ANNUAL REPORT 2011

2011

Daldrup & Söhne AG

Bohrtechnik

SHARE INFORMATION

ISIN: DE0007830572
WKN: 783057
Exchange Segment: Open Market Entry Standard of the Frankfurt Stock Exchange
Ticker Symbol: 4DS
Fiscal Year End: 31 December

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 %

FOREWORD BY THE MANAGEMENT BOARD

f. l. t. r.: Andreas Tönies, Josef Daldrup, Peter Maasewerd

Dear Shareholders, Respected Business Partners,

The German forces for growth are intact and people are benefiting from the upturn in various ways: through more jobs, through higher incomes and through better future opportunities. The domestic economy is increasingly becoming the mainstay of economic growth. That strengthens the German economy's resistance to external risks and also benefits German trade partners. In the course of last year, economic activity in Germany reached the same level as before the economic and financial crisis in the spring of 2008. This means that the crisis-related catch-up process proceeded more dynamically than the federal government had expected at the same time last year. The upswing was very robust, even by international standards: Gross domestic product witnessed a 3 percent increase in real terms in 2011, after it had already increased by 3.7 percent in the previous year. However, indebtedness in a number of industrialized countries – often coupled with doubts about their competitiveness – resulted in significant insecurity on the capital markets. This also caused business expectations in the German economy to take a significant turn for the worse in the second half of 2011. Growth slowed down.

The federal government has called for an energy transition and intends to increase renewable energies' share of the electricity supply gradually from their current level of 20 % (2011) to 35 % (2020) and further to 50 % (2030). This tempo can be adhered to only if we are successful in removing the inhibiting factors.

In this economic environment and with fully utilized drilling and personnel capacities, the Daldrup Group generated gross revenue of € 47.1 million in fiscal year 2011 (previous year: €41.1 million). This is equivalent to an increase of 14.6 % compared with the previous year. 57.5% (previous year: 61.2%) of this revenue was achieved in Germany and 42.5% (previous year: 38.8%) in other countries (Netherlands, Austria and Switzerland). Protracted tendering and approval processes for deep wells, postponements of deadlines, extended drilling times and considerable restraint on the part of banks to fund projects had a revenue-limiting and cost-raising impact on the drilling and project business in the income statement of 2011. In fiscal year 2011, the Group generated earnings before interest, taxes, depreciation and extraordinary expense (EBITDA) of € 2.2 million (previous year: € 8.0 million). After scheduled depreciation of € 4.1 million on the previous year level, earnings before interest, taxes and extraordinary expense (EBIT) generated by the Daldrup Group amount to - €2.0 million (previous year: €4.0 million). Other minority shareholders' share of the Group earnings (EAT) of - €3.6 million (previous year: €2.4 million) is - €2.0 million (previous year: €0.2 million).

In our Group management report for fiscal year 2011, Group earnings are broken down by segment. It is well known and apparent that start-up losses stem from the project development business (here mainly the Taufkirchen geothermal project).

The accrued costs of €31.6 million (previous year: €17.6 million) from the geothermal projects in Taufkirchen and Mauerstetten are recognized in fixed assets under "Prepayments on assets under construction" on the asset side of the balance sheet.

The Daldrup Group's equity as at 31/12/2011 amounts to €75.4 million (previous year: €70.0 million) and the equity ratio on the reference date was 68.7 % (previous year: 75.5 %).

For the first time in the history of Daldrup & Söhne AG, liabilities to banks in the amount of €8.0 million are reported. The funds are being used to co-finance the Taufkirchen geothermal project.

In summary, it can be stated that the sector-typical cyclical fluctuations in drilling projects and start-up losses from the project development business have had a negative impact on Group earnings in 2011. On the other hand, economic uncertainties, flagging country ratings and difficulties on account of the weak state finances of a number of EU countries have little or no effect on the economic and financial development of Daldrup & Söhne AG. The drilling rigs are operating at full throttle and geothermal energy is gaining in importance in the energy mix.

Geothermal energy is a multi-talented contributor to the mix of renewable energy. Whether in the form of heat, cold or electricity – geothermal energy is versatile in its use within major projects or smaller individual applications. The geothermal energy source can be used as a seasonal or temporary energy store, thereby balancing out a temporary mismatch between energy supply and energy demand. As the real energy production takes place underground, ecological and optical disturbances as well as noise occurrence and surface consumption are extremely low. An expensive expansion of the electricity grid is unnecessary for this area. These factors have been recognized by the federal government and taken into account in the context of the amendment of the Renewable Energy Sources Act (EEG 2012). The increase in the feed-in tariff to 25 ct/kWh means that geothermal energy is the winner of the EEG amendment.

We are confident that the value-oriented and growth-oriented objectives of Daldrup & Söhne AG and the strategic transformation process in the development from a pure drilling services provider to an independent medium-sized energy supply company will receive positive support from this excellent framework. The implementation of the Taufkirchen geothermal project, in which the Daldrup Group has a majority holding, is proceeding according to schedule. The drilling phase of the geothermal doublet has now been successfully completed, with the strike results exceeding expectations. There are no further obstacles to the geothermal heating power plant being constructed and commissioned in the summer of 2013. The first major milestone in the strategic reorientation of the Daldrup Group will then have been achieved. Consistent returns from the sale of electricity and heat will stabilize the Daldrup Group's earnings and liquidity situation in the long term and strengthen its financial independence.

We would like to thank our employees for their hard work and high level of commitment in the past fiscal year.

We also wish to thank our shareholders for the trust that they have placed in us. We are pleased that you are accompanying us on the sustainable path to geothermal energy.

Yours sincerely,

Grünwald, May 2012
The Management Board

Josef Daldrup (CEO) | Peter Maasewerd | Andreas Tönies

SUPERVISORY BOARD REPORT

Dear Shareholders,

In fiscal year 2011, the Management Board and the Supervisory Board focused on the improved market opportunities for the geothermal energy sector in view of the amendment of the Renewable Energy Sources Act (EEG 2012) and the possibilities of growth available to the Daldrup Group as a result of strategic investments and partnerships.

In addition, the Supervisory Board closely monitored the implementation of the Company's own geothermal heating plant project at the Taufkirchen site. The Supervisory Board kept itself regularly informed about project progress, particularly the success of the deep geothermal wells. In this context, the Supervisory Board voted to take out bank loans for the first time to create extended financial leeway in the Daldrup Group.

The Management Board always involved the Supervisory Board directly and at an early stage in all major decision-making processes. To this end, the Supervisory Board and members of the Management Board, particularly the chairs of both bodies, were involved in a close and regular exchange of information and ideas.

The Supervisory Board performed the tasks incumbent upon it in accordance with the law and articles of association with great care in fiscal year 2011. It monitored the management of the Company appropriately, providing advice to the Management Board. The Management Board provided regular comprehensive and prompt reports, both in writing and orally, about all the events, contracts and transactions of major importance and about trends in the most important performance indicators for the Company. Special attention was given to strategic questions of company planning, business policy, business development, capital expenditure and financing, risk situation, risk management and compliance. The Supervisory Board reviewed and discussed in detail the documents, reports and draft proposals submitted to it. In addition to the Management Board reports, the Supervisory Board continuously formed its own view of the Company's position, maintaining intensive 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 year. No committees were formed, for reasons of efficiency. All of the Supervisory Board members attended all of the meetings. The current operational development of Daldrup & Söhne AG and the business units were regularly major topics of the deliberations. At the beginning of fiscal year 2011, the Supervisory Board focused on the consolidated financial statements of Daldrup & Söhne AG as at 31/12/2010 which had been presented by the Management Board for the first time. In addition, the Supervisory Board focused on the following individual topics:

- 2011 half-year report
- Preparation of the Annual General Meeting on 14 July 2011
- Implementation of the geothermal project in the Taufkirchen claim area
- Providing advice about adjustment measures for optimizing the structural and process organization as well as the areas of responsibility
- Development of a strategy for long-term press, media and public relations
- Capital expenditure to expand drilling capacity in view of the high order book levels
- Internationalization of business activities (Italy and Poland)

Matters requiring approval were submitted to the Supervisory Board for decision-making in a proper and timely manner. In the reporting year, these mainly related to the conclusion of drilling contracts and participation in a bidding process for the acquisition of a strategic equity investment. After appropriate examination, the Supervisory Board granted its approval in all cases.

In fiscal year 2011, there were no conflicts of interest for members of the Management Board and Supervisory Board which required immediate disclosure to the Supervisory Board and a submission of information to the Annual General Meeting.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

In line with the resolution of the Annual General Meeting on 14 July 2011, the Supervisory Board engaged Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, to audit the annual financial statements, the consolidated financial statements and the dependent company report for fiscal year 2011.

The Management Board prepared the annual financial statements of Daldrup & Söhne AG and the consolidated financial statements as at 31 December 2011, consisting of balance sheet, income statement and notes as well as management report, in accordance with the provisions of German commercial law. The annual financial statements and the consolidated financial statements, including the accounting, the management reports, the dependent company report and the operating ability of the internal control system, were audited by Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf. There is no economic risk potential, other than general entrepreneurial risk, which requires a mention. The financial statement auditor confirmed the correctness of the processes, raised no objections and certified this for the annual financial statements and the consolidated financial statements in an unqualified auditor's opinion.

The annual financial statements of Daldrup & Söhne AG, the consolidated financial statements, the management report of Daldrup & Söhne AG, the Group management report and the dependent company report provided by the Management Board, as well as the financial statement auditor's relevant audit reports, certified by an unqualified auditor's opinion provided by Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, and the proposal of the Management Board in respect of appropriation of profits were all submitted to the Supervisory Board for assessment. Following assessment and in accordance with the German Stock Corporation Act (AktG) and the articles of association of Daldrup & Söhne AG, the Supervisory Board agreed with the Management Board's proposal to carry Daldrup & Söhne AG's full net retained profits for 2011 forward to new account.

Following its own assessment of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board agreed with the findings of the audit carried out by the auditor. It also had no objections.

The Supervisory Board adopts the annual financial statements of Daldrup & Söhne AG and approves the consolidated financial statements, each as at 31 December 2011. This means that, under section 172ff. of the AktG, the annual financial statements are adopted and the consolidated financial statements are approved.

DEPENDENT COMPANY REPORT

The dependent company report prepared by the Management Board contains, in accordance with the audit by the public audit company, the prescribed disclosures pursuant to section 312(1) of the AktG and demonstrates that Daldrup & Söhne AG was not disadvantaged with regard to the presented legal transactions and measures, receiving an appropriate consideration. The financial statement auditor issued the following unqualified auditor's opinion:

"Following our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are accurate,
2. the consideration paid by the Company for the legal transactions listed in the report was not inappropriately high or disadvantages were offset,
3. the actions listed in the report provide no grounds for an assessment that is materially different from that reached by the Management Board."

The Supervisory Board assessed the dependent company report provided by the Management Board and the audit report provided by the financial statement auditor. Following the final result of the Supervisory Board's own assessment of the dependent company report, it has no objections against the declaration of the Management Board in respect of the dependent company report.

The auditors reported to the Supervisory Board, at its meeting on 24 May 2012, on the audit of the annual financial statements and the consolidated financial statements as at 31 December 2011 and were available to answer questions and provide additional explanations.

On behalf of the entire Supervisory Board, I would like to thank members of the Management Board and all employees for the work that they have carried out over the past fiscal year.

Grünwald, 24 May 2012

Dr. Wilhelm Beermann
Chairman of the Supervisory Board

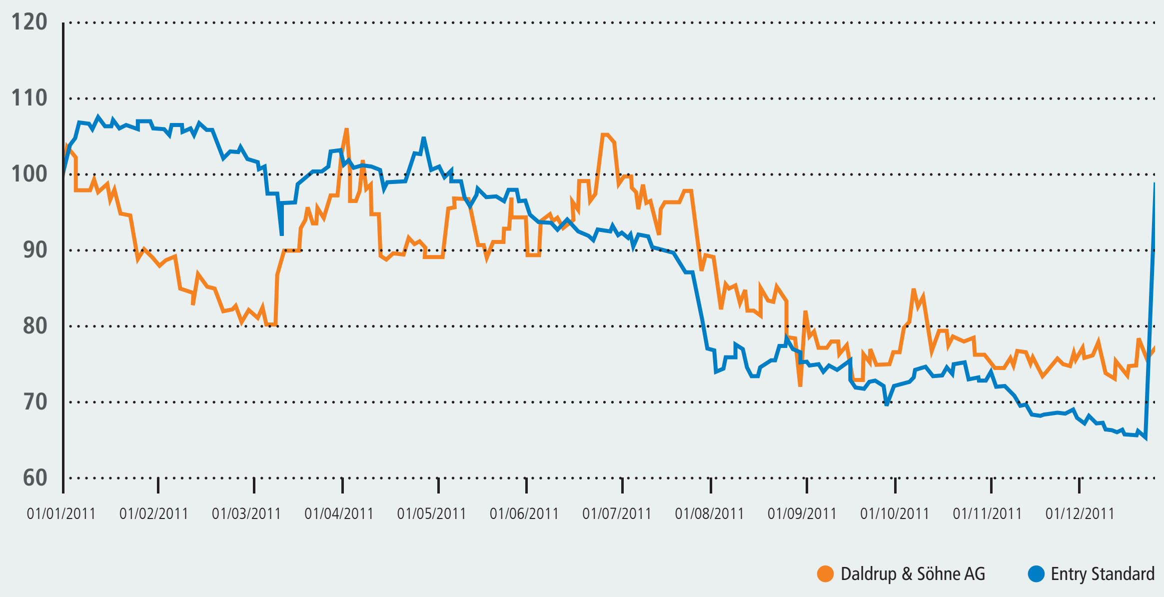
THE DALDRUP & SÖHNE AG SHARE ON THE CAPITAL MARKET

As constant and positive as the international markets were at the start of stock exchange year 2011, by year end share performance was volatile and jittery. In the light of positive corporate results from the USA and the successful bond auctions of Spain and Italy, the stock exchanges had a successful start to the new year. The initial public offer, by the EFSF, of a euro bond in the amount of 5 billion euro was significantly oversubscribed and, in the same way as the raising of the economic forecast by the FED, the American central bank, contributed to further price gains for the indexes. In Germany, the Ifo business climate index achieved the highest value since reunification. It was only as a result of the heavy fighting in Libya, which caused raw material prices to hit a two-year high, thereby feeding the fear of inflation and a rise in the interest rate, that prices relinquished some of the gains that they had made previously. The devastating natural catastrophe in Japan provided a further deep cut in the markets. At the same time, the European debt crisis came to the fore again, triggered by the downgrade, by Standard & Poors, of the country ratings of Greece, Spain and Italy. The combination of the two factors caused the German stock market to suffer significant losses, which resulted in the DAX index experiencing a temporary low point at 6,483 points in mid-March, a loss of almost 1,000 points within two weeks. The concerted reaction of politicians, who initiated a 700 billion euro-strong rescue package, and the positive comments by the FED in respect of economic growth in the USA gave investors new hope. With increasing volatility, but in a constant manner, the stock exchanges recovered, rising to new highs at the beginning of May. On 2 May, the DAX index hit its high point for the year at 7,600.41 points, which it was not to achieve again in the further course of the year. The uncertainty due to European national debt weighed heavily on the markets. Added to this, there were the first warning signs in respect of the economic outlook in the USA. The increased nervousness found expression in increased volatility on the markets and a readiness to use rising prices to reduce institutional exposure.

The Daldrup & Söhne AG share was unable to adapt the positive atmosphere in the markets at the beginning of the year to its own price development. Despite positive company reports, the cautious sentiment in relation to the sector had a negative impact on share price. The change of mood, triggered by the disaster in Fukushima, put our share under pressure again in mid-March. The turnaround came following publication of a new contract in the consortium with Thyssen. The considerable upturn in the Raw Materials and Exploration business unit also ensured further confidence. In a spectacular race to catch up, our share reached its highest price for the year at 24.305 euro points within a few weeks up to 7 April. Compared with its lows, it was thus able to improve by more than 40 %. Some of the investors used the sharp increase to reduce their exposure, which meant that the price had to relinquish a part of its gains. The good earnings figures for the fiscal year published in May in the context of the first consolidated financial statements in our Company's history provided a further boost. Under conditions of increasing volatility as a result of the changing overall market environment, our share started to make fresh gains. Accompanied by an expansion in trading volume, the price achieved the previous highs again in mid-year.

The national debt of a number of European countries, above all Greece, which necessitated a second rescue package in the short term, now became the dominant factor on the stock exchanges. Burgeoning concerns about the credit rating of Spain and Italy exacerbated the situation. In the USA, as a result of the dispute between government and opposition in respect of the upper limit on debt, the possibility of the country's insolvency appeared not to be ruled out. A lack of confidence in politicians' crisis management resulted in a spectacular sell-off on the financial markets. The MSCI World Index lost 9 % in one week, thereby destroying around 2.5 billion US dollars' worth of market capitalization. The US rating agency Standard & Poors downgraded the credit rating of the USA to AA+, and in Germany, the Ifo Institute expected to see a significant deterioration in the economic environment. The DAX, the German leading index, lost 5.82% in value on 8 August alone, the biggest daily loss since November 2008. Nervousness and uncertainty dominated market events from thereon in. Volatility on the stock exchanges increased significantly. Constantly changing reports in respect of a political solution to the European debt crisis dominated the markets under rapidly changing conditions. It was only when agreement was reached on a European rescue package in the amount of 1 billion euro and a 50 % "haircut" amongst Greece's debtors that the situation eased. Until this point in time, the German stock market had lost 34 % of its highs. In October, the DAX index answered the solutions found with the best monthly performance of the year at 11 %. Nevertheless, the markets remained volatile. Although the publication of positive economic data frequently provided phases of recovery, the uncertainty regarding the possible crises of Italy and Spain was too great. The concerns surrounding the debt crisis and the possibility of burgeoning economic problems remained with investors until the end of the year. In the slipstream of consolidation on the global stock exchanges at the start of the second half of the year, our share was also forced to bow to the persistent pressure to sell. In harmony with the indexes, even if with less intensity, the price reached its lowest point for the year at 16.155 euro on 6 September, a position from which, however, it was soon able to recover, particularly due to the publication of our good results from the first half-year. Owing to the nervousness and insecurity on the financial markets, investors mainly concentrated on blue chips and large caps in the fourth quarter. The small and medium enterprise segment was not the focal point for investors at this stage. In this respect, our share was able to develop solid ground in terms of price development in the fourth quarter. The sentiment, however, did not allow sustained price increases even after positive Company reports. A change in investor focus, in which sufficient recognition is again given to fundamental data particularly of small and medium-sized enterprises, should show the criteria for investment in the Daldrup & Söhne AG share in a new light. It is particularly our continuingly high order book levels in excess of euro 100 million, which will reach far into 2013, that should provide the basis for new interest.

DALDRUP & SÖHNE AG – Entry Standard 31/12/2010 - 31/12/2011



GROUP MANAGEMENT REPORT
for the Fiscal Year from 1 January to 31 December 2011

GROUP MANAGEMENT REPORT
FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2011

A. COMPANY – BUSINESS ACTIVITIES, COMPETITIVE POSITION AND ENVIRONMENT

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

Daldrup & Söhne AG, a company whose history goes back decades, is the leading provider of drilling and environmental services in Germany and in Central Europe. The Company's activities are organized into the business units of Geothermics, Raw Materials & Exploration, Water Procurement and Environment, Development & Services (EDS). As a result of building up strategic investments and partnerships, Daldrup & Söhne AG now occupies all positions in the value chain for geothermal projects, from holding the permits for exploration of geothermal energy in a particular area, from field development through to drill readiness, from execution of the drillings, constructing the power station through to energy contracting.

VALUE CHAIN OF A DEEP GEOTHERMAL PROJECT

Feasibility Study/ Claim Acquisition/ Claim Property	Seismic Profiling/ Claim Development	1st Drilling and Hydraulic Test	2nd Drilling and Circulation Test	Construction of Thermal Water Circuit	Construction of Power Plant + District Heating Supply	Energy Contracting for Electricity/Heat
GEYSIR EUROPE	exorka	Daldrup & Söhne AG Bohrtechnik	Daldrup & Söhne AG Bohrtechnik	Daldrup & Söhne AG Bohrtechnik	exorka	Daldrup & Söhne AG Bohrtechnik

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

PROVIDER OF DRILLING SERVICES

Daldrup & Söhne AG Bohrtechnik

Daldrup provides comprehensive drilling and environmental services for numerous customers such as industrial companies, private customers and municipal/government bodies

Geothermics	Water	Raw Materials & Exploration	EDS

GEOTHERMAL PROJECT DEVELOPER (IPP[1])

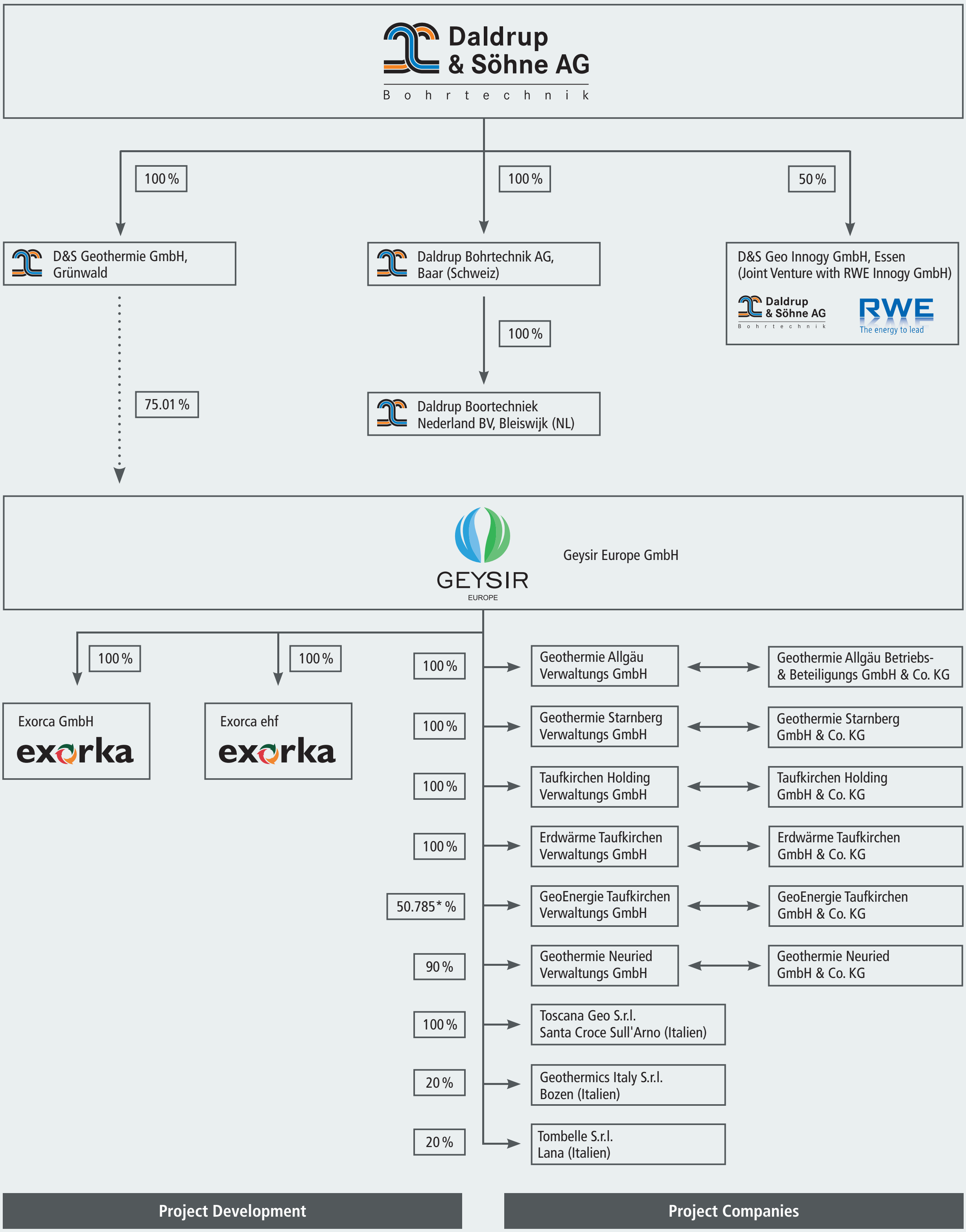
GEYSIR EUROPE exorka

- Own claim areas for active implementation of Daldrup's own deep geothermal projects for electricity and heat generation
- Worldwide licence to use the power plant technology of the Kalina process and exclusive rights to use it in Germany
- The Daldrup Group combines the know-how of the entire value chain of a deep geothermal project

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

[1]IPP = Independent Power Producer

GROUP STRUCTURE (AS AT 31 DECEMBER 2011)



*of which 15.685% direct + 35.1% indirect

ORGANIZATION

All Group companies are bound by rules of procedure and/or by catalogues of transactions requiring approval and are subject to the strategic orientation of the Daldrup Group. Within this framework, their actions are aimed at expanding the position of the Daldrup Group as the leading drilling technology specialist, project developer and provider of turnkey geothermal power plant projects in Central Europe. Value creation is achieved by developing geothermal projects in the Group's 10 own claim areas (9 in the Bavarian Molasse Basin/1 in the Upper Rhine Rift Valley), on which more than one project can be implemented in individual cases, or as a corresponding service provider for external clients. In organizational terms, it is Exorka GmbH, with its general contractor, project development and engineering expertise, that carries out active operations here. In addition, the Group company Exorka ehf (Iceland) holds the global licence for the use of the Kalina power plant technology, including exclusive rights to the market in Germany. With more than 20 successfully completed geothermal deep wells, down to a depth of 5,000 metres (TVD = true vertical depth), and as a result of mastering different geological formations, the drilling technology expertise of Daldrup & Söhne AG, together with the Group's extensive range of drilling equipment, play a key role in the Group. The parent company performs central functions for the Group companies.

BUSINESS ACTIVITIES

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

The business activities of Daldrup & Söhne AG include the Geothermal Energy, Raw Materials & Exploration, Water Procurement and EDS units.

The **Geothermal Energy** unit provides drilling services for near-surface geothermics (particularly geothermal probes for heat pumps), but above all drilling services for deep geothermics. The utilization of deep geothermics requires drilling to depths ranging between approx. 500 metres and approx. 5,000 metres, so that the geothermal energy that then becomes accessible can be used for electricity and/or heat generation. Geothermics is increasingly gaining in importance throughout the world in the generation of heat and electricity as a component of renewable energies within the overall energy mix. Particular preference here is given to countries that have high enthalpy deposits (sites in which high temperatures (over 200 °C) and/or pressures can be found at relatively shallow depths (< 2,000 m)). In low enthalpy regions such as Germany, deeper wells and/or special power plant circulation processes are used to generate electricity from geothermics. Further, the direct use, in Germany, of geothermics for heating and cooling above-ground buildings, whether as new construction projects or as part of energy-efficient building renovation, cannot be ignored. Please refer to the **2009 Energy Conservation Regulation** in respect of energy-conserving heat insulation and energy-conserving systems technology for buildings (new constructions and restoration of old buildings). The main focus of the activities of Daldrup & Söhne AG in Germany is currently in the Bavarian Molasse Basin south of Munich, while in future it will be in the Upper Rhine Rift Valley as well as the North German Plain. International activities in fiscal year 2011 concentrated particularly on the Netherlands, Austria and Switzerland. Daldrup & Söhne AG's activites across Europe will focus on sites with especially good geothermal potential and corresponding sales opportunities for electricity and heat. Deep wells down to a depth of 5,000 metres represent a challenge for both teams and technology. The more than 20 successfully completed wells in various geological formations demonstrate Daldrup & Söhne AG's mastery of all stages of projects. The Geothermal Energy unit's share of gross revenue generated by Daldrup & Söhne AG in 2011 reached 85% (previous year: 84%).

In the **Raw Materials & Exploration** business unit, Daldrup & Söhne AG carries out drilling operations on behalf of national and international mining companies in exploration of deposits of fossil fuels (especially hard coal, oil and gas) as well as mineral raw materials (e.g. salts, ores, copper, nickel, zinc and limestone). Another major area comprises activities in respect of the exploration and securing of the substratum in mining areas. This business unit's share of gross revenue generated by Daldrup & Söhne AG in 2011 amounts to 8 % (previous year: 11%).

The **Water Procurement** business unit represents the entrepreneurial origins of Daldrup & Söhne AG. It includes drilling wells to obtain drinking water, process water, thermal and mineral water, boiler feedwater and cooling water as well as thermal brine. Not only the drilling itself, but also special construction techniques are key in water procurement: from the stainless steel pipelines for transporting drinking and thermal water, to the professional development of well systems through to the installation of modern filter and pump equipment. In global terms, water is an expensive commodity in short supply. Water management will be of major importance in future: The water distribution networks of the industrialized countries are dilapidated, with a large proportion of the world's population being cut off from the drinking water supply and drinking insufficiently treated waste water. This makes clean water a valuable raw material and drinking water a high-quality foodstuff. The Water Extraction business unit represents 3 % (previous year: 3 %) of gross revenue generated by Daldrup & Söhne AG in 2011.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BTC Pin

The fourth business unit, Environment, Development & Services (EDS), brings together special environmental technology services for a broad range of clients. Daldrup & Söhne AG's expertise has been repeatedly demonstrated in relation to the hydraulic remediation of contaminated sites, the planning and construction of gas extraction wells for obtaining landfill gas, the provision of groundwater quality measurement points or the construction of water purification plants. The EDS business unit's share of gross revenue generated by Daldrup & Söhne AG in 2011 was 4 % (previous year: 2 %).

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

On average during 2011, Daldrup & Söhne AG had 94 employees (previous year: 80) and Exorka GmbH had 7 employees (previous year: 6). Additionally, up to about 70 further employees were made available to Daldrup & Söhne AG on a flexible basis by other companies.

NUMBER OF EMPLOYEES AT DALDRUP & SÖHNE AG AS AT 31 DECEMBER:

EMPLOYEES As at 31 December 2011, by function	**2011**	**2010**
Drilling	79	61
Administration (excluding Directors)	19	16
Persons in minor employment	4	5
Daldrup & Söhne AG	102	82
Exorka GmbH	8	7
Group – total	**110**	**89**

2. COMPETITIVE SITUATION

Daldrup & Söhne AG's long-standing market presence, its expertise, its financial strength and its existing reference sites with drilling depths down to 5,000 metres mean that its competitive position has the firmest of foundations.

High technical, financial and official/administrative barriers to entry into the market as well as the limited availability of corresponding drilling capacity serve only to reinforce Daldrup & Söhne AG's favourable position. In addition, Daldrup & Söhne AG has a healthy order book, which guarantees capacity utilization and planning security until the end of 2013. According to data issued by the Federal Association of Geothermal Energy in Germany, a further 69 deep geothermal projects are currently on the drawing board. Added to these, there are projects in Austria, Switzerland, Italy and the Benelux countries. According to the Company's own surveys, at least 30 geothermal projects are to be implemented in a three year period in the Netherlands alone. The scarcity of available drilling capacity and the limited possibilities of developing this capacity are culminating in high demand. The result is stable drilling prices and low competitive intensity. Particular competitors in the area of deep geothermal wells include drilling companies that are primarily engaged in the oil and gas business and occasionally participate in invitations to tender for geothermal projects.

3. STRATEGY, OBJECTIVES AND COMPANY MANAGEMENT

Daldrup & Söhne AG's strategies and objectives remain unchanged, expressed as the intention to achieve sustainable growth and to expand the Company's leading market position in Germany and Europe as an experienced drilling technology specialist. In addition, the Company's sights are now trained on participation in geothermal power plant projects to generate additional returns from grid feed-in and sale of electricity and heat under the 2012 Renewable Energies Act (EEG 2012). The long-term goal is to develop the Daldrup Group into a medium-sized energy supply company. Decisive steps in this direction were already taken in 2009 in the form of a majority holding in Geysir Europe GmbH, Grünwald.

4. LONG-TERM EQUITY INVESTMENTS AND STRATEGIC PARTNERSHIPS

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

D&S Geo Innogy GmbH, Essen
The 50/50 joint venture with RWE Innogy GmbH focuses primarily on developing the claim area at Walldorf next to Frankfurt Airport in close cooperation with project partners Fraport AG and Mainova AG. Preliminary investigations and implementation plans will be incorporated in a profitability analysis and determine further project progress in 2012.

Daldrup Bohrtechnik AG, Baar (Switzerland)
Daldrup Bohrtechnik AG operates independently in the interesting Swiss market and, in addition, successfully completed a further drilling project in the Netherlands in 2011. Not only wells for the exploration of geothermal energy, but particularly also special wells for brine production are of interest. The necessary drilling technology and qualified operators are provided, as needed, by Daldrup & Söhne AG.

Activities in a so-called third country (outside the euro zone) involve particular organizational, logistical and administrative challenges. In particular, gaining customs clearance for drilling rigs together with equipment and accessories and handling the goods traffic for the ongoing drilling operation involve additional effort.

The use of geothermal energy as a resource-conserving energy source is being well received by industrial greenhouse operators (vegetables, flowers, plants) in the Netherlands. The Dutch Ministry of Economics and the regional provinces are supporting this development through a subsidy programme for capital expenditure on self-sufficient geothermal heating plants. The newly founded Daldrup Boortechniek Nederland BV, Bleiswijk acts as Daldrup's representation in the Netherlands.

In line with this systematic approach, Toscana Geo S.r.l., Santa Croce Sull'Arno, was reclassified to the Geysir Europe Group, with 100% of the capital shares simultaneously being taken over. The collaboration with partners in the South Tyrol is continuing and an active application has been made for 14 sites in the Italian regions of Lazio, Toskana, Lombardy and Piemont in respect of exploration of geothermal deposits. The most interesting sites for hydrothermal geothermal projects have a temperature level between 150 °C at a depth of 2,000 metres and 250 °C at a depth of 3,000 metres. The Company expects to receive its first approvals in the formerly state-regulated energy market in Italy in 2012.

D&S Geothermie GmbH, Grünwald

The main investment activities of Daldrup & Söhne AG are brought together in D&S Geothermie GmbH. 75.01% of the capital shares of Geysir Europe GmbH with its national and international subsidiaries are held here. The Geysir-Europe Group forms the second level of the Daldrup Group. The operational **project planning and development companies** trade here under the Exorka brand. **The regional geothermal projects in their different development phases** are grouped in the existing six domestic and four international subsidiaries (SPV – special purpose vehicles).

5. RESEARCH AND DEVELOPMENT

Generally speaking, there are three types of heat extraction from underground 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 electricity plants for the city of Zurich, Switzerland, in the Triemli District).

- Hydrothermal systems:
  Open circuit in which thermal water flows between two deep boreholes (wells) via natural groundwater conductors (aquifers).

- Petrothermal systems:
  Open circuit, where hydraulic stimulation measures are used to generate fissures and gaps in the dry subsoil, through which artificially introduced/ injected water circulates.

While Daldrup has successfully executed the first two systems and taken the projects into operation on several occasions, there is no petrothermal geothermic project in regular operation in Europe.

The Daldrup Group continues to regard itself as a technological pioneer in deep geothermal energy and also intends to take up the technical challenges presented by petrothermal geothermics/the so-called Enhanced Geothermal Systems (EGS) in future. As part of the Company's research & development, it is initiating an experimental and test project in respect of the market-ready application of EGS in the currently suspended project with Geothermie Allgäu Betriebs- und Beteiligungs-GmbH & Co. KG in Mauerstetten (Kaufbeuren). It is intended to make use of an existing, non-productive borehole of 4,400 m MD (= measured depth). The joint project together with geothermal experts, the Technical University and Mining School in Freiberg and the Geo Research Centre in Potsdam includes a stimulation experiment in Malm karst limestone in a deep geothermal well with a view to the industrial use of geothermal heat in supposedly unfavourable geological formations. Furthermore, the Company is pushing ahead with the development of a modular Kalina or ORC plant for geothermal electricity generation. Both research activities are being subsidized from funds from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

Daldrup's largest drilling rig, the DS-10 Bentec 350-t-AC Euro Rig™, has been designed to carry out deep drilling operations such as this.

6. OVERVIEW OF BUSINESS DEVELOPMENT

German forces for growth are intact. People are benefiting from the upturn in various ways: through more jobs, through higher incomes and through better future opportunities. The domestic economy is increasingly becoming the mainstay of economic growth. That strengthens the German economy's resistance to external risks and also benefits German trade partners. In the course of last year, economic activity in Germany reached the same level as before the economic and financial crisis in the spring of 2008. This means that the crisis-related catch-up process proceeded more dynamically than the federal government had expected at the same time last year. The upswing was very robust, even by international standards: gross domestic product witnessed a 3 percent increase in real terms in 2011, after it had already increased by 3.7 percent in the previous year. However, indebtedness in a number of industrialized countries – often coupled with doubts about their competitiveness – resulted in significant insecurity on the capital markets. This also caused business expectations in the German economy to take a significant turn for the worse in the second half of 2011. Growth slowed down.

In this difficult economic environment, the Daldrup Group generated gross revenue of €47.1 million in 2011 (previous year: €41.1 million.). This is equivalent to an increase of 14.6 % compared with the previous year.

Performance in the upper range of available drilling and personnel capacity is in line with expectations and satisfactory. Over and above this, performance-limiting factors in the drilling and project business were and are protracted tendering and approval procedures for drilling projects and the clear restraint of banks in respect of project funding. The federal government has called for an energy transition and intends to increase renewables' share of the electricity supply gradually from the current level of 20 % (2011) to 35 % (2020) and still further to 50 % (2030). The prevailing credit squeeze is contributing to achievement of this objective being delayed.

The following contributions to gross revenue were made by the individual business units of Daldrup & Söhne AG

• Geothermal Energy	€ 40.1 Mio.	(85 %)
• Raw Materials & Exploration	€ 3.5 Mio.	(8 %)
• Water Procurement:	€ 1.6 Mio.	(3 %)
• EDS	€ 1.9 Mio.	(4 %)

with 57.5 % (previous year: 61.2 %) being generated in Germany and 42.5 % (previous year: 38.8 %) in other countries (Netherlands, Austria and Switzerland).

B. RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

1. RESULTS OF OPERATIONS

THE FOLLOWING PROVIDES AN OVERVIEW OF THE RESULTS OF OPERATIONS OF THE DALDRUP GROUP:

INCOME STATEMENT	2010 EUR '000	2011 EUR '000
Sales	57,890	40,251
Gross revenue	41,128	47,057
Other operating income and tax refunds	7,505	9,696
Cost of materials	25,987	35,150
Personnel expenses	5,570	6,353
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	3,996	4,118
Other operating expenses	9,398	13,664
EBITDA	**7,959**	**2,155**
EBIT	**3,963**	**-1,962**

The Daldrup Group's value creation and production process, which is typical of the industry and project-dependent, requires regular measurement of inventories, particularly the measurement of work in process. In accordance with the accounting principles and applying the principle of prudence, deductions for calculated risk, profit and sales costs are made from the earned value achieved. The calculated margins and the project success are therefore not realized until after completion, approval and final billing of a project. Project and operating costs, however, are recognized immediately they are incurred. In this respect, the income statement of the Daldrup Group is heavily influenced by project activities.

The gross revenue generated in fiscal year 2011 consists of sales revenue of € 40.3 million (previous year: € 57.9 million), reductions in inventories of € 5.3 million (previous year: € 16.8 million) as well as own work activated in the amount of €12.2 million. The reduction in inventories is due to drilling orders recognized in sales which were completed and billed in the fiscal year. These included, in particular, the drilling projects in Waldkraiburg and Taufkirchen (both in Bavaria), Ried i. I. (Austria) as well as Koekoekspolder and Haaksbergen (both Netherlands). Project-related extensions of drilling times and postponement of completion dates resulted in a reduction in revenue and an increase in costs in the 2011 income statement. The own work capitalized in the amount of € 12.2 million is related to the deep geothermal wells and the general contractor services for the geothermal project of GeoEnergie Taufkirchen GmbH & Co. KG, whose annual financial statements have been fully included in these consolidated financial statements. The project is scheduled to have been completed in fiscal year 2013.

Other operating income of € 9.7 million (previous year: € 7.5 million) consists of income from cooperative ventures, income from hiring out deep drilling rigs, from claims for damages, from the disposal of long-term financial assets and tangible fixed assets, from the reversal of provisions and from insurance compensation payments. Please see the notes for further details.

The cost of materials with a traditionally high proportion of services purchased from third-party companies (e.g. borehole measurements, directional drilling services, drilling mud service and bought-in personnel services) increased significantly to 35.2 million (previous year: € 26.0 million) in the reporting period and the gross profit ratio declined to 25.3 % (previous year: 36.8 %). What was crucial was the maintenance of the complete drilling and operational readiness of the high-tech deep drilling rigs over an extended period and the absence of any contractual possibility to pass on the costs to the client in question. To avoid future losses of margins, contract management has been scrutinized and improved. Among other things, the project in Ried i. I. is to be mentioned here where certain concessions had to be made to the client with respect to the entry into the Austrian market which has meanwhile been successfully completed. Also against the background of the considerably increased cost of materials, the contract management has been rechecked internally and improved accordingly.

Personnel expenses of € 6.4 million (previous year: € 5.6 million) relate to the hiring of new, well-qualified employees. The average headcount in fiscal year 2011 rose to 101 employees (previous year: 86 employees).

Other operating expenses increased to € 13.6 million (previous year: € 9.3 million). The cost increases are related to the above-mentioned development of gross profit. Rents for necessary drilling equipment, for overburden and waste disposal, insurance premiums (particularly to secure the discovery risk), excess payments connected with the settlement of two insurance claims, consultancy costs in connection with the planning of a geothermal heating power plant, travel expenses on account of international activities, logistics costs due to mobilization and demobilization of drilling rigs were significant cost factors here. Furthermore, there has been an increase in the costs of the vehicle fleet and ongoing maintenance activities due to increased international business activities. Please refer to the notes for further details.

Scheduled depreciation in the amount of € 4.1 million is in line with the previous year and mainly relates to drilling rigs and the vehicle fleet. The deep drilling rigs are depreciated on the basis of an average useful life of 15 years.

DESIGNATION	2010	2011
Group earnings before interest, taxes, depreciation and extraordinary expense **(EBITDA)**	€ 8.0 million	€ 2.2 million
Group earnings before interest, taxes and extraordinary expense **(EBIT)**	€ 4.0 million	- € 2.0 million

The EBIT ratio underwent a project-related reduction from 9.7 % to - 4.2 % in comparison with the previous year.

The financial result is - € 0.5 thousand (previous year: - € 0.3 million) and includes, on the one hand, income from financial investments (€ 0.3 million) and current loan interest to banks, interest expense for loans from other shareholders and the proportional investment income from D&S Geo Innogy GmbH (€ 0.8 million).

Group earnings for fiscal year 2011 are - € 3.6 million (previous year: € 2.4 million). The Daldrup Group's share of these earnings is - € 1.6 million (previous year: € 2.2 million).

SUB-GROUP EARNINGS	2010	2011
Daldrup & Söhne AG	+ € 2.2 Mio.	+ € 2.5 Mio.
Daldrup Bohrtechnik AG, Schweiz	+ € 1.1 Mio.	- € 1.4 Mio.
D&S Geothermie GmbH	+ € 0.0 Mio.	€ 0.1 Mio.
Geysir Europe GmbH (sub-group)	- € 0.8 Mio.	- €4.7 Mio.
- dv. Exorka GmbH		(- € 0.7 Mio.)
- dv. GeoE Taufkirchen GmbH & Co. KG		(- € 2.7 Mio.)
- dv. Taufkirchen Holding GmbH & Co. KG		(- € 0.3 Mio.)
- dv. Exorka ehf, Iceland		(- € 0.6 Mio.)
Consolidating entries	- € 0.1 Mio.	- € 0.1 Mio.
GROUP EARNINGS	**+€ 2.4 Mio.**	**-€ 3.6 Mio.**

Exorka GmbH is responsible for developing geothermal projects in the Daldrup Group, undertakes the role of general contractor and is responsible for implementing the Kalina turnkey geothermal heating power plant (GTP) in Taufkirchen, Bavaria. The loss for the year of € 0.7 million in 2011 is mainly due to the administrative costs for personnel, office premises, consultancy costs etc.. Exorka GmbH will generate appreciable income that will exceed running costs when construction of the GTP is commenced from summer 2012 onwards and, in particular, after approval and handover of the GTP in 2013.

In the case of GeoEnergie Taufkirchen GmbH & Co. KG, regular feed-in proceeds of around € 8 million a year, which will bring the Daldrup Group a risk-free cash flow of around €2.5 million, will be generated as of summer 2012 following commissioning of the GTP. The scheduled start-up costs in 2011 were related to insurance premiums to cover the drilling risk and, particularly, the discovery risk. In addition, excess payments from two settled drilling claims had to be borne.

The negative contributions to earnings provided by Taufkirchen Holding GmbH & Co. KG and Exorka ehf, Iceland, are due, on the one hand, to amortization and write-downs of intangible fixed assets (seismics) in connection with the sale of the pre-developed project in the claim area of Marktoberdorf and, on the other hand, to the scheduled annual amortization of the Kalina licence.

In view of the traceable project and cost developments in fiscal year 2011, it was not possible to achieve the ambitious increase in gross revenue to around € 60 million and the planned EBIT of more than € 5.0 million.

2. NET ASSETS

THE FOLLOWING TABLE PROVIDES AN OVERVIEW OF THE NET ASSETS OF THE DALDRUP GROUP:

ASSETS	31/12/2010 TEUR	31/12/2011 TEUR
A. Fixed Assets		
I. Intangible assets	8,216	7,048
II. Tangible assets	49,207	61,345
III. Financial assets	2,541	2,420
B. Current Assets		
I. Inventories	6,854	7,013
II. Receivables and other assets	21,705	28,289
III. Liquid funds	4,156	3,333
C. Prepaid Expenses	46	307
D. Deferred Tax Assets	91	91
	92,816	**109,846**

LIABILITIES	31/12/2010 TEUR	31/12/2011 TEUR
A. Equity	70,035	75,411
I. Subscribed capital	5,441	5,441
II. Reserves	30,612	30,659
III. Equity difference from currency translation	146	13
IV. Consolidated net retained profits	26,789	24,520
V. Minority interests	7,047	14,778
B. Provisions	2,660	2,761
C. Liabilities		
I. Liabilities to banks	563	8,000
II. Trade payables	8,091	11,668
III. Other liabilities	11,082	11,835
D. Deferred Income	192	6
E. Deferred Tax Liabilities	193	165
	92,816	**109,846**

As at the balance sheet date of 31 December 2011, the Daldrup Group's total assets were € 109.8 million, which is equivalent to an increase of 18.3 % compared with the previous year. Fixed assets in the amount of € 70.8 million (previous year: € 60.0 million) consist of intangible assets of € 7.0 million (€ 8.2 million), which constitute the value of the 10 permits for the exploration of geothermal energy in a particular area in the respective stage of development (including seismic profiling). The value of the Kalina licence is also presented here. This is a heat transfer process for generating steam using a mixture of ammonia and water at low temperatures for energy production. The Daldrup Group holds the worldwide licence for exploitation of the Kalina process and, in particular, the exclusive rights to its use in Germany.

Land and buildings on land in the amount of € 4.0 million (previous year: € 4.0 million), which serve business purposes and are directly related to drilling and power plant projects, are recognized as tangible assets. Machinery, technical and other equipment in the value of € 25.8 million (previous year: € 27.6 million) involves, in particular, the drilling rigs, the vehicle fleet and the necessary operating and office equipment, which undergo scheduled depreciation. In addition, prepayments totalling € 31.6 million (previous year: € 17.6 million) were made for assets under construction, which relate to the geothermal projects in Taufkirchen and Mauerstetten as well as a turbine.

Long-term financial assets of € 2.4 million (previous year: € 2.5 million) include the investment in D&S Geo Innogy GmbH, at € 0.4 million, which is accounted for using the equity method. In addition, there are long-term financial investments in securities (€ 2.0 million).

The value of raw materials, consumables and supplies at an unchanged € 3.6 million corresponds to the inventory required for operation of a drilling business. In view of suppliers' ability and readiness to deliver, it is not necessary to hold a larger inventory. The prepayments in the amount of € 2.2 million made in 2011 relate to external consultancy and engineering services for the geothermal heating power plant to be constructed in Taufkirchen. Services in progress, measured in accordance with business prudence, represent a value of € 1.3 million (previous year: € 3.2 million) on the balance sheet date. Payments received in the amount of € 6.3 million (previous year € 10.9 million) were deducted from orders in progress on the face of the balance sheet.

A reporting date-related further increase in receivables to € 18.3 million (previous year: € 13.6 million) can be noted. The receivables from the, on the whole, solvent customer base are intact. General payment policy requires accounts receivable management to be strengthened. Other assets in the amount of € 9.9 million (previous year: € 5.8 million) include receivables from clients in the amount of € 4.9 million, which derive from making drilling rigs available. These receivables are recoverable and a payment in respect of an amount of € 2.4 million was made after the balance sheet date. In addition, agreement has been reached with a service provider in respect of a damage event, as a result of which Daldrup & Söhne AG has a claim to compensation in the amount of € 1.5 million.

Liquid funds (cash in hand/bank) are € 3.3 million as at the reporting date (previous year: € 4.2 million). The Daldrup Group companies were solvent at all times throughout the fiscal year and, if required, banks would make sufficient credit lines available.

Equity in the Daldrup Group as at 31 December 2011 is € 75.4 million (previous year: 70.0 million) and the equity ratio on the reporting date was 68.7 % (previous year: 75.5 %).

Obligations that are fixed, in principle, and contingency risks, e.g. for warranties in accordance with the business prudence concept, have been taken into account when recognizing provisions for pensions (€0.4 million), tax provisions (€0.4 million) and other provisions (€ 1.9 million).

Liabilities are due, in particular, to the goods and services process (€ 11.7 million). Liabilities to banks in the amount of € 8 million involve loans from the Company's principal banks with an original term of 8 years. They are collateralized, as is customary with banks, by means of assignment of a drilling rig as security. Repayment will begin in mid-2013 once the geothermal power station in Taufkirchen has been commissioned. Existing credit lines at banks are sufficient to cover the sureties, guarantees, letters of credit customary in the industry and for forming a potential liquidity reserve. Other liabilities totalling € 11.8 million are due to current wage and tax liabilities, social security contributions (€ 0.8 million), and also exist in relation to other shareholders of Geysir Europe GmbH in the amount of € 11.0 million.

3. FINANCIAL POSITION

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

CASH FLOW STATEMENT	2010 EUR '000	2011 EUR '000
Net income for the year	2,428	- 3,612
Depreciation, amortization and write-downs	3,996	4,118
Other changes in cash from operating activities (balance)	- 5,829	- 3,960
Cash flow from Asset Management	595	- 3,454
Net cash used in investing activities	- 6,794	- 13,793
Net cash provided by financing activities	3,310	16,469
Change in liquid funds	- 2,889	- 779
Effect on cash funds of exchange rate movements and changes in reporting entity structure	102	- 45
Liquid funds 01/01	6,943	4,156
Liquid funds 31/12	**4,156**	**3,333**

4. OVERALL ASSERTION IN RESPECT OF THE ECONOMIC POSITION

Economic uncertainties, flagging country ratings and difficulties on account of the weak state finances of a number of EU countries have little or no effect on the economic and financial development of Daldrup & Söhne AG. The drilling rigs are operating at full throttle and geothermal energy is gaining in importance in the energy mix.

In summary, it can be stated that the business development, the position and the earnings of Daldrup & Söhne AG have been positively affected by the macroeconomic situation and cyclical trends. The Management Board assess the economic development as satisfactory.

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C. NON-FINANCIAL PERFORMANCE INDICATORS

Daldrup & Söhne AG has undertaken to comply with the highest standards of health, safety and environmental protection. The greatest importance is attached to the fact that all employees and companies that undertake activities on behalf of Daldrup & Söhne AG are familiar with and adhere to the standards, laws and regulations of safety, health protection and environmental protection. The management, information and security system installed by the Management Board of Daldrup & Söhne AG ensures that these objectives are implemented effectively.

The foundations of daily activities are:

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

The key points: identification of dangers – optimization of procedures – documentation and communication establish a line of action that results in constant improvement of the activities.

A high level of quality across all company divisions of Daldrup & Söhne AG is a decisive factor in ensuring success and customer satisfaction. The SCC (Safety Certificate Contractors) certification is therefore just as self-evident as fulfilment of quality management in accordance with DIN ISO 9001.

D. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

On 20 February 2012, Daldrup & Söhne AG founded, together with two Polish partners, Projektów Górniczych i Wierceń Geologicznych "DMM" Sp. z o.o. (project company for mining and geological drilling operations), headquartered in Katowice (Poland), for the purpose of acquiring and carrying out all types of drilling in Poland. Daldrup & Söhne AG holds 51% of the capital shares and appoints one of three managing directors. In Poland, new concessions have been awarded in the coal/mine sector, for the shale gas business and the exploration of minerals. An acceptance of a bid to carry out core drilling operations for coal mine exploration already exists and a second project will be started as of June 2012. The new subsidiary has good business prospects in the Polish market and brings together, via the group of shareholders, technological knowledge, technical equipment, specialist personnel and a good image.

E. STRATEGIC RISKS

The deliberate and controlled management of opportunities and risks is a key element of corporate management within the Daldrup Group. Increasing complexity and volatility in a globalized world means that the opportunities and risk system needs to be regularly adapted to changes in the underlying conditions.

The risk system, the risk environment and potential threats to the Daldrup Group are described below:

1. STRATEGIC RISKS

Rapid corporate growth carries risks on account of new personnel, adjustments to organizational structures and a change in the risk environment. Integration and optimization processes are a part of day-to-day business.

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

2. BUSINESS RISKS

RISKS INVOLVED IN OPERATIONAL DRILLING ACTIVITIES AND PROJECT DEVELOPMENT

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

a. The **subsoil risk**, i.e. the risk of unforeseen effects and difficulties caused by the subsoil (all underground, geological risks), is borne, in construction (law) practice, by the client even if the subsoil of the site provided by it has been previously examined and described in accordance with generally accepted engineering practice. As a contractor for drilling projects, Daldrup & Söhne AG has only a duty of examination, notification and care in the event of clearly discernible risks. As the Daldrup Group has highly trained/ certified personnel,

uses state of the art technology and drilling projects are monitored by the responsible mining authority, it is not initially open to any risk here. When implementing our own geothermal projects, given the fact that the owner of the mining rights is a group company, the subsoil risk is taken into account by careful planning and preparation. Additional security is achieved by sub-contracting complex planning and engineering services to correspondingly insured service providers.

b. The operational and environmental liability risks as well as the risks of equipment breakdown and business interruption are insurable. With regard to personal injury, material and environmental damage, the Group has adequate worldwide cover through the business and product liability insurance taken out with an insurance company. A separate machine insurance policy (including lost in hole) provides first-loss protection against potential damage to the deep drilling equipment and to all peripheral machinery and appliances. The risk of business interruption due to damage can be insured normally. Blowout risks are, in principle, to be assigned to the subsoil risk, but can also be covered, in individual cases, via increased cover as part of business liability insurance. The best insurance against blowout is to use modern and functional blowout preventers (BOPs), which Daldrup always uses in any case.

No special risk areas exist beyond the scope of normal business liability risks. Using a rigorous and certified quality and safety concept to avoid risk and damage is accorded high importance in the operational business of the Daldrup Group. In individual cases, the Group itself undertakes fair corrective action, which means that the claim rate with insurers continues to be very low.

c. Insurance cover in the event of a drilling project being unsuccessful
Special policies from insurance consortia now cover the considerable risk of a deep borehole being unsuccessful. The parameters for successful exploration here are defined unambiguously with the quantity of fill, the temperature and the lowering of the static water level. In assessing a project's insurance risk, insurability and level of premiums, the commissioned drilling company's experience and references and the likelihood of a strike as confirmed by external assessors all play a critical role. Geothermal projects planned, drilled and implemented by the Daldrup Group have always been commercially insurable. Whether corresponding insurance cover is taken out is ultimately a judgement to be made by the project sponsor.

The existing and functional insurance concepts cover the main risks involved in geothermal drilling, thereby smoothing the way for the future technology of geothermics to enjoy growth in the niche market.

COMPETITIVE RISKS

New, lucrative and growing markets are attracting additional market players. The efforts of companies in related sectors to enter the geothermal market are distinctly visible due to the high barriers to market entry. Daldrup does not see any significant intensification of competition for drilling services in the medium term, as demand for these services will, in future, continue to be higher than available capacity. The Daldrup Group's numerous reference sites, the fact that it has been well known for a number of years and its market position give it an important competitive advantage.

PROCUREMENT RISKS

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

PERSONNEL RISKS

The Daldrup Group employs key personnel across all Company divisions (e.g. project managers, engineers, experienced machine operators, business economists), whose long-standing contacts and specialist knowledge are important for the success of the Company. The loss of key employees – be that due to being enticed away or illness – might leave a gap, at least temporarily; nor is it possible to eliminate the traditional dearth of professionals with the skills to operate our wide range of drilling equipment through internal training and qualification programmes. Strategic investments and acquisitions are therefore being closely monitored.

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

FINANCIAL RISKS/USE OF FINANCIAL INSTRUMENTS

Foreign currency risks are avoided as far as possible by using the EURO as the basis for contract and price negotiations. Currency/exchange rate hedging instruments such as forward exchange contracts and currency option contracts are used, in principle, for planned orders and procurements in foreign currencies (mainly Swiss francs in 2011). We enter into these derivative transactions only with banks that have a very good credit rating.

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

The notes contain disclosures in respect of the derivative financial instruments existing on the balance sheet date and their quantification.

If required, the Group avails itself of the practice, customary in international business, of using guarantees and letters of credit to hedge credit rating, payment and delivery risks. Transactions of this kind were not entered into in 2011.

The financial and state crisis and banks' restricted readiness to lend make it difficult, on the whole, to implement drill-ready geothermal projects. This could give rise to further impediments to growth for the geothermal market.

3. TECHNOLOGICAL RISKS

The drilling technology used by Daldrup & Söhne AG is state of the art and not subject to rapid technological change, which means that there is no particular risk potential here. The Kalina power plant technology used particularly in the geothermal power plant in Husavik, Iceland, as well as in Unterhaching in Germany, is particularly well suited to generating electricity under low temperature conditions. The Daldrup Group is the licence holder for this process and is firmly convinced that the combined use of geothermal heat and the Kalina technology will be able to make a substantial contribution worldwide to securing the energy supply.

4. LEGAL RISKS

Legal disputes may occur on account of the performance process and in the context of warranties. The nature of project business, in particular, is such that various contentious issues can arise. In most cases, such disputes can be settled without the need for legal advice. In a few cases, court proceedings cannot be avoided. If required, precautionary accounting measures are taken or external specialist attorneys are engaged to protect the interests of the Daldrup Group. Apart from the corresponding procedural costs, there has as yet been no need to set up a provision.

In 2011, contract management was organized and adapted to such an extent that, with legal, technical and commercial involvement, a balanced opportunities/risk distribution exists for Daldrup & Söhne AG. The current order book is subject to these contract management criteria.

No legal risks having a particular impact on the Company's net assets, financial position and results of operations occurred.

5. OVERALL ASSERTION IN RESPECT OF THE RISK SITUATION

While pursuing a conscious risk strategy with an eye for an opportunity, seizing any such opportunity quickly and being willing to deviate from existing plans, the Company's management is focused on organizational and, above all, financial stability. There are currently no risks that could endanger the future of the Company as a going concern, nor are any such risks discernible for the future.

The Company has the capacity to absorb risk in view of existing and potential financial resources, favourable balance sheet situation and mature insurance concept. The business opportunities outweigh the possible risks.

F. OPPORTUNITIES OF FUTURE DEVELOPMENT AND FORECAST REPORT

1. FUTURE ORIENTATION OF THE COMPANY

The Daldrup Group is continuing to transform itself into a fully integrated geothermal energy group and is therefore building up its national and international market position as an end-to-end supplier of geothermal power plant projects. In the geothermal project of the Group company GeoEnergie Taufkirchen GmbH & Co. KG, the drilling phase has been completed with the successful creation of a doublet. The subsequent construction of the heating power plant in the Kalina process will be implemented by mid-2013 and represent an important milestone in the history of the Company.

By exploiting internal growth potential and, in particular, through strategic acquisitions and partnerships, the Group is planning ahead for the expected rapid growth in the geothermal energy market and expanding its technical, personnel and organizational capacities.

2. FUTURE ECONOMIC ENVIRONMENT

The general conditions for the geothermal energy sector are better than ever following the 2012 amendment to the Renewable Energy Sources Act and with the basic feed-in tariff for electricity generated from geothermal energy undergoing a slight increase to 25 ct/kW. Furthermore, high levels of skill and expertise mean that it is now possible to meet the high safety requirements demanded by the licensing authorities and, above all, the public. In Germany, 18 geothermal projects are in operation, 18 projects under construction and a further 69 projects at the planning stage. In addition, there are numerous projects in the Netherlands and geologically and economically interesting sites in Austria, Switzerland and Italy.

At the end of 2011, the Leibniz Institute for Applied Geophysics (LIAG) completed a geothermal characterization of fissure-karst aquifers in the Greater Munich Area and drew up a regional subsoil model for forecasting long-term (until 2061) thermal and hydraulic behaviour in the event of geothermal exploitation. As a significant assertion for all regional plants, it can be stated that thermal impacts are restricted to the vicinity of the reinjection boreholes and external hydraulic influences from neighbouring plants are of secondary importance and are frequently below verification level. This makes several doublets/triplets possible for geothermal energy plants in any one claim area, with the intrinsic value of a claim area located in the region experiencing a significant increase due to the possibility of multiple use.

Geothermal energy is the winner of the amendment to the Renewable Energy Sources Act (EEG 2012). Feed-in tariffs have increased, as follows:

AMENDMENT OF THE RENEWABLE ENERGY SOURCES ACT (EEG) FROM 01/01/2012 ONWARDS

EEG FEED-IN TARIFF FOR GEOTHERMAL ELECTRICITY in ct/kWh	PREVIOUS	2012 EEG AMENDMENT
Basic feed-in tariff	16[1]	25[2]
Early starter bonus	4[1]	–
Heat bonus	3	–
Technology bonus	4	5
Drilling cost subsidy from market incentive programme	–	Up to 30% of drilling costs

[1] 1 % degression from 2010 onwards
[2] 5% degression from 2018 onwards

Further changes in direction in respect of the federal government's market incentive programme are expected in the course of 2012.

The value-oriented and growth-oriented objectives of Daldrup & Söhne AG and the strategic transformation process in the development from a pure drilling services provider to an independent medium-sized energy supply company are receiving positive support from the sound economic and political framework.

Owing to the specific technical and personnel requirements placed on deep drilling, the high capital requirements for drilling rigs and special equipment, the mining regulations and the complex mining procedures, Daldrup & Söhne AG benefits from high barriers to market entry in deep geothermics and low competitive intensity. There are few direct competitors in Central Europe and there is a very high number of drill-ready geothermal projects.

The main objective in terms of energy policy is for Germany to have an economical and environmentally sound energy supply, with renewable energies having the lion's share in the energy mix. Already by 2020, electricity generated from renewable energy sources is to account for 35 % of gross electricity consumption; by 2030, it is to rise to 50 % and by 2050 to 80 %. Wind, solar and bioenergy cannot guarantee security of supply in an economical and predictable manner. It is particularly geothermal energy with its ability to supply base load and in its capacity as a safe, economical and environmentally friendly energy source that offers opportunities and possibilities for decentralized electricity and heat supply in numerous regions.

The aim is thus for renewable energies to become the mainstay of electricity supply. Issues relating to the national economy will have a decisive impact on the speed of development and the specific growth of the geothermal energy sector. Economic stability, a robust employment situation on the labour market and the consolidation of state and bank finances in the euro zone are the cornerstones, promising opportunities for higher growth.

The discussion about the economic efficiency of the energy transition (grid expansion and subsidies) raises the question of the population's acceptance of renewable energies. Assessment of individual energy sources, which, in the long term, need to compete independently in the market, is becoming more differentiated. Only the most innovative and efficient technologies will establish themselves.

Geothermal energy is decentralized and does not require any expansion of the grid, is an inexhaustible and free resource, has an unrestricted ability to supply base load (i.e. regardless of time of the day, seasons and weather conditions), makes a major contribution to environmental and climate protection and provides an outstanding CO_2 footprint. The cost reduction potential can be exploited by numerous pending projects, with the result that the costs of geothermal electricity and heat generation are rapidly approaching the market level. The EEG promotion of geothermal energy is thus fulfilling its proper purpose: the grant of temporary transition/bridge financing.

3. EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

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

With the expansion of the value chain of Daldrup & Söhne AG's drilling and project business, through the high and stable level of remuneration for drilling services and the high number of implementable geothermal projects, further business and corporate growth can be expected. From 2013 onwards, the first proceeds from electricity feed-in and heat supply will be generated in the Daldrup Group. The future possibility of geothermal multiple use of a claim area in the Greater Munich Area will significantly improve the value creation, growth and earnings potential of the Daldrup Group as the claim owner.

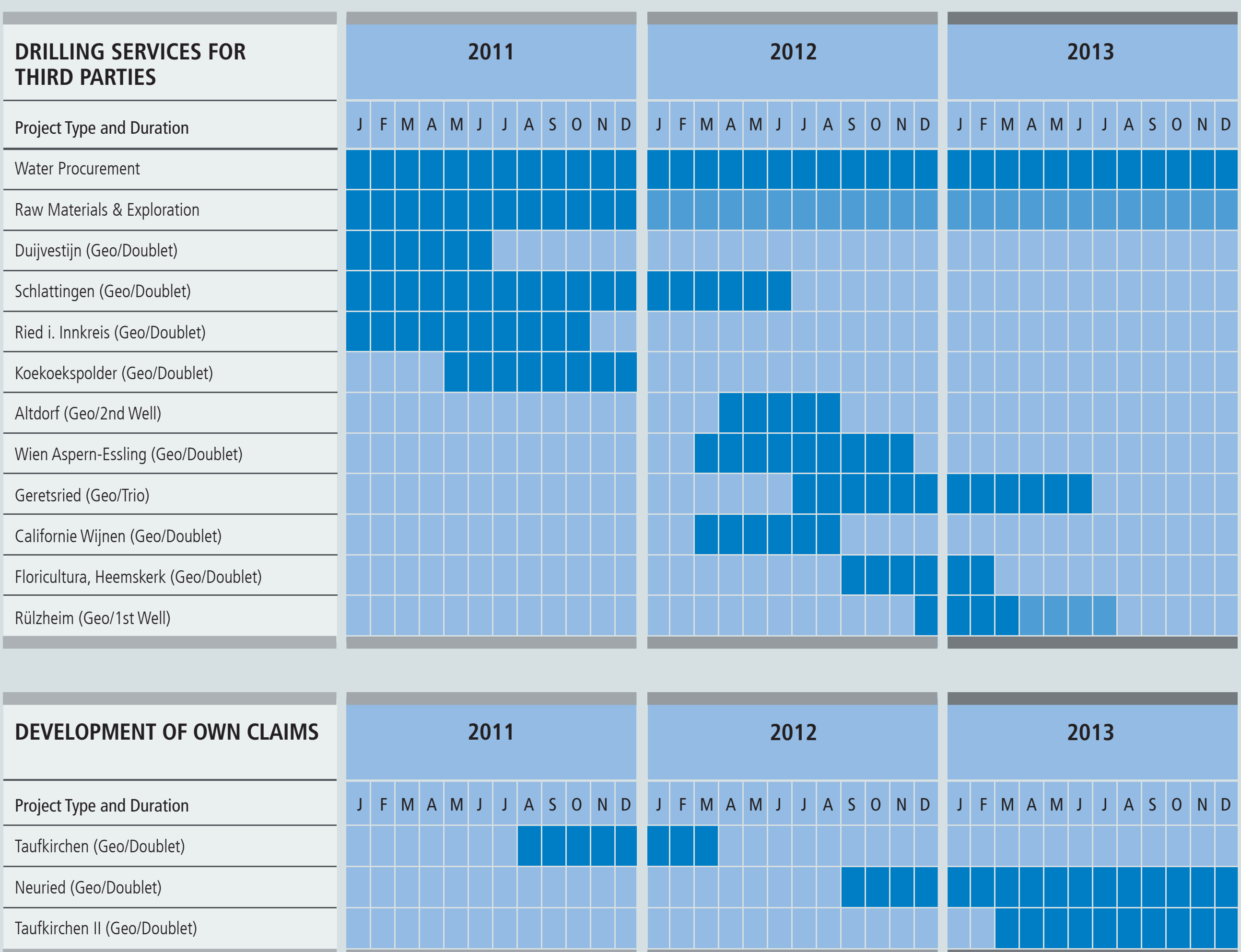
With full order books and fully utilized drilling capacity stretching far into 2013, the Management Board of Daldrup & Söhne AG expects to achieve gross revenue of around €58 million and an EBIT margin of 10 % in fiscal year 2012.

4. OVERALL ASSERTION IN RESPECT OF THE ANTICIPATED DEVELOPMENT

At the start of fiscal year 2012, there are three high-tech deep drilling plants in Taufkirchen (Bavaria), Venlo (Netherlands) and Altdorf (Bavaria), engaged in deep geothermal drilling down to 4,500 metres. The next round of geothermal projects in Vienna (Austria), Geretsried/Wolfratshausen (Bavaria), Rülzheim (Rhineland Palatinate), Neuried (Baden-Württemberg) and Heemskerk (Netherlands) will reach the point of readiness to start drilling in the course of 2012. Order books are pleasantly full, further incoming orders are expected and current capacity is fully utilized until well into 2013. In this respect, drilling capacity in technical and personnel terms must be adapted to increasing demand.

The Company's own operation of geothermal heating power plants and the possibility of multiple use of a claim area make it possible to forecast that earnings from the sale of electricity and/or heat will in future be considerably above earnings from the classical drilling business.

UTILIZATION AND ANTICIPATED CONTRACT EXECUTION 2011-2013



Daldrup & Söhne AG (own presentation)

Since December 2010, the Taufkirchen geothermal project, in which the Daldrup Group has a majority holding, has moved into the implementation phase with Exorka GmbH, also part of the Daldrup Group, as general contractor. After the successful completion of the drilling phase, which exceeded expectations, a start will be made on constructing the geothermal power plant (GTP) in the early summer of 2012. Commissioning of the GTP is scheduled for the second quarter of 2013. The first major milestone in the transformation of the Company's business activities from a pure drilling services provider to an independent medium-sized energy supply company will then have been achieved. Consistent returns from the sale of electricity and heat will stabilize the Daldrup Group's earnings and liquidity situation in the long term and strengthen financial independence.

Geothermal energy is a multi-talented contributor to the mix of renewable energy. Whether in the form of heat, cold or electricity – geothermal energy is versatile in its use within major projects or smaller individual applications. The geothermal energy source can be used as a seasonal or temporary energy store, thereby balancing out a temporary mismatch between energy supply and energy demand. As the real energy production takes place under ground, ecological and optical disturbances as well as noise occurrence and surface consumption are extremely low.

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

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

Grünwald, 14 May 2012

Daldrup & Söhne AG
The Management Board

Josef Daldrup (CEO)	Peter Maasewerd (Member of Management Board)	Andreas Tönies (Member of Management Board)

CONSOLIDATED FINANCIAL STATEMENTS
for the Fiscal Year from 1 January to 31 December 2011

AUDITOR'S OPINION ON GROUP ANNUAL ACCOUNTS
and Group Management Report of Daldrup & Söhne AG, Grünwald, for the Fiscal Year from 1 January to 31 December 2011

GROUP INCOME STATEMENT

GROUP INCOME STATEMENT FOR FISCAL YEAR 1 JANUARY TO 31 DECEMBER 2011

	01/01/2011 - 31/12/2011 EUR	01/01/2010 - 31/12/2010 EUR
1. Sales	**40,250,910.31**	**57,890,036.44**
2. Decrease in work in progress	- 5,348,512.42	- 16,795,264.13
3. Other own work capitalized	12,155,080.45	33,380.40
4. Other operating income	9,695,783.84	7,505,371.88
5. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	14,683,946.48	11,766,592.59
b) Cost of purchased services	20,466,196.23	14,220,593.76
	35,150,142.71	**25,987,186.35**
6. Personnel expenses		
a) Wages and salaries	5,411,678.36	4,745,697.05
b) Social security, post-employment and other employee benefit costs	941,273.06	824,563.92
– of which post-employment benefit: EUR 12,358.77 (PY: EUR 22,611.75)		
	6,352,951.42	**5,570,260.97**
7. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	4,117,558.24	3,996,294.72
8. Other operating expenses – of which from currency translation: EUR 46,162.98 (PY: EUR 210,948.51)	13,624,462.75	9,250,938.17
9. Income from other securities and long-term loans	45,000.00	0.00
10. Other interest and similar income	226,301.39	195,087.76
– of which from the discounting of provisions: EUR 12,546.86 (PY: EUR 9,874.74)		
– of which from currency translation: EUR 1,356.64 (PY: EUR 0.00)		
11. Write-downs of long-term financial assets and securities classified as current assets	69,963.23	30,000.00
12. Expenses from long-term investments in associates	39,793.49	115,845.01
13. Interest and similar expense – of which from the interest cost of provisions: EUR 20,259.00 (PY: EUR 34,060.80	703,962.30	436,282.40
14. Result from ordinary activities	**-3,034,270.57**	**3,441,804.73**
15. Extraordinary expense = Extraordinary result	0.00	-57,756.00
16. Taxes on income	-1,107,176.19	-1,089,844.10
17. Other taxes	529,674.49	133,840.07
18. Consolidated net income for the year	**-3,611,772.27**	**2,428,044.70**
19. Minority interests	1,954,843.58	215,728.89
20. Retained profits brought forward	26,177,048.84	19,781,130.54
21. Allocations due to the purchase of treasury shares	0.00	-34,291.50
22. Allocations due to a change in investment relationships	0.00	4,398,733.46
23. Net retained profits	**24,520,120.15**	**26,789,346.10**

GROUP BALANCE SHEET

GROUP BALANCE SHEET AT 31 DECEMBER 2011

ASSETS	31/12/2011 EUR	31/12/2010 EUR
A. Fixed Assets		
I. Intangible fixed assets		
Concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	7,048,422.85	8,216,025.35
II. Tangible fixed assets		
1. Land, land rights and buildings, including buildings on third-party land	3,911,226.32	3,963,959.50
2. Technical equipment and machinery	20,088,885.87	21,341,949.00
3. Other equipment, operating and office equipment	5,742,367.46	6,300,601.57
4. Prepayments and assets under construction	31,602,054.86	17,600,574.71
	61,344,534.51	**49,207,084.78**
III. Long-term financial assets		
1. Shares in affiliated companies	18,000.00	1.00
2. Shares in associates	330,282.30	374,412.87
3. Long-term investments	4,400.00	6,501.10
4. Loans to other long-term investees and investors	42,037.11	64,800.00
5. Long-term securities	2,025,091.57	2,095,054.80
	2,419,810.98	**2,540,769.77**
	70,812,768.34	**59,963,879.90**
B. Current Assets		
I. Inventories		
1. Raw materials, consumables and supplies	3,605,840.74	3,635,413.99
2. Work in progress	7,561,037.53	14,078,933.36
3. Prepayments	2,156,970.99	0.00
4. Payments received on account of orders	- 6,311,121.20	- 10,860,466.82
	7,012,728.06	**6,853,880.53**
II. Receivables and other assets		
1. Trade receivables	18,259,344.46	13,639,151.86
2. Receivables from affiliated companies	0.00	16,327.69
3. Receivables from other long-term investees and investors	0.00	2,283,523.90
4. Other receivables and other assets, of which due after more than 1 year: EUR 67,698.47 (PY: EUR 479,392.49)	9,934,450.26	5,765,957.16
	28,193,794.72	**21,704,960.61**
III. Securities		
Other securities	95,706.41	
		0.00
IV. Cash in hand, bank balances	3,332,658.08	4,156,072.45
	38,634,887.27	32,714,913.59
C. Prepaid Expenses	**306,560.30**	**46,073.07**
D. Deferred Tax Assets	**91,652.33**	**91,474.56**
	109,845,868.24	**92,816,341.12**

LIABILITIES	31.12.2011 EUR	31.12.2010 EUR
A. Equity		
I. Subscribed capital	5,445,000.00	5,445,000.00
Treasury shares	4,017.00	4,017.00
	5,440,983.00	**5,440,983.00**
II. Capital reserves	30,502,500.00	30,502,500.00
III. Revenue reserves		
1. Legal reserve	66,131.95	25,000.00
2. Other revenue reserves	89,768.29	83,898.82
IV. Currency translation adjustments	12,566.56	146,387.54
V. Net retained profits	24,520,120.15	26,789,346.10
	55,191,086.96	57,547,132.46
VI. Minority interests	14,778,746.70	7,047,024.84
	75,410,816.66	**70,035,140.30**
B. Provisions		
1. Provisions for pensions	432,559.00	394,144.00
2. Tax provisions	397,175.44	236,276.03
3. Other provisions	1,931,171.69	2,029,326.83
	2,760,906.13	**2,659,746.86**
C. Liabilities		
1. Liabilities to banks – of which due within 1 year: EUR 1.45 (PY: EUR 563,446.12)	8,000,001.45	563,446.12
2. Trade payables – of which due within 1 year: EUR 11,668,027.05 (PY: EUR 8,091,335.58)	11,668,027.05	8,091,335.58
3. Liabilities to other long-term investees and investors	0.00	0.00
4. Other liabilities – of which due within 1 year: EUR 789,876.14 (PY: EUR 455,483.59) – of which due after more than 5 years: EUR 11,044,627.61 (PY: EUR 10,626,716.11) – of which taxes: EUR 374,459.69 (PY: EUR 179,617.08) – of which social security: EUR 24,110.77 (PY: EUR 21,338.04)	11,834,503.75	11,082,201.70
	31,502,532.25	**19,736,983.40**
D. Deferred Income	**6,613.20**	**191,970.56**
E. Deferred Tax Liabilities	**165,000.00**	**192,500.00**
	109,845,868.24	**92,816,341.12**

GROUP FIXED ASSETS REPORT

GROUP FIXED ASSETS REPORT FOR FISCAL YEAR 1 JANUARY TO 31 DECEMBER 2011

	PURCHASE COST					
	As at 01/01/2011 EUR	Currency differences EUR	Additions EUR	Disposals EUR	Reclassifications EUR	As at 31/12/2011 EUR
I. Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	9,503,751.79	- 99,286.25	15,660.90	17,212.04	0.00	9,402,914.40
	9,503,751.79	**- 99,286.25**	**15,660.90**	**17,212.04**	**0.00**	**9,402,914.40**
II. Tangible fixed assets						
1. Land and buildings	4,135,499.94	0.00	5,900.85	0.00	0.00	4,141,400.79
2. Technical equipment and machinery	25,169,730.37	0.00	557,501.96	2.00	0.00	25,727,230.33
3. Other equipment, operating and office equipment	9,636,202.77	0.00	673,500.89	62,436.29	0.00	10,247,267.37
4. Prepayments and assets under construction	17,600,574.71	0.00	14,241,480.15	240,000.00	0.00	31,602,054.86
	56,542,007.79	**0.00**	**15,478,383.85**	**302,438.29**	**0.00**	**71,717,953.35**
III. Long-term financial assets						
1. Shares in affiliated companies	1,00	0.00	18,000.00	1.00	0.00	18,000.00
2. Shares in associates	504,999.00	0.00	0.00	4,999.00	0.00	500,000.00
3. Long-term equity investments	6,501.10	0.00	4,400.00	6,501.10	0.00	4,400.00
4. Loans to other long-term investees and investors	64,800.00	0.00	42,037.11	64,800.00	0.00	42,037.11
5. Long-term securities	2,125,054.80	0.00	0.00	0.00	0.00	2,125,054.80
	2,701,355.90	**0.00**	**64,437.11**	**76,301.10**	**0.00**	**2,689,491.91**
	68,747,115.48	- 99,286.25	15,558,481.86	395,951.43	0.00	83,810,359.66

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS					CARRYING AMOUNTS	
As at 01/01/2011 EUR	Currency translation EUR	Additions EUR	Disposals EUR	As at 31/12/2011 EUR	As at 31/12/2011 EUR	As at 31/12/2010 EUR
1,287,726.44	22,043.51	1,044,900.88	179.28	2,354,491.55	7,048,422.85	8,216,025.35
1,287,726.44	**22,043.51**	**1,044,900.88**	**179.28**	**2,354,491.55**	**7,048,422.85**	**8,216,025.35**
171,540.44	0.00	58,634.03	0.00	230,174.47	3,911,226.32	3,963,959.50
3,827,781.37	0.00	1,810,563.09	0.00	5,638,344.46	20,088,885.87	21,341,949.00
3,335,601.20	22.26	1,203,460.24	34,183.79	4,504,899.91	5,742,367.46	6,300,601.57
0.00	0.00	0,00	0.00	0.00	31,602,054.86	17,600,574.71
7,334,923.01	**22.26**	**3,072,657.36**	**34,183.79**	**10,373,418.84**	**61,344,534.51**	**49,207,084.78**
0,00	0.00	0.00	0.00	0.00	18,000.00	1.00
130,586.13	0.00	39,793.50	661.93	169,717.70	330,282.30	374,412.87
0.00	0.00	0.00	0.00	0.00	4,400.00	6,501.10
0.00	0.00	0.00	0.00	0.00	42,037.11	64,800.00
30,000.00	0.00	69,963.23	0.00	99,963.23	2,025,091.57	2,095,054.80
160,586.13	**0.00**	**109,756.73**	**661.93**	**269,680.93**	**2,419,810.98**	**2,540,769.77**
8,783,235.58	**22,065.77**	**4,227,314.97**	**35,025.00**	**12,997,591.32**	**70,812,768.34**	**59,963,879.90**

GROUP EQUITY

GROUP EQUITY FOR FISCAL YEAR 1 JANUARY TO 31 DECEMBER 2011

	COMPANY PARENT					
	Subscribed capital EUR	Treasury shares EUR	Capital reserves EUR	Total comprehensive Group income EUR	Accumulated other comprehensive Group income EUR	Accumulated other comprehensive income EUR
					Currency translation adjustments	Other items recognized directly in equity
As at 01/01/2011	5,445,000	- 4,017	30,502,500	22,568,094	146,388	4,330,150
Profit distribution				- 598,833		
Changes to investment relationships						
Consolidated net income for the year				- 3,557,895		
Other Group earnings					- 133,821	33,538
As at 31/12/2011	**5,445,000**	**- 4,017**	**30,502,500**	**18,411,365**	**12,567**	**4,363,688**

	MINORITY SHAREHOLDERS				GROUP EQUITY
Equity EUR	Minority capital EUR	Accumulated other comprehensive Group income EUR	Accumulated other comprehensive Group income EUR	Equity EUR	EUR
		Currency translation adjustments	Other items recognized directly in equity		
62,988,115	7,093,997	- 46,972	0	7,047,025	70,035,140
- 598,833				0	- 598,833
0	9,631,091			9,631,091	9,631,091
- 1,656,929	- 1,954,844			- 1,954,844	- 3,611,772
- 100,284	13,464	42,011		55,475	- 44,809
60,632,069	**14,783,708**	**- 4,961**	**0**	**14,778,747**	**75,410,816**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT AS OF 31 DECEMBER 2011

	2011 EUR	2010 EUR
1. Cash flow from operating activities		
Result for the year	- 3,611,772	2,428,045
Write off of fixed assets	4,117,558	3,996,295
Additions to/retirements of (-) of provisions	101,159	938,058
Profit (-)/loss from asset retirements	- 1,404,099	- 1,399,705
Non-cash revenue (-) and expenditure	231,109	- 285,314
Increase (-)/reduction of stocks, receivables from goods and services and other assets	- 7,004,053	- 3,509,032
Increase /reduction (-) of trade payables and other liabilities	4,116,136	- 1,573,005
Cash flow from operating activities	**- 3,453,962**	**595,342**
2. Cash flow from investment activities		
Inflows from retirements of fixed assets	439,733	3,140,146
Outflows (-) for investments into intangible and tangible fixed assets	- 15,494,045	- 8,040,943
Outflows (-) for investments into financial assets	- 64,437	- 2,046,892
Inflows from retirements of financial assets	1,325,293	153,155
Cash flow from investment activities	**- 13,793,456**	**- 6,794,534**
3. Cash flow from financing activities		
Payments of dividends	- 598,833	0
Inflows from share issues	9,631,090	2,746,790
Inflows from borrowing	7,436,555	563,414
Cash flow from financing activities	**16,468,812**	**3,310,204**
4. Financial fund at the end of the period		
Changes of the financial fund with a cash effect (Sub-totals 1 - 3)	- 778,606	- 2,888,987
Changes of the financial fund due to effects of exchange rate and consolidated entities	- 44,808	101,919
Financial fund at the start of the period	4,156,072	6,943,140
Financial fund at the end of the period	**3,332,658**	**4,156,072**
5. Composition of the financial fund		
Liquid funds	**3,332,658**	**4,156,072**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2011

GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The consolidated financial statements are prepared on the basis of the accounting standards of the Handelsgesetzbuch (German Commercial Code), the GmbH-Gesetz (German Act Concerning Limited Liability Companies) and the Aktiengesetz (German Stock Corporation Act).

CONSOLIDATION METHODS

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

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

The negative goodwill from capital consolidation totalling EUR 18,913 thousand stems from earnings retained at subsidiaries following the acquisition of investments, but prior to the reporting date of the first-time consolidation. It has therefore been recognized directly in equity and allocated to revenue reserves.

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

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

REPORTING ENTITY STRUCTURE

IN ADDITION TO THE PARENT COMPANY, 16 DOMESTIC AND 3 FOREIGN SUBSIDIARIES ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011. THESE ARE MADE UP AS FOLLOWS:

NAME AND REGISTERED OFFICE OF THE COMPANY	Direct share of capital	Indirect share of capital
Daldrup Bohrtechnik AG, Baar/Switzerland	100.00	
D&S Geothermie GmbH, Grünwald	100.00	
D&S Geo Innogy GmbH, Essen	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 Starnberg GmbH & Co. KG, Grünwald		100.00
Geothermie Starnberg Verwaltungs GmbH, Grünwald		100.00
Erdwärme Taufkirchen GmbH & Co. KG, Grünwald		100.00
Erdwärme Taufkirchen Verwaltungs GmbH, Grünwald		100.00
GeoEnergie Taufkirchen GmbH & Co. KG, Grünwald		50.79
GeoEnergie Taufkirchen Verwaltungs GmbH, Grünwald		50.79
Taufkirchen Holding GmbH & Co. KG, Grünwald		100.00
Taufkirchen Holding Verwaltungs GmbH, Grünwald		100.00
Geothermie Neuried GmbH & Co. KG, Neuried		90.00
Geothermie Neuried Verwaltungs GmbH, Neuried		90.00
TOSCANA GEO S.r.l., Santa Croce Sull'Arno/Italy		100.00

In addition, via Geysir Europe GmbH, there is a 20% holding in Geothermics Italy S.r.l., Bozen/Italy and a 20% holding in TOMBELLE – S.r.l., Lana/Italy.

The holding in GeoEnergie Taufkirchen GmbH & Co. KG and in GeoEnergie Verwaltungs GmbH was reduced, in fiscal year 2011, from 65.0 % to 50.79 %.

FOREIGN CURRENCY TRANSLATION

The annual financial statements of the foreign subsidiaries are prepared in euro in accordance with the functional currency concept. The relevant national currency acts as the functional currency here. Assets and liabilities are translated at the mid-spot exchange rates on the balance sheet date and income statement items at the average exchange rates for the year. The parts of equity to be included in the capital consolidation as well as the retained profits and accumulated losses brought forward are translated at historical exchange rates. Any differences in the balance sheet to which this gives rise are recognized directly in equity as "currency translation adjustments".

FOREIGN CURRENCY TRANSLATION	Exchange rate €1 =	Average exchange rate for the year as at 31/12/2011	Closing rate as at 31/12/2011
Swiss Franc	CHF	1.2326	1.2156
Icelandic Krona	ISK	161.2903	159.2343

ACCOUNTING POLICIES

ASSETS

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

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

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

Raw materials, consumables and supplies have been recognized at cost. If the daily values were lower on the balance sheet date, these values have been recognized.

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

In the case of receivables, individual risks have been taken into account by means of adequately measured specific valuation allowances and the general credit risk by means of appropriate flat-rate deductions of 0.5 %.

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

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

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

LIABILITIES

Subscribed capital has been recognized at par value.

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

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

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

Liabilities have been recognized at their settlement amount.

CURRENCY TRANSLATION

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

BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

I. BALANCE SHEET

FIXED ASSETS

The statement of changes in fixed assets as at 31/12/2011 has been attached as Appendix 1 to the notes.

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

Shares in associates relate to D&S Geo Innogy GmbH (EUR 1,000 thousand share capital), Essen. The Company has a 50 % stake in the share capital; it is included at equity in the consolidated financial statements. The company was founded as a joint venture together with RWE Innogy GmbH, Essen with a view to carrying out geothermal projects. The carrying amount as at 31/12/2011 is EUR 330 thousand.

Other long-term equity investments relate to the following companies:

a) TOMBELLE – S.r.l., Lana/Italien
The Company has a 20 % stake in the share capital. The carrying amount as at 31/12/2011 is EUR 2 thousand.

b) Geothermics Italy S.r.l., Bozen/Italien
The Company has a 20 % stake in the share capital. The carrying amount as at 31/12/2011 is EUR 2 thousand.

Loans totalling EUR 42 thousand have been made to Geothermics Italy S.r.l. (EUR 36 thousand), Bozen/Italy and TOMBELLE – S.r.l. (EUR 6 thousand), Lana/Italy.

Long-term securities include long-term financial investments in securities (EUR 2,025 thousand).

CURRENT ASSETS

INVENTORIES

Payments received are deducted from inventories on the face of the balance sheet.

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

OTHER ASSETS

OTHER ASSETS AS AT 31/12/2011 IN EUR '000				
Designation	Total amount	Due **within1 year**	Due **after more than 1 year**	Total amount in previous year
1. Claims for damages against client/ suppliers	6,384	6,384	0	2,500
2. Insurance compensation	974	974	0	0
3. Claims from reinsurance cover	483	0	483	433
4. Tax receivables	1,288	1,288	0	1,564
5. Other	901	833	68	1,269
	10,030	**9,479**	**551**	**5,766**

Tax receivables relate to assigned tax receivables (EUR 707 thousand), trade tax receivables (EUR 236 thousand), other tax receivables (EUR 166 thousand), VAT receivables (EUR 130 thousand), corporation tax receivables (EUR 49 thousand).

Section 5. contains security held back by clients, security deposits and a receivable from the reversal of a property transaction.

DEFERRED TAX ASSETS

Deferred taxes were calculated using a tax rate of 30.0 %, based on a corporation tax rate of 15.0 %, a solidarity surcharge of 5.5 % on the corporation tax and an average trade tax liability of 14.2 %. Owing to different measurement of the provision for untaken leave and the pension provision, liability items in the tax accounts are lower than in the financial statements, resulting in deferred tax assets (EUR 92 thousand).

SECURITIES

Securities held as current assets contain short-term financial investments in securities (EUR 96 thousand).

EQUITY

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

SHARE CAPITAL

Share capital amounts to EUR 5,445 thousand. It is divided into 5,445,000 no-par bearer shares (no-par shares). Authorized capital as at 31/12/2011 amounts to EUR 2,723 thousand. Conditional capital amounts to EUR 1,800 thousand.

The calculated no-par value of acquired treasury shares (EUR 4 thousand) has been deducted from subscribed capital on the face of the balance sheet. The amount of treasury shares stands at 4,017 in the reporting year. No sales took place.

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

LEGAL RESERVE
The legal reserve pursuant to section 150 of the AktG amounts to EUR 66 thousand.

OTHER REVENUE RESERVES
Other revenue reserves amount to EUR 90 thousand.

CONSOLIDATED NET RETAINED PROFITS
Consolidated net retained profits developed as follows:

• Retained profits brought forward 01/01	EUR 26,177 thousand
• Consolidated net loss for the fiscal year	- EUR 3,612 thousand
• Minority interests	EUR 1,955 thousand
• Net retained profits	EUR 24,520 thousand

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

It is, in principle, not the consolidated net retained profits, but the net retained profits from the parent company's single-entity financial statements that are available for distribution purposes. The latter amounts to EUR 13,959 thousand as at 31/12/2011.

The total amount subject to restriction on distribution pursuant to section 268(8) of the HGB is EUR 84 thousand. This amount is due to the capitalization of deferred tax receivables in the parent company's single-entity financial statements.

PENSION PROVISIONS
The pension provision for CEO Josef Daldrup is calculated actuarially (EUR 432 thousand). The calculations are performed on the basis of the 2005 G actuarial tables for pension insurance by Prof. Klaus Heubeck. This is a generation table that reflects transition probabilities in the company pension scheme, such as mortality rate, invalidity or frequency of marriage, according to age, gender and year of birth. The interest rate of 5.14 % p.a., published by the Deutsche Bundesbank as at the balance sheet date of 31/12/2011, was used as the discount rate.
A rate of pension increase during the benefit period of 1.5 % and a rate of pension increase during the qualifying period of 0.0 % was taken as a basis. In detail, the calculations were made in accordance with the PUC (Projected Unit Cost) method, a procedure that is well known in international accounting and one which measures the net present value of the future index-linked pension payments that is to be assigned to the years of service already completed. This is equivalent to a defined benefit obligation apportioned on a diminishing balance basis ("present value of the benefit entitlement for service rendered").

TAX PROVISIONS
Tax provisions amount to EUR 397 thousand
(previous year: EUR 236 thousand).

OTHER PROVISIONS

STATEMENT OF PROVISIONS AS AT 31/12/2011 IN EUR '000					
Designation	01/01/2011	Utilization	Reversal	Transfer	31/12/2011
Personnel provisions	650	635	15	725	725
Global provision for warranties	160	0	0	38	198
Individual warranties	126	0	126	0	0
Other provisions	1,093	1,070	0	985	1,008
Total other provisions	**2,029**	**1,705**	**141**	**1,748**	**1,931**

The global provision for warranties was recognized at 0.5 % of average sales over the past five years, with a different weighting for individual years and discounting being taken into account.

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

LIABILITIES

STATEMENT OF LIABILITIES AS AT 31/12/2011 IN EUR '000					
Type of liability	Total amount	due **within 1 year**	due **within 1 to 5 years**	due **after more than 5 years**	Total amount Previous year
Liabilities to banks	8,000	0	4,998	3,002	563
Trade payables	11,668	11,668	0	0	8,091
Liabilities to minority shareholders	11,044	0	0	11,044	10,627
Other liabilities	791	791	0	0	455
	31,503	**12,459**	**4,998**	**14,046**	**19,736**

Liabilities to banks include WGZ BANK AG (EUR 4,000 thousand) and Sparkasse Westmünsterland (EUR 4,000 thousand), which have been collateralized by assignment of a drilling rig as security.

Other liabilities contain liabilities from wages and salaries (EUR 276 thousand), liabilities from wage and church tax (EUR 63 thousand), VAT liabilities (EUR 24 thousand) and other liabilities (EUR 428 thousand).

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

II. INCOME STATEMENT

The total cost format was selected for the income statement.

The total sales revenue of EUR 40,251,000 (previous year: EUR 57,890,000) was composed of EUR 19,771,000 (corresponding to 49.12 %) at home (previous year: EUR 43,368,000/ 74.91%) and EUR 20,480,000 (50.88%) abroad (previous year: EUR 14,522,000/25.09 %). Due to the long-term project agreements, the sales revenue only present an incomplete picture of the performance in the business year. Therefore, the overall performance is additionally stated as EUR 27,042,000 (corresponding to 57.47 %) at home (previous year: EUR 25,156,000/ 61.16 %) and EUR 20,015,000 (42.53 %) abroad (previous year: EUR 15,973,000/38.84 %).

Other operating income (EUR 9,696 thousand) breaks down as follows:

• Claims for damages	3,644 TEUR
• Insurance compensation	3,595 TEUR
• Disposal of long-term financial assets	1,250 TEUR
• Other	1,207 TEUR
Total	**9,696 TEUR**

Other operating expenses (EUR 13,624 thousand) break down as follows:

• Insurance policies and premiums	2,302 TEUR
• Legal and consultancy costs	1,470 TEUR
• Rent for mobile assets	1,378 TEUR
• Advertising and travel	1,201 TEUR
• Construction site costs	1,011 TEUR
• Overburden and waste disposal	901 TEUR
• Repairs and maintenance	751 TEUR
• Vehicle costs	602 TEUR
• Premises	551 TEUR
• Construction site fuel	508 TEUR
• Other	2,949 TEUR
Total	**13,624 TEUR**

The amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets carried out in the reporting period were all scheduled.

III. OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Daldrup & Söhne AG rents its office, warehouse and workshop premises and a hangar from GVG Grundstücksverwaltungs-GmbH & Co. KG for a total annual rent of EUR 315 thousand. The lease is for an indefinite period and may be terminated by giving 3 months' notice to the end of a calendar quarter.

In addition, there are other financial obligations for rent and leasing in the amount of EUR 132 thousand in relation to Exorka GmbH, in the amount of EUR 5 thousand in relation to Geothermie Allgäu Betriebs- und Beteiligungs GmbH & Co. KG, in the amount of EUR 15 thousand in relation to Geothermie Allgäu Verwaltungs GmbH and in the amount of EUR 0.2 thousand in relation to TOSCANA GEO S.r.l..

CONTINGENT LIABILITIES

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

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

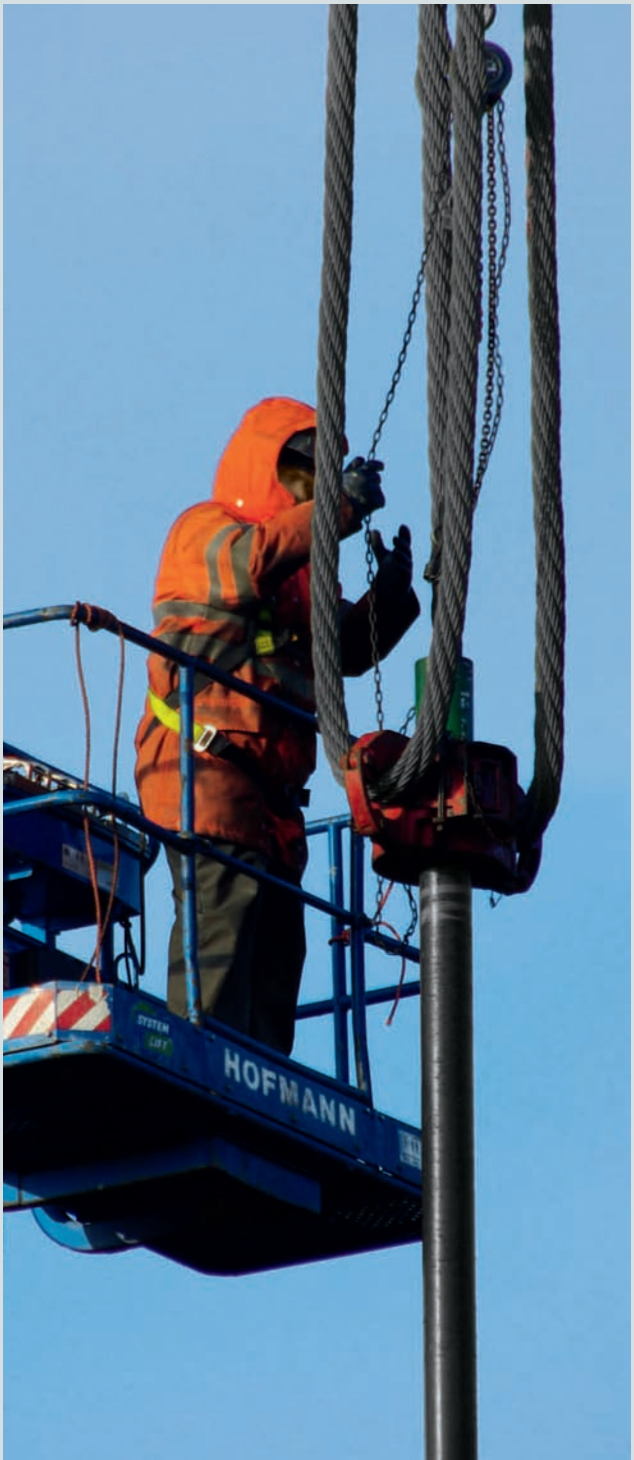
Daldrup & Söhne AG has issued a letter of comfort in favour of Axpo AG, Baden (Switzerland) and in favour of GeoEnergie Taufkirchen GmbH & Co. KG. This letter of comfort confirms that Daldrup & Söhne AG will use all reasonable means up to a maximum of EUR 42,000 thousand to ensure that the Group companies Geysir Europe GmbH and Exorka GmbH fulfil their obligations to Axpo AG and GeoEnergie Taufkirchen GmbH & Co. KG from share purchase and general contractor agreements. These obligations reduce in line with project progress and, as at 31/12/2011, the risk of a claim has reduced, according to schedule, to EUR 14,300 thousand. In view of the sound project management (planning, financing, implementation, component suppliers etc.) and project progress, a claim is unlikely to be made under the letter of comfort.

Furthermore, Daldrup & Söhne AG has undertaken to provide two letters of comfort in favour of Exorka GmbH and for submission to the Federal Ministry for Environment, Nature Conservation and Reactor Safety in the context of approval of federal funds for a stimulation experiment in Mauerstetten and for the development of a modular Kalina or ORC installation for geothermal electricity generation. In each case, Daldrup & Söhne AG undertakes to fund Exorka GmbH so as to enable it to raise its required contribution to the project costs in the amount of at least EUR 2,500 thousand and EUR 1,000 thousand, respectively, and to carry out the projects on time in line with planning and the grant regulations. In fiscal year 2011, Exorka GmbH made own contributions of EUR 300 thousand and EUR 100 thousand, respectively, as planned. In view of Exorka GmbH's own contribution, a claim is unlikely to be made under the letters of comfort.

Pursuant to section 285, sentence 1 no. 11a of the HGB, Daldrup & Söhne AG is the personally liable partner in the context of involvement in the following consortia:

- "Arnstadt" consortium (company under civil law), registered office in 46238 Bottrop
- "Honermann-Siedlung, Oer-Erkenschwick" consortium (company under civil law), registered office in 82031 Grünwald
- "2. BA Phoenix See Los B 4" consortium (company under civil law), registered office in 50858 Cologne
- "Bohrungen Aspern-Essling, Wien" consortium (company under civil law), registered office in 82031 Grünwald
- "Großlochbohrung Schachtfüllsäule Haus ADEN" consortium (company under civil law), registered office in 45473 Mülheim/Ruhr
- "Stuttgart 21 – Infiltrationsbrunnen, Terrasond-Abt WuU" consortium (company under civil law), registered office in 89312 Günzburg-Deffingen

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



HEDGING RELATIONSHIPS

In the context of drilling orders for Daldrup Bohrtechnik AG, Switzerland, the currency risk due to foreign currency fluctuations in the expected cash flows is hedged by Daldrup Bohrtechnik AG in CHF (value change risk) using option transactions. As at 31 December 2011, a hedging relationship of type micro hedge was therefore recognized. Highly probable forecast transactions with Daldrup Bohrtechnik AG in the amount of CHF 3,000 thousand have been included in the hedging relationship as at the balance sheet date. The level of risk hedged by means of the hedging relationship is EUR 33 thousand. With regard to the hedged currency risk, the opposite changes in value of underlying transaction and hedging instrument actually balance each other out completely over the term of the hedging instrument (option period until 29 June 2011), as they are exposed to the same risk on which identical factors have the same impact. The effectiveness of the hedging relationship is determined prospectively here.

A further hedging relationship is recognized for two opposite forward exchange contracts. The first contract was originally concluded to cover the currency risk in CHF (sale CHF 1,000 thousand for EUR 916 thousand). The contract was closed out by an opposite forward exchange contract (purchase CHF 1,000 thousand for EUR 810 thousand). The unrealized income as at the balance sheet date amounts to EUR 106 thousand.

FINANCIAL STATEMENT AUDITOR'S TOTAL FEE

The fee for financial statement audit services charged by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf for financial year 2011 is EUR 45 thousand, plus EUR 6 thousand for other services.

OTHER MANDATORY DISCLOSURES

NAMES OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

Name	Function, occupation
Josef Daldrup	Chairman of the Management Board (CEO)
Dipl.-Geologe Peter Maasewerd	Member of the Management Board and Graduate Geologist (CFO)
Andreas Tönies	Member of the Management Board (COO)

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

Name, Function	Administrative or Management or Supervisory Board Appointments or Partner Positions
Dr.-Ing. E.h. Wilhelm Beermann, Supervisory Board Chairman	• Chairman of Supervisory Board, MIBRAG GmbH, Zeitz • Chairman of Advisory Board, CS Additive GmbH, Essen (until 03/2011) • Member of Advisory Board, DIHAG Deutsche Gießerei- und Industrie-Holding AG, Essen (until 05/2011) • Chairman of Supervisory Board, Katholisches Klinikum Bochum gGmbH
Wolfgang Clement, German Federal Minister (ret.) Deputy Chair of Supervisory Board	Member of the Supervisory Boards of the following: • RWE Power AG, Essen • Landau Media Monitoring AG & Co. KG, Berlin • DIS AG, Düsseldorf • Deutsche Wohnen AG, Berlin • Member of the Foundation Board at the Peter Dussmann Foundation and Chair of Supervisory Board of Dussmann Stiftung & Co. KGaA, Berlin • Member of the Supervisory Board of Karl Spiehs-Privatstiftung, Vienna
Dipl.-Ing. Wolfgang Quecke Member of Supervisory Board	Member or Managing Director of the following companies: • Managing Director of terra-concept GmbH, Marl • Managing Partner of Der ZechenbauMeister Verwaltung GmbH, Herten, Ewald Energie GmbH & Co. KG, Herten • Member of the Management Board of Neue Marler Wohnungsbaugesellschaft mbH, Marl (NEUMA GmbH) • Member of the Advisory Board of Nawaro GmbH, Dortmund

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The total remuneration paid to the Management Board for its work in fiscal year 2011 amounted to EUR 730 thousand.

The total remuneration paid to the Supervisory Board for its work in fiscal year 2011 amounted to EUR 40 thousand.

There is a clearing account with the Chair of the Management Board Josef Daldrup, which shows a receivable of EUR 3 thousand as at 31/12/2011. Interest on the clearing account is charged at 6 % annually.

AVERAGE NUMBER OF STAFF EMPLOYED DURING THE CURRENT YEAR

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

EMPLOYEE GROUPS	2011	2010
Waged employees	76	59
Salaried employees	21	22
Persons in minor employment	4	5
Total	**101**	**86**

NUMBER OF EMPLOYEES IN THE DALDRUP GROUP AS AT 31 DECEMBER:

EMPLOYEES As at 31 December 2011 by function	2011	2010
Drilling	79	61
Administration (excluding Directors)	19	16
Persons in minor employment	4	5
Daldrup & Söhne AG	102	82
Exorka GmbH	8	7
Group – total	**110**	**89**

Grünwald, 14 May 2012

Daldrup & Söhne AG
The Management Board

Josef Daldrup
(CEO)

Peter Maasewerd
(Member of Management Board)

Andreas Tönies
(Member of Management Board)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AUDITOR'S OPINION ON GROUP ANNUAL ACCOUNTS AND GROUP MANAGEMENT REPORT

We have audited the consolidated financial statements prepared by the Daldrup & Söhne Aktiengesellschaft, Grünwald, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 01 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law and supplementary articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the 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 Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Daldrup & Söhne Aktiengesellschaft, Grünwald, for the fiscal year from 01 January to 31 December 2011 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 15 May 2012

Warth & Klein Grant Thornton AG
Auditors

Michael Häger	Carsten Carstens
Auditor	Auditor

FISCAL CALENDAR for Daldrup & Söhne AG

May 2012:	Annual Report 2011
18 July 2012:	Annual General Meeting 2012 in Munich
September 2012:	Half-year Report 2012

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 61
ir@daldrup.eu
www.daldrup.eu

IMPRINT

Headquarter
Daldrup & Söhne AG
Bavariafilmplatz 7
82031 Grünwald/Geiselgasteig
Germany

Phone +49 (0)89 / 4 52 43 79 20
info@daldrup.eu

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