start of drilling until the following year. With regard to the other new high-tech drilling rig, the DS-20 Drillmec City Rig HH 300, the delivery period was exceeded significantly and in breach of contract by the manufacturer. We were required to reapply for the permits for shipping the components of the rig through the Alps as well as completely reorganize the logistics. As a result, the new drilling rig was first ready for operation in fiscal year 2009.





B. Net assets, Financial Position, and Results of Operations

1. Earnings Position

Daldrup & Söhne AG is a drilling technology specialist operating in a project-based business in which certain projects can span a number of fiscal years. In order to illustrate the industry-specific value-added chain, the services performed in each individual project are regularly evaluated, especially on reporting and auditing dates. For each project, the percentage of completion is determined on the basis of the value of the contract and its specifications. In accordance with accounting principles and the principle of prudence, deductions from the value of service performed are carried out for the imputed risk, the earnings, and the fixed costs. Therefore, the calculated margins and the success of the project are first known and recorded after completion, acceptance, and final billing. On the other hand, the running project costs are already recorded in the period they accrue. This means that the calculation of profit or loss in Daldrup & Söhne AG's individual fiscal years is affected by this project-based business.

In the previous fiscal year, Daldrup & Söhne AG generated satisfactory operating revenues and recorded a significant increase in other operating income to €3.9 million (previous year: €1.5 million). The increase in earnings resulted primarily from dissolving reserves for individual warranty risks which were no longer needed, totaling €2.8 million. Additionally, income was generated from the delayed delivery of the DS-20 Drillmec City Rig HH 300 high-tech drilling rig, from forward exchange transactions, and from a joint venture.

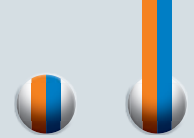
With regard to changes in material expenses and the use of external services (e.g. for drill-hole measurements, directional drilling services, and staffing services), we saw an increase in costs and therefore a decline in the gross profit ratio to 52.8% (previous year: 54.3%). The changes were primarily the result of reclassifying items as material costs that were previously classified as other operating expenses.

Assets	31.12.2007	31.12.2008
	KEURO	KEURO
A. Fixed assets	6,053	26,818
B. Current assets		
I. Inventories	3,509	3,881
II. Receivables and other assets	5,361	5,798
III. Securities/Treasury shares	0	58
IV. Cash balance, bank balances, checks	19,826	12,124
C. Deferred expenses and accrued income	10	46
	34,759	48,725

Personnel costs increased to €3.1 million (compensation to the Managing Board totaled €0.84 million) as a result of hiring 29 employees from another company effective January 1, 2008. The number of employees increased as a result of new hiring from 25 (as of December 31, 2007) to a total of 64 members of staff (including 3 trainees) on December 31, 2008.

Scheduled depreciations increased significantly by €1 million – from €0.3 million to €1.3 million. In this context, it must be mentioned that as a result of the merger in the previous year, depreciations were only disclosed for a period of four months (September to December 2007). One of the new deep drilling rigs (DS-10 Bentec-Rig) is included in the 2008 result with a depreciation of €0.13 million (for two months), while the second deep drilling rig (DS-20 Drillmec-Rig) will first be accepted in 2009. The deep drilling rigs will be depreciated over an ordinary useful life of 15 years.

Liabilities	31.12.2007	31.12.2008
	KEURO	KEURO
A. Equity		
I. Share capital	4,965	5,445
II. Capital reserves	17,063	30,503
III. Revenue reserves		
1. Mandatory reserves	25	25
2. Capital redemption reserves	0	56
3. Other revenue reserves	67	67
IV. Net profit	2,073	6,049
B. Reserves	7,299	3,522
C. Liabilities	3,267	3,058
	34,759	48,725



The other operating expenses are on par with the totals from the previous year, and have declined slightly as a result of the reclassification of certain items as material costs. Marketing and travel costs increased significantly to €0.6 million (previous year: €0.2 million) as a result of international purchasing activities, the large distances to the drilling sites, trade show activities, and within the scope of investor relations. In addition, extraordinary expenses were incurred totaling €0.5 million in the form of commissions within the scope of the 10% capital increase carried out on April 30, 2008.

The positive financial result totaling €0.8 million resulted primarily from the interim investment of the high liquidity (€12.1 million on December 31, 2008) stemming from the IPO and capital increase.

Daldrup & Söhne AG's earnings before interest and taxes (EBIT) totaled €5.3 million (previous year: €4.3 million) after an extraordinary expense of €0.5 million as a result of the capital increase. The EBIT margin increased to 20.9% (previous year: 17.1%) of total operating revenues.

Annual net income for fiscal year 2008 totaled €4 million (previous year: €1.7 million).

Income statement comparison	2007	2008
	KEURO	KEURO
Total operating revenues	25,166	25,446
Cost of materials	11,501	12,013
Personnel costs	1,240	3,088
Amortization of fixed intangible and tangible assets	304	1,305
Other operating expenses	9,340	7,632
Earnings before interest and taxes (EBIT)	4,311	5,327

2. Financial and Assets Positions

Fixed assets include the investments in the new high-tech drilling rigs and the internally produced accessories. A total of €22.1 million was invested in 2008. This total primarily consists of the purchase of the DS-10 Bentec 350-t-AC Euro Rig for €11.3 million, two drilling rigs from Rotomax for a total of €0.5 million, the purchase of blowout preventers for a total of €1.5 million, reinvestments in the fleet for €0.3 million, and an advance payment of €7.3 million for the DS-20 Drillmec City Rig HH 300.

Current assets – the inventory value of raw materials and supplies – increased to €2.5 million (previous year: €1.1 million). The decisive factor in this context is the purchase of goods, materials, accessories, commodities, etc. that are required for the smooth functioning of our expanded drilling capacity.

Advance payments received totaling €14 million correspond to the previous year deducted from the works in progress.

The inventory of accounts receivable remains intact given our solvent client structure and does not contain any extraordinary risks.

According to plan, liquid assets (cash and bank balances) of €12.1 million (previous year: €19.8 million) have decreased, due to investment activity.

The financial management of Daldrup & Söhne AG still tends to have a more classic and conservative orientation. In light of the financial crisis, investing in risk-free and short-term financial investments such as money market accounts and timed deposits at local banks has turned out to be a sound decision. The liquid assets available will serve to finance further company growth. Our excellent liquidity guarantees that Daldrup & Söhne AG will be able to permanently meet its financial obligations and also has reserve characteristics.

With Supervisory Board approval, and pursuant to Article 5 of the company's Articles of Incorporation, the Managing Board of Daldrup & Söhne AG resolved to use part of the company's authorized capital to carry out a capital increase of 480,000 shares under suspension of shareholders' preemptive rights. The 480,000 shares from the capital increase were issued to institutional investors by equinet AG on April 30, 2008. In doing so, share capital increased by €0.48 million, from €4.965 million to €5.445 million.

At an issue price of €29.00 per share, Daldrup & Söhne AG generated gross income from the sale totaling approx. €13.9 million. The investments which were planned for 2008 were carried out using the proceeds from this sale.



Nominal equity grew as a result of the capital increase and retained earnings to approx. €42 million. With total assets of €48.7 million, the equity ratio rose to 86% of total assets (previous year: 70%) and highlights Daldrup & Söhne AG's financial independence and constant capacity to act.

As of December 31, 2008, the individual warranty reserves no longer had to be held at the previous level, and altogether €2.8 million were dissolved and recognized as income.

Accounts payable resulted primarily from trade payables. For decades, Daldrup & Söhne AG has not had any accounts payable to credit institutions, and did not secure any lines of credit. Sufficient lines exist for industry standard bonds, guarantees, and credit orders.

3. Overall View of the Economic Situation

Overall, Daldrup & Söhne AG's economic and financial circumstances can be described as sound and stable. In light of the overall economic situation and the global financial crisis, Daldrup & Söhne AG finds itself in an outstanding position, both now and over the long term. A high volume of orders and an uninterrupted order pipeline help to support Daldrup & Söhne AG's long-term value and growth-oriented goals. Industry growth – particularly the industrial use of geothermal power – will continue to progress dynamically.

C. Supplementary Report

1. Declaration of Events of Significant Importance

Complete Integration of the Financial Accounting and Bookkeeping Departments

As of January 1, 2009, Daldrup & Söhne AG's financial accounting and bookkeeping departments are fully integrated into the company – from both an organizational and personnel-based standpoint. The transition and integration process which was carried out by an external service provider was completed in the 2008 fiscal year.

Joint Venture with RWE Innogy GmbH

Discussions which had been scheduled since mid-2008 between the directors of RWE Innogy GmbH, Essen, and the Managing Board of Daldrup & Söhne AG regarding the founding of a joint venture were successfully completed in January 2009. The 50/50 joint venture, with equity totaling €1 million, operates under the name **D&S Geo Innogy GmbH** and has its headquarters in Essen. The company was founded with the goal of developing, planning, and building geothermal power plants. Through the pooling of respective competencies, key areas (project management, deep drilling, power-plant construction, sale and distribution of energy) of the value chain are covered and synergy effects will be used. A further goal is to combine the strength of a large corporate group with the flexibility of a mid-sized company. In the first stage of operations, the joint venture will continue to develop RWE Innogy GmbH's already existing approved geothermal drilling sites as well as apply for the approval of further sites. Furthermore, investments in project development and geothermal companies in Germany and Europe are also planned. Permits have been granted by the Board of Mines in Munich for two deep geothermal projects near Wildpoldsried and Unterthingau in the Swabian county of Oberallgäu (Bavarian Molasse basin). Over a period of three years, studies will be conducted on the geothermal potential of these sites, and preparations will be made for the joint construction of capital-intensive geothermal power plants for the generation of electricity and heat.



Daldrup & Söhne AG will remain – despite the founding of this joint venture – an independent, mid-sized growth company. In the future, this expertise will be provided to every interested investor such as municipalities, public services, various branches of industry, and non-corporate clients.

Founding of D&S Geothermie GmbH

In January 2009, the D&S Geothermie GmbH, Ascheberg, was founded as a shelf company with initial capital of €25,000. Daldrup & Söhne AG is the sole shareholder. The intention is to combine all of Daldrup & Söhne AG's planned investment activities under the scope of this holding company.

2. Effects of these Events on the Company's Net Assets, Financial Position, and Results of Operations

The integration of the accounting departments and the increase in personnel ease and optimize internal coordination and communication processes. Significant improvements were made to the current state of information and the relevance of internal reports. A basis for optimizing internal structures has been established, and the current level of risk can continuously be controlled and evaluated. The usefulness of these organizational improvements is significant.

No other changes to the company's situation have occurred since the beginning of the 2009 fiscal year which have had a significant effect on the company's net assets, financial position, or results of operations.

D. Risk Report

In a market economy, businesspeople act responsibly by carefully and consciously weighing opportunities and risks. The Managing Board of Daldrup & Söhne AG pursues a sensible risk policy and is confident that the opportunities which will regularly present themselves in the new and fast-growing geothermal market significantly outweigh the imminent and latent risks. Daldrup & Söhne AG's high level of managerial responsibility as a family-run business supports the fundamental principle of the free market economy and protects it.

The demands placed on the evaluation of risks have increased as a result of the economic and financial crisis and the strong operative growth of Daldrup & Söhne AG.

While the complexity of the opportunities has already been detailed at many points, the following is a summary of potential risks.

1. Strategic Risks

Rapid company growth carries risks related to new personnel, changes in organizational structure, and a change in the risk environment. In particular, slow periods of operative growth must be systematically used for internal optimization processes.

Investments in companies and joint ventures can have a severe negative impact on Daldrup & Söhne AG's net assets, financial position, and results of operations, due to integration-related issues, bad investments, and as a result of misinterpreting both opportunities and risks. Risks are minimized through diligent and intensive prior examinations of such commitments.



2. Economic Risks

Risks from Drilling Operations

Possible faults from drilling operations and the resulting liability claims are generally covered by current insurance policies. Since Daldrup & Söhne AG immediately fixes any faults that may come about in individual cases, noteworthy risks have not arisen. Furthermore, systematic quality control is always present on site through certified Daldrup & Söhne AG managers who work together closely with clients, their engineers, or the respective board of mines. Since Daldrup & Söhne AG does not act as a general contractor and does not plan to be this in the future, excessive liability risks do not exist.

In the construction business, the client bears the ground risk (i.e. the risk of unforeseeable effects and difficulties stemming from the building ground), even if the building ground provided was examined and described according to regulations. As a contractor in drilling projects, Daldrup & Söhne AG is solely obliged to examine and provide information regarding readily identifiable risks.

Competitive Risks

New, lucrative, and growing markets attract further market participants. Companies active in related industries have been entering into the area of geothermics. Daldrup & Söhne AG does not see any noteworthy increase in competition for drilling services since, even in the future, the demand for these services will continue to be higher than the available capacities. On the contrary, we see this as an opportunity for Daldrup & Söhne AG to grow further.

Supply Risks

Suppliers experiencing capacity issues or financial difficulties could negatively impact Daldrup & Söhne AG's value chain with regard to the purchase of equipment technology and inventory as well as contracting external services. Negative effects can be reduced through the use of

other suppliers. In extreme cases, the purchase terms could become worse. Currently, we deal with a certain group of suppliers as a result of favorable conditions, product characteristics, and overall reliability. The company is not dependant on any one particular supplier. The further expansion of supply and materials management will be required over the long term as a result of Daldrup & Söhne AG's growth.

Personnel Risks

Daldrup & Söhne AG has a few key employees (project managers and experienced machine operators, for example) whose long-term contacts and technical knowledge are crucial to the success of the company. Losing these key employees – due to head-hunting or sickness – could create a hole which would be difficult to fill, at least temporarily. Furthermore, the lack of certified technical personnel to operate our extensive fleet of drilling equipment could stifle growth. The availability of qualified personal and modern technological resources is particularly crucial to Daldrup & Söhne AG's further growth process. The future availability of this personnel to operate our drilling equipment both supports the company's productivity and strengthens our financial position.

Financial Risks

Foreign currency risks are avoided as much as possible through contractual and price negotiations based in euros (when making purchases in China, for example). For purchases in foreign currencies (primarily US dollars), hedges are used such as forward exchange contracts. In addition, we avail ourselves of instruments commonly used in international transactions to cover credit, payment, and delivery risks through guarantees and letters of credit. In this context, the importance and the volume of the individual underlying transactions are of significance.

We do not engage in speculative interest, currency, or commodities transactions, and have no plans to do so.

3. Technological Risks

Since the drilling technology used by Daldrup & Söhne AG is not subject to rapid technological changes, a particular potential for risks does not exist.

4. Legal Risks

The company is exposed to legal risks as a result of accepting sureties in order to generate an appropriate order volume. Up until this point, no risks from claims of a noteworthy scale have materialized.

Legal action could be brought against us as a result of our provision of services or from warranties. In such cases, financial precautions will be taken or external, specialist lawyers will be hired to represent the interests of Daldrup & Söhne AG.

No legal risks have materialized which have had a significant impact on our net assets, financial position, or results of operations.

5. Overall View of the Risk Situation

Given the dynamic growth of Daldrup & Söhne AG, a great deal of attention must be paid not only to the organizational structure which is growing with it, but also to the expansion of technical capacities, to sales activities for acquiring international contracts, and to the selection of promising partnerships and investment opportunities.

In order to mitigate, restrict, or eliminate possible risks, financial reserves are held and the potential to acquire capital rapidly exists. As was the case in previous years, there are no notable potential risks which extend above and beyond risks from ordinary operations and general business risks. It can be assumed that Daldrup & Söhne AG is well prepared for the future, particularly because of the regulatory environment, the optimistic assessment of the market, and the liquid assets held by the company.

E. Forecast Report

1. Future Strategic Orientation

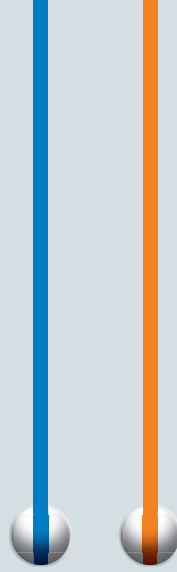
Daldrup & Söhne AG will continue to pursue the long-term growth and value strategy it began in 2007 with the IPO. The desire to internationalize operations and, furthermore, to develop the company into a supplier of geothermal power can be seen in the joint venture with RWE Innogy GmbH. We expect to achieve our mutual goals in small steps over the medium to long term, depending on the project.

2. Future Economic Conditions

With the "Directive to Promote the Use of Renewable Energy Sources," the European Union (EU27) is calling for the portion of energy from renewable sources to be increased to 20% by 2020. As a result, the European Geothermal Energy Council has formulated the goal of increasing the capacity for heat from geothermal energy from 9,800 MWth in 2007 to 39,000 MWth in 2020.

Germany's economic and environmental policies are shaped by a desire to play a leading role in global climate protection by increasing the portion of energy from renewable sources. The climate protection package of the Merseburger Resolutions by the Federal Government proposes massive expansion of renewable energies by 2020. As a result of these favorable conditions and wider awareness in the general population, the area relevant to Daldrup & Söhne AG, geothermal power (electricity and heat), will become more important at an above-average rate.





The Renewable Energy Act (EEG) as well as the Renewable Energy Heating Act (EEWärmeG) have both been passed and ratified. Public subsidies and financing programs from the KfW worth billions are available for renewable energy projects. Functional insurance solutions to cover the risk of discovery from the development of geothermal power are available, and the general fears of price increases in energy from oil and gas as well as raw materials will bring Daldrup & Söhne AG above-average growth rates in the future.

More decentralized activities and municipal energy suppliers and project developers are coming on board due to the supportive legal and political conditions. This is exemplified by Munich's public services "Project 2020," which sets a minimum of 20% of all energy required by 2020 to come from renewable energy sources. With the Molasse basin in the immediate vicinity, energy from geothermal sources will play a central role.

3. Expected Earnings and Financial Position

The specifics of acquiring and successfully carrying out large geothermal projects must be emphasized. Planning, preparing, and carrying out these projects is very time-intensive, which means projects can be postponed or can extend over more than one fiscal year. For this reason, fluctuations may occur in Daldrup & Söhne AG's revenues and earnings.

The company's solid earnings position will strengthen its financial situation, and contribute to the preservation and expansion of our market and competitive positions. Financial reserves allow Daldrup & Söhne AG to quickly react to opportunities which may arise and prevent unforeseeable risks.

4. Overall View of Expected Development

With its sound earnings level, 2008 had an impact on the further development of the company. Both the expectations and activities with regard to establishing new divisions were fulfilled. The outlook for 2009 and 2010 can also be described as positive. An order lead time of 12-15 months with a value of approx. €51 million and an uninterrupted order pipeline will make sustained use of our expanded capacities.

The economic and financial crisis has actually made purchasing fixed assets and goods on domestic and international markets easier, since the suppliers' ability and willingness to deliver has improved as a result of lower utilized capacities. We do not foresee any worsening of Daldrup & Söhne AG's purchasing conditions in the near future. The sale of drilling services is strongly concentrated on the geothermics division, while we are showing a constant presence in the other business divisions. Privately initiated geothermal power-plant projects to be freely financed are feeling investors' reluctance to fund these projects in the early stages. The closer a project that is initially financed from private funds gets to being successfully brought into service, the greater the willingness of banks to refinance or cofinance the project. Since Daldrup & Söhne AG primarily operates for financially strong initiators of municipal projects, the entire financing of a project is usually secured upon conclusion of a drilling contract.

In a general assembly resolution from August 20, 2008, the Managing Board was authorized, with Supervisory Board approval, to increase the share capital of the company by up to a total €2.7 million on one or more occasions before August 19, 2013, through the issue of €2.7 million worth of new, registered, common, no-par shares in exchange for cash or assets-in-kind (authorized capital). This ability to raise equity could be used if trends in the market or operations require investments in new drilling technology or new equipment to expand current capacities, or if opportunities for strategic acquisitions or investments arise.

F. Closing Statement from the Managing Board regarding the Subordinate Status Report

Finally, we assert that Daldrup & Söhne AG was, based on our knowledge at the time, not put at a disadvantage, and received good and valuable consideration as a result of all legal transactions the company engaged in.

Erfurt, April 20, 2009

Daldrup & Söhne AG

The Managing Board

signed Josef Daldrup (CEO)

signed Peter Maasewerd (CFO)

signed Andreas Tönies (COO)





Annual Financial Statements for the year 2008

30	Income Statement
32	Financial Statement
34	Fixed Asset Schedule
36	Notes for the fiscal year from January 1, 2008 to December 31, 2008
36	General Information regarding the Annual Financial Statements
36	Notes on Accounting and Valuation including Fiscal Measures
37	Notes to the Balance Sheet and Income Statement
40	Other Mandatory Information
42	Auditor's Opinion



**Income Statement** for the fiscal year from January 1 to December 31, 2008

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
	EUR	EUR
1. Revenues	27,009,144.36	28,181,736.73
2. Decrease in stock of works in progress	-1,563,367.18	-3,016,145.66
3. Other operating income	3,943,891.52	1,537,820.14
4. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	3,661,178.61	2,640,135.43
b) Cost of third-party services	8,351,951.07	8,860,657.69
	12,013,129.68	11,500,793.12
5. Personnel costs		
a) Wages and salaries	2,689,392.17	1,164,956.38
b) Social security and other pension costs - for pension costs: income €11,662.90 (previous year: expenses €32,724.31)	399,014.26	74,666.35
	3,088,406.43	1,239,622.73
6. Depreciation and amortization of intangible assets and property, plant, and equipment	1,305,106.00	304,437.77
7. Other operating expenses	7,632,233.58	9,339,909.19
8. Other interest and similar income	820,691.82	375,074.33
9. Depreciation of marketable investments and securities	4,095.00	0.00
10. Interest and similar expenses	41,991.28	146,655.42
11. Income from operations	6,125,398.55	4,547,067.31
12. Extraordinary expenditures	65,450.00	2,309,124.40
13. Taxes on income	2,007,523.10	515,233.98
14. Other taxes	19,804.32	8,097.48
15. Annual net income	4,032,621.13	1,714,611.45
16. Retained profits	2,073,195.47	1,577,274.21
17. Allocations to capital redemption reserves	56,528.64	0.00
18. Allocations to other revenue reserves	0.00	1,218,690.19
19. Net profit	6,049,287.96	2,073,195.47




Financial Statement as of December 31, 2008

ASSETS	31.12.2008	31.12.2007
	EUR	EUR
A. Fixed Assets		
I. Intangible Assets		
Licenses, industrial, and similar rights and assets as well as licenses to such rights and assets	10,343.00	12,268.50
II. Tangible Assets		
1. Real estate and buildings including buildings on third-party land	33,136.00	36,640.50
2. Technical equipment and machinery	13,852,480.00	489,164.29
3. Other equipment, furniture, and office equipment	5,625,367.50	5,514,902.50
4. Advance payments made and construction in progress	7,296,730.79	0.00
	26,807,714.29	6,040,707.29
	26,818,057.29	6,052,975.79
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	2,503,039.03	1,112,461.10
2. Goods in process, work in progress	15,420,564.90	16,983,932.08
3. Advance payments received	-14,042,343.95	-14,586,789.07
	3,881,259.98	3,509,604.11
II. Receivables and other assets		
1. Accounts receivable	4,073,671.62	1,909,549.33
2. Other assets - those of which have a remaining term of more than one year: €395,672.43 (December 31, 2007: €291,955.19)	1,724,584.21	3,451,280.45
	5,798,255.83	5,360,829.78
III. Securities		
1. Treasury shares	56,528.64	0.00
2. Other securities	1,225.00	0.00
	57,753.64	0.00
IV. Cash balance, bank balances	12,123,807.08	19,825,667.02
	21,861,076.53	28,696,100.91
C. Accrued and deferred items	45,833.33	9,850.37
	48,724,967.15	34,758,927.07

Liabilities	31.12.2008	31.12.2007
	EUR	EUR
A. Equity		
I. Share capital	5,445,000.00	4,965,000.00
II. Capital reserves	30,502,500.00	17,062,500.00
III. Revenue reserves		
1. Statutory reserve	25,000.00	25,000.00
2. Capital redemption reserve	56,528.64	0.00
3. Other revenue reserves	66,639.99	66,639.99
IV. Net profit	6,049,287.96	2,073,195.47
	42,144,956.59	24,192,335.46
B. Provisions		
1. Provisions for pensions	272,489.00	277,837.00
2. Provisions for income taxes	1,062,867.34	2,258,225.06
3. Other provisions	2,186,561.41	4,763,396.15
	3,521,917.75	7,299,458.21
C. Liabilities		
1. Liabilities to financial institutions		
- those of which have a remaining term of under one year: €1,778.13 (December 31, 2007: €0.00)	1,778.13	0.00
2. Accounts payable		
- those of which have a remaining term of under one year: €2,872,620.09 (December 31, 2007: €2,480,010.38)	2,872,620.09	2,480,010.38
3. Other liabilities		
- those of which have a remaining term of under one year: €183,694.59 (December 31, 2007: €787,123.02)		
- those of which are from taxes €41,715.05 (December 31, 2007: €650,158.98)		
- those which are within the scope of social security: €14,365.01 (December 31, 2007: €0.00)	183,694.59	787,123.02
	3,058,092.81	3,267,133.40
	48,724,967.15	34,758,927.07

**Fixed Asset Schedule** for the Fiscal Year from January 1 to December 31, 2008

	Acquisition Costs			
	As of 01.01.2008	Additions	Disposals	As of 31.12.2008
	EUR	EUR	EUR	EUR
I. Intangible Assets				
Licenses, industrial and similar rights and assets, as well as licenses to such rights and assets	13,328.85	0.00	7.50	13,321.35
	13,328.85	0.00	7.50	13,321.35
II. Tangible Assets				
1. Land and buildings	38,498.17	0.00	0.50	38,497.67
2. Technical equipment and machinery	517,880.61	13,749,649.93	65.50	14,267,465.04
3. Other equipment, furniture, and office equipment	5,787,705.93	1,027,091.28	10,406.64	6,804,390.57
4. Advance payments made and construction in progress	0.00	7,296,730.79	0.00	7,296,730.79
	6,344,084.71	22,073,472.00	10,472.64	28,407,084.07
	6,357,413.56	22,073,472.00	10,480.14	28,420,405.42

	Write-Offs, Depreciation and Amortization				Carrying Value	
	As of 01.01.2008	Additions	Disposals	As of 31.12.2008	As of 31.12.2008	As of 31.12.2007
	EUR	EUR	EUR	EUR	EUR	EUR
	1,060.35	1,918.00	0.00	2,978.35	10,343.00	12,268.50
	1,060.35	1,918.00	0.00	2,978.35	10,343.00	12,268.50
	1,857.67	3,504.00	0.00	5,361.67	33,136.00	36,640.50
	28,716.32	386,268.72	0.00	414,985.04	13,852,480.00	489,164.29
	272,803.43	913,415.28	7,195.64	1,179,023.07	5,625,367.50	5,514,902.50
	0.00	0.00	0.00	0.00	7,296,730.79	0.00
	303,377.42	1,303,188.00	7,195.64	1,599,369.78	26,807,714.29	6,040,707.29
	304,437.77	1,305,106.00	7,195.64	1,602,348.13	26,818,057.29	6,052,975.79

Notes for the fiscal year from January 1, 2008 to December 31, 2008

General Information regarding the Annual Financial Statements

Daldrup & Söhne AG's Annual Financial Statements were prepared based on the accounting regulations set forth in the German Commercial Code and Stock Corporation Act.

If there was an option available regarding the inclusion of specific information in the balance sheet, income statement, or the notes, this fact was noted on the balance sheet or the income statement. For the schedule of fixed assets, a visualisation follows as an appendix to the notes.

According to the company size classes indicated in Article 267 of the German Commercial Code, the company is a mid-sized corporation.



Notes on Accounting and Valuation including Fiscal Measures

Accounting and Valuation Principles

Fixed assets and intangible assets were recorded at their acquisition or manufacturing costs and, in the case of limited life assets, were written down according to a fixed depreciation schedule. The drilling rig DS-10 Bentec 350-t-AC Euro Rig will be depreciated over a period of 15 years.

Depreciations were carried out using the straight-line method based on the expected useful life of the asset in accordance with applicable fiscal regulations. Low-value fixed assets with a value between €150.00 and €1,000.00 are compiled in a compound item and written down over a period of five years in accordance with applicable fiscal regulations. Assets under €150.00 are recorded directly as expenses.

Inventories were recorded at their acquisition or manufacturing costs. If the balance sheet date values were lower on the balance sheet date, these values were recorded.

Receivables were valued taking all identifiable risks into account and were accounted for at face value. Among other things, a general provision for accounts receivables equaling 0.5% was formed.

Securities were recorded at their purchase price. If the market values were lower on the balance sheet date, these values were recorded.

The cash balance and bank balances were recorded at their nominal values.

Share capital was recorded at its nominal value in accordance with Article 283 of the German Commercial Code.

Provisions were formed for as yet undetermined liabilities from pension obligations. The provisions were formed on the basis of actuarial calculations using the entry age normal method according to the applicable fiscal regulations.

The provisions for taxes contain the taxes assessed to the company stemming from the current and the previous fiscal year.

The other provisions were formed for all other undetermined liabilities in the amount that is expected to be required. In doing so, all identifiable risks were taken into account.

Liabilities were recorded at their redemption amount. If their current values were higher than the repayment amounts, the liabilities were recorded at the higher balance sheet date values.

Fundamental changes to the accounting and valuation methods which were applied last year were not carried out.

Notes to the Balance Sheet and Income Statement

I. Balance Sheet

Fixed Assets

The schedule of fixed assets dated December 31, 2008, is presented as an appendix to the notes.

Current Assets

Inventories

The advance payments received are offset against inventories. Compared to last year, the reduction in profits on works in progress in order to conform to a long-term average value was decreased from 15% to 12.5%. This change has resulted in a difference on the income statement totaling €441,000.

In contrast to last year, drilling rods, drill heads, and drilling tools were listed under inventories as opposed to assets, since they are usually worn out after one use. A transfer out of the fixed assets from previous years into the current assets was not carried out, since most of the drilling rods, drill heads, and drilling tools have already been written off.

Other Assets

Other assets totaling €1,724,584.21 comprise the balance of the offset account of GVG GmbH & Co. KG (€21,962.73), the offset account of GVG GmbH (€3,529.65), and a debt in the amount of €11,655.89 owed to the company by CEO and majority shareholder, Josef Daldrup. Furthermore, the other assets contain claims from a contractual penalty (€420,000.00), claims from loans (€683.36), receivables from the formation of capital (€517.23), security deposits paid (€45,068.11), and tax refunds from the current and/or previous years. These refunds comprise €3,430.00 from trade tax, €9,771.10 from corporate tax, as well as €812,290.71 from VAT. For these items, the maximum time remaining until maturity is equal to one year.





Furthermore, the other assets include claims from liability insurance (€336,597.56) and a corporate tax credit (€59,074.87). The time remaining until the maturity of these assets is equal to more than one year.

The VAT refund contains €265,993.19 that will first accrue in 2009.

Provisions

Calculation of the pension provisions for CEO Josef Daldrup is carried out using the 2005 G actuarial tables from Dr. Klaus Heubeck.

The provisions contain the value of the taxes from the current and previous fiscal years which have not yet been assessed, trade tax (€620,777.00), and corporate tax (€442,090.34).

The provisions for vacation time not taken comprise a total of 1,165.50 vacation days, which were not used as of December 31, 2008 (€242,620.41).

Provisions for warranty claims were formed on the basis of standard rates known from experience equaling 0.5% of sales (€138,200.00).

The individual warranties cover multiple projects (€1,377,400.00).

The provisions for profit-sharing bonuses total €197,000.00.

Equity

Share Capital

Share capital amounts to €5,445,000.00, divided into 5,445,000 no-par, registered, common shares. The share capital was increased from €4,965,000.00 last year to €5,445,000.00 through the issue of 480,000 new shares. The 480,000 shares were issued from authorized capital to institutional investors by the equinet AG on April 30, 2008. As of December 31, 2008, authorized capital totals €2,722,500.00.

Capital Reserves

Within the scope of the increase in share capital, €13,440,000.00 was generated through the sale of shares, each being sold at an issue price of €29.00 and having a mathematical portion of share capital equal to €1.00 each. The proceeds were placed in the capital reserves. The capital reserves increased from €17,062,500.00 last year to €30,502,500.00.

Statutory Reserves

The statutory reserves remain unchanged from last year.

Capital Redemption Reserve

On December 31, 2008, the company held 2,417 treasury shares (equal to 0.004% of share capital). The number of treasury shares held increased from last year by 2,217 shares.

Other Revenue Reserves

The other revenue reserves totaling €66,639.99 are to be disclosed as remaining unchanged from last year.

Net Profit

The profit carried forward from December 31, 2007, totaling €2,073,195.47, and net profit from fiscal year 2008 totaling €4,032,621.13, less the allocation made to the capital redemption reserve totaling €56,528.64 will be carried forward onto new account. As of December 31, 2008, retained earnings total €6,049,287.96.

Liabilities

The other liabilities totaling €183,694.59 consist of liabilities from wages and salaries (€127,614.53), liabilities from payroll and church taxes (€41,715.05), and liabilities from social security (€14,365.01). The liabilities have a maximum time remaining until maturity of up to one year.



II. Income Statement

The total cost method was used in preparing the income statement.

Of the €27,009,144.36 in total revenue, €22,051,661.35 (81.65%) came from sales within Germany, and €4,957,483.01 (18.35%) from sales abroad.

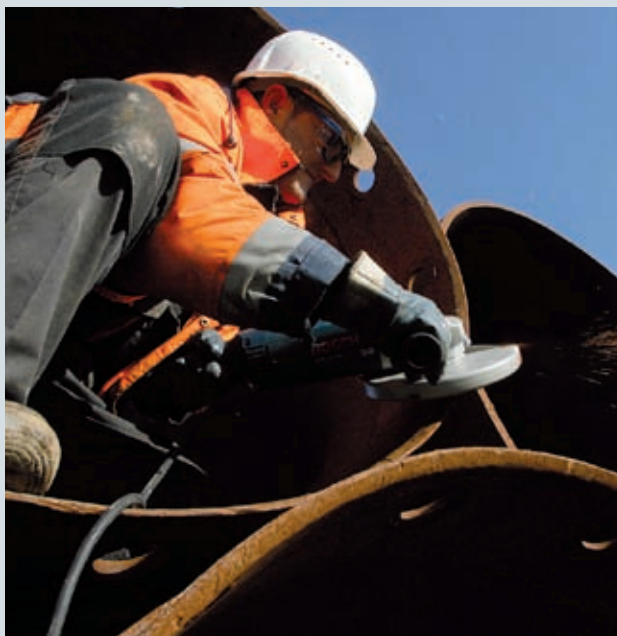
In contrast to last year, expenditures that up until now were recorded as "other operating expenses" are now recorded under "cost of sales."

The other operating expenses totaling €531,744.00 comprise the costs of the capital increase carried out on April 30, 2008.

The extraordinary expenditures totaling €65,450.00 stem from costs associated with the IPO in 2007.

The write-offs carried out in the reporting period entirely comprise scheduled depreciations and amortizations.

The taxes apply exclusively to the result of ordinary operations, since the extraordinary result is negative.



III. Miscellaneous Information

Miscellaneous Financial Obligations

Daldrup & Söhne AG leases its office, storage, and factory space as well as a warehouse from GVG GmbH & Co. KG. The annual leasing costs total €290,332.56.

As a result of ordering the deep drilling rig, DS-20 Drillmec City Rig HH 300, a liability exists totaling €1,095,876.00.

Pursuant to Article 285, Section 1, Number 11a of the German Commercial Code, Daldrup & Söhne AG is a general partner in the following joint ventures:

- Joint Venture "Langendreerholz, Bochum" (private partnership), headquarters in 99084 Erfurt
- Joint Venture "Schachtanlage Niederberg" (private partnership), headquarters in 99084 Erfurt
- Joint Venture "Bergbau Phoenix Ost" (private partnership), headquarters in 50858 Cologne
- Joint Venture "Arnstadt" (private partnership), headquarters in 46238 Bottrop

Recommendation regarding the Appropriation of Net Income

The Managing Board recommends appropriating the net income as follows:

The annual net income totals €4,032,621.13.

At the annual general meeting, the Managing Board will recommend carrying the net income forward onto new account.



Other Mandatory Information

Names of the Members of the Managing Board and Supervisory Board

During the previous fiscal year, the Managing Board comprised the following people:

Name	Role, Position held
Josef Daldrup	Chairman of the Managing Board (CEO)
Peter Maasewerd (graduate geologist)	Member of the Managing Board (CFO)
Andreas Tönies	Member of the Managing Board (COO)

The Supervisory Board comprised the following people:

Name, Role

E.H. Wilhelm Beermann (graduate engineer),
Chairman of the Supervisory Board

Professor Herbert Klapperich
(professor of Engineering)
Deputy Chairman of the Supervisory Board
(until August 20, 2008)

Wolfgang Clement,
retired Federal Minister
Deputy
Supervisory Board Chairman
(as of August 20, 2008)

Wolfgang Quecke (graduate engineer)
Member of the Supervisory Board

Administrative, Executive, or Supervisory Board Memberships and/or Partnerships

- Chairman of the Supervisory Board of MIBRAG GmbH, Theißen
- Chairman of the Advisory Board of CS Additive GmbH, Essen
- Member of the Administrative Board of the Treuhandstelle (THS) GmbH, Gelsenkirchen (until 02/2008)
- Member of the Advisory Board DIHAG Deutsche Gießerei- und Industrie-Holding AG, Essen
- Chairman of the Supervisory Board of Katholisches Klinikum Bochum gGmbH
- Member of the Administrative Board of St. Vincenz Gruppe Ruhr gGmbH, Herne-Witten

- Managing Partner of the Consulting Engineers for Geotechnics and Construction Engineering – Professor H. Klapperich GmbH
- Spokesman for the Managing Board of the CIF Competency Center for Interdisciplinary Land Recycling e.V. Freiberg/Berlin
- Professor for Soil Mechanics, Mining Geotechnology, and Soil Engineering at the Institute for Geotechnics at the Freiberg University of Mining and Technology

Member of the Supervisory Board of the following corporations:

- RWE Power AG, Essen
- Landau Media Monitoring AG & Co. KG, Berlin
- Versatel AG, Berlin
- DIS AG, Düsseldorf
- Dussmann AG & Co. KGaA, Berlin

Member of the following comparable domestic and international supervisory bodies of commercial enterprises:

- Chairman Adecco Institute, London

Member of the Managing Board of the following corporations:

- RAG Montan-Immobilien GmbH, Essen
- Neue Marler Wohnungsbaugesellschaft mbH, Marl (NEUMA GmbH)



Compensation Paid to Members of the Managing Board and Supervisory Board

Compensation paid to members of the Managing Board in 2008 totaled €840,490.36.

Compensation paid to members of the Supervisory Board in 2008 totaled €40,000.00.

Average Number of People Employed during the Current Year

The following number of people were employed on average in the various categories within the company:

Employee Category	Number
Managing Board	3
Workers	46
Salaried Employees	6
Trainees	3
Total	58

Erfurt, April 20, 2009

Daldrup & Söhne AG

The Managing Board

signed Josef Daldrup (CEO)

signed Peter Maasewerd (CFO)

signed Andreas Tönies (COO)





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

“Auditor’s Opinion

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account, and the notes to the financial statements – together with the bookkeeping system and the management report of Daldrup & Söhne AG, Erfurt, Germany, for the financial year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and with the supplementary provisions of the articles of association are the responsibility of the company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with article 317 HGB [German Commercial Code] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position, and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements, and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of Daldrup & Söhne AG, Erfurt, Germany, comply with legal requirements and give a true and fair view of the net assets, financial position, and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the company’s position and suitably presents the opportunities and risks of future development.”

Düsseldorf, April 27, 2009

Warth & Klein GmbH
Wirtschaftsprüfungsgesellschaft

signed Michael Häger (Wirtschaftsprüfer)
[German Public Auditor]

signed Berthold Oster (Wirtschaftsprüfer)
[German Public Auditor]

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

Fiscal Calendar for Daldrup & Söhne AG

May 2009:	Publication of the Agenda and Invitation to the General Meeting of Shareholders
June 25, 2009:	General Meeting of Shareholders, Münster, Germany
August 2009:	2009 Semi-Annual Report
November 10, 2009:	Press Release on Order Trends and Business Performance

IR Contact

Daldrup & Söhne AG

Lüdinghauser Straße 42-46
59387 Ascheberg
Germany

Phone +49 (0)2593 / 95 93 29

Fax +49 (0)2593 / 95 93 28

ir@daldrup.eu

www.daldrup.eu

Imprint

Headquarter

Daldrup & Söhne AG
Hefengasse 3
99084 Erfurt
Germany

Phone +49 (0)361 / 60 20 89 8

info@daldrup.eu

This annual report is also available as an online version at www.daldrup.eu.

Design and Setting

heureka! Profitable Communication GmbH, Essen
Germany

Print

Druckstudio GmbH, Düsseldorf
Germany



w w w . d a l d r u p . e u

 **Daldrup
& Söhne AG**

The logo consists of a stylized, intertwined 'D' and 'S' shape. The 'D' is formed by a blue line on the left and an orange line on the right, both curving upwards. The 'S' is formed by an orange line on the left and a blue line on the right, both curving downwards. The lines are thick and have rounded ends.

B o h r t e c h n i k