H1 2018

2G Energy AG Half-year report

# Contents

# Foreword of the Management Board

Management Board of 2G Energy AG (from left): Ludger Holtkamp, Christian Grotholt (Chairman) and Friedrich Pehle.

Ladies and gentlemen,
Dear shareholders,

2G has grown its net sales by an average of around 10 % per year over the past decade. Such significant organic growth is certainly an achievement for a medium-size company in the capital goods industry. And the half-year figures as of June 30, 2018 are good grounds for us all to be confident that we will continue this growth. Net sales have increased from EUR 72.4 million in the previous year to EUR 84.1 million as of June 30, 2018. This is also due to the fact that we have succeeded in diversifying the sources of our sales: along with the sale of CHP systems in Germany and abroad, the service business is contributing nearly 50 % to net sales.

Figures for new order intake and the order book position as of the first half of 2018 underscore our sustainably positive growth: new order intake of EUR 96.3 million is almost 50 % up on the previous year. This growth derives primarily from Germany, with an increase of around EUR 28 million to EUR 63.3 million. Domestic new order intake was up by 11 % to EUR 32.9 million. The order book position for CHP systems amounts to EUR 145.5 million (previous year: EUR 107.2 million) as of June 30, 2018, an increase of almost 36 %.

The continually improving order position helps us significantly smooth seasonality in production. This exerts a positive effect on employee deployment and the plannability of purchasing, warehousing and delivery times. These processes are being actively supported by the “Terminleitstufen” (“deadline guide steps”) concept which we have launched over recent months.

The improved efficiency is also evident in our results of operations: for the first time since 2012, the result before interest and tax (EBIT) is positive again as of the half-year stage in an amount of EUR 1.1 million (previous year: EUR -0.5 million).

On the product side, we have developed new CHP module types to market maturity. As a result, 2G is able to tap new market potentials with well-engineered products at an early stage. As a technological milestone, this includes the first CHP in Germany supplying electricity and heating in everyday operation with 100 % renewably produced hydrogen. The project forms a trailblazing example of renewable energy supplies in combination with renewable producers such as wind, solar and biogas energy. With clever, but only slight adjustments to a standard natural gas module, our development department succeeded in implementing the $CO_2$-free utilization of hydrogen on a basis that is highly efficient and cost-aware. The hydrogen CHP module supplements the existing 2G product range and supports our strategic orientation of producing generation units for both balancing and offsetting energy.

We have fundamentally overhauled our successful natural gas driven model, the g-box 50. The focus was on its technical adaptation to international standards combined with its claim of significantly reducing total cost of ownership thanks to lower operating and maintenance costs. We are convinced that the g-box 50 with the 50 kW to 60 kW output range will encounter brisk demand, especially internationally. Based on a new engine, we have meanwhile doubled the maintenance intervals to 4,000 operating hours and improved the electronic controls with new software applications. Given unit certification in compliance with the German Energy and Water Sector Association (BDEW) directive, the g-box 50 can now also feed into medium-voltage grids. In technical terms, we have converted the water-cooled generator to synchronous operation, so that the g-box can be deployed in markets outside Germany, as well as in isolation. The new g-box 50 is available from the start of 2019 and can also be operated with liquefied natural gas (LNG).

We are currently developing a comprehensive product configurator for sales. The aim is to achieve maximum standardization in the process of ordering a CHP system and its peripherals. Internal processes – processes downstream from the ordering procedure – are automated via intelligent data connection and structured significantly more efficiently. For us, this opens up further potentials to reduce costs and assure quality. Connection to the Customer Relation Management (CRM) system is planned.

We are also continuously refining the digital DNA of 2G CHP systems. By way of our "my.2-g.com" platform – which we developed in-house – we offer plant operators and licensed sales partners online access to their CHPs and many service functions. All partners worldwide can utilize the my.2-g.com platform to boost system availability and thereby enhance economic viability for customers.

2G CHP systems are part and parcel of the energy revolution. The benefits of the technology are evident: resource-efficient, environmentally compatible, decentralized, economically viable and outstandingly flexible as balancing and residual energy in combination with renewable energies. To put it in a nutshell: 2G power plants make renewables baseload-eligible. As far as Germany is concerned: the exit from nuclear has long been agreed, and the exit from coal is on its way. The first step has relatively quickly generated fast-growing demand for generation units to close this capacity gap. Along with solar, wind and biogas energy, this will mainly comprise decentralized, natural gas operated (combined heat and power) power plants. We are observing similar developments globally. 2G is prepared.

Heek, in September 2018
2G Energy AG

Kind regards,

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Friedrich Pehle
Management Board member

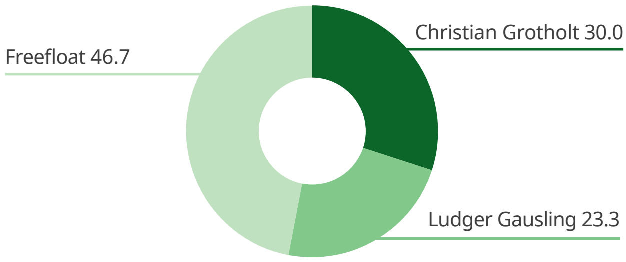
# The 2G Energy Share

## 2G Energy AG share on a clear uptrend

In the first half of 2018, the 2G share recovered from the previous year's setbacks and registered a clear uptrend. The share started the stock market year at a price of EUR 18.20, and marked its low for the year of EUR 18.00 at the end of February. The stock reached its high for the year under review of EUR 21.90 at the end of May. Positive company news about high new order intake from both Germany and abroad as well as the announcement of the proposal to the AGM of a 5.0 % higher dividend supported this trend. The share closed trading on June 29 at EUR 20.50, with the market capitalization thereby standing at approximately EUR 90.8 million. Overall, the price of the 2G share appreciated by 12.6 % in the first half of the year, thereby differentiating itself significantly from the generally negative equity market trend.

The German DAX equity index started the 2018 trading year on an initially promising note, marking both its high for the year and a record high of 13,560 points in January. Within two months, however, it dropped to its low for the year to date of 11,787 points. It lost 4.7 % of its value during the first six months of the year overall. The DAXsubsector All Renewable Energies industry group index, which also includes 2G, was down by 13.0 %. The Scale30 selective index, which Deutsche Börse AG has calculated since February 7, 2018 and which has included 2G since the index was launched, depreciated by 14 % up to the end of June. The Scale All Share Index, which includes all companies listed in the Scale segment of Deutsche Börse AG, was down by 5.8 % over the same period.

**2G Energy AG shareholder structure** Share %

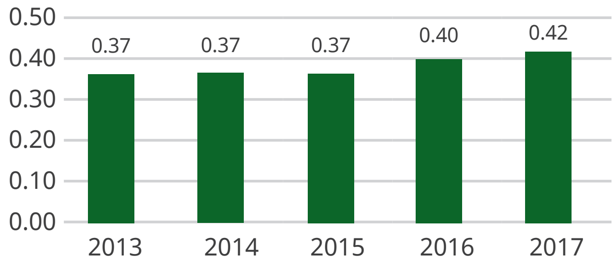



As of June 30, 2018

Turnover in the 2G share on XETRA, tradegate and regional stock exchanges averaged around 4,300 shares per day during the first half of the year (H1 2017: 11,400). Around 74 % of the turnover in 2G shares was traded through XETRA, 16 % via tradegate, and 10 % through the German regional stock exchanges. The distribution amounted to 41 %, 10 % and 49 % respectively during the first half of 2017.

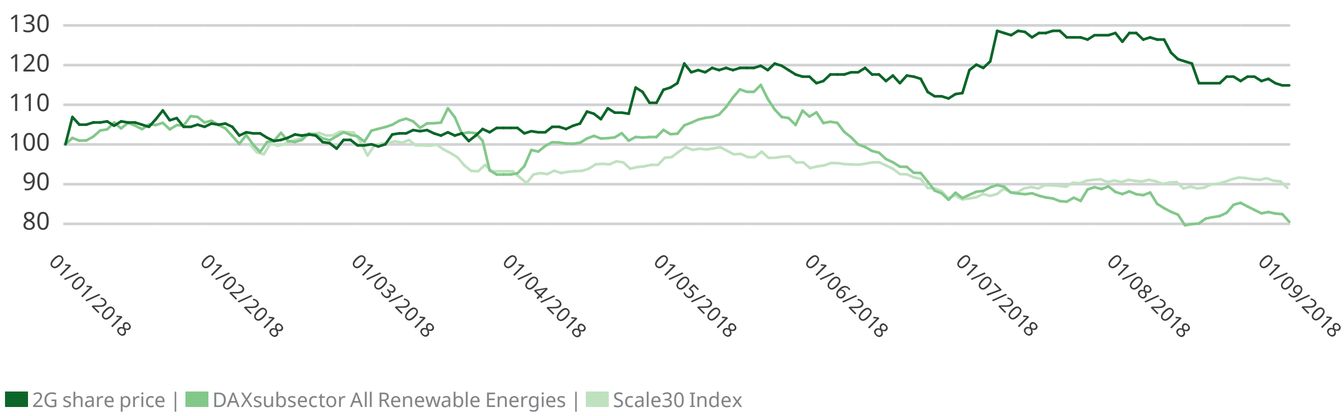
At the Ordinary AGM on July 4, 2018, a large majority of the shareholders approved the payout of a EUR 0.42 dividend for the 2017 financial year (previous year: EUR 0.40). 2G thereby underscores its confidence in its earnings potential. The Management Board continues to pursue a sustainable and stable dividend policy at a slightly increased level. Dividends should be based on profits, and should avoid distributions from the company's net assets in order to maintain the company's financial and innovative strength for further growth. Attendance at the AGM amounted to around 71.6 % of the share capital (previous year: 75.0 %).

**Dividends 2013 - 2017** EUR




Research on 2G is prepared by the investment houses First Berlin, SMC-Research, equinet and Edison Research. The analysts have published share price targets of between EUR 23.50 and EUR 29.00, with buy recommendations from the two first mentioned houses.

**2G share price performance and comparative indexes 2018 (indexed)** **in %**



# 2G. Group management report.

# Group management report of 2G Energy AG

## 1. The 2G Group

### Business activity and corporate structure

The 2G Energy AG Group is an internationally leading manufacturer and provider of decentralized energy supply systems. With the development, production and technical installation, as well as digital network integration, of combined heat and power systems (CHP systems), the company offers comprehensive solutions in the high-growth market for highly efficient combined heat and power generation systems. Comprehensive after-sales and maintenance services comprise an important additional performance criterion. The product range especially includes CHP modules with an electric output range between 20 kW and 2,000 kW for operation deploying natural gas, biogas and lean gases (e. g. hydrogen, landfill and mine gases). All systems work highly efficiently, on a basis that conserves resources, and mitigate or neutralize greenhouse gas emissions through combined energy degeneration and modern emission gas cleaning systems. With more than 5,000 systems in 49 countries, 2G power plants in various applications supply heating, cooling and electrical energy to a broad spectrum of customers that includes companies in the housing industry, agriculture, commercial and industrial companies, public energy utilities, and municipal and local government authorities.

2G Energy AG is a holding company combining ten subsidiaries under its management.

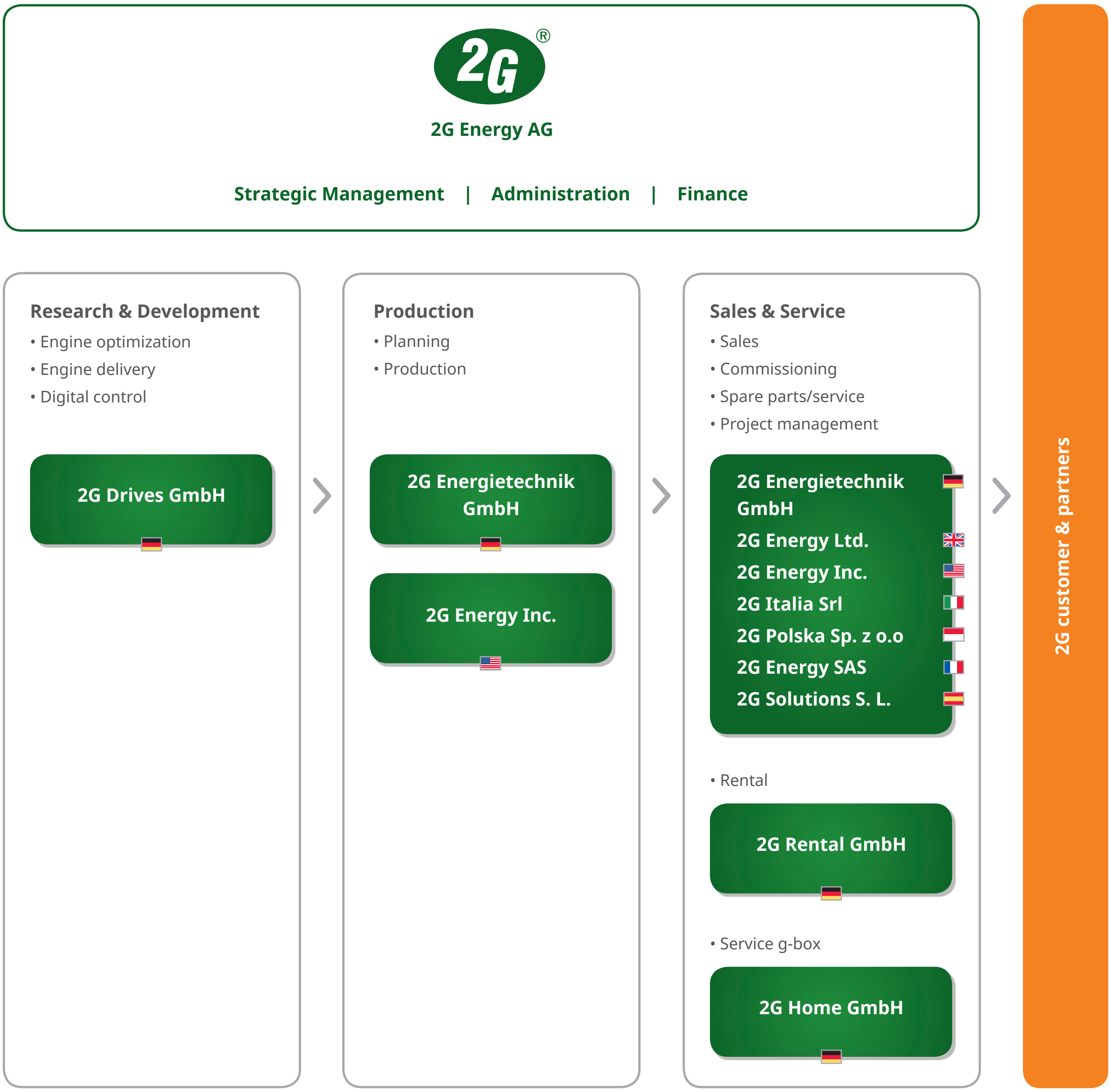



Diagram 1: 2G Energy AG corporate structure, subsidiaries' business purposes and value chain (as of: June 30, 2018).

2G Energietechnik GmbH (2GE), which is based at Group headquarters in Heek, in Germany's western Münster region, comprises the main operating entity. The company combines the planning, sale, production, installation, commissioning and ongoing service of 2G systems. Moreover, 2GE operates dependent branches in Schonstett near Munich, in Hamburg, in Halle/Saale, and in Berlin.

In the rest of Europe, 2G is represented with independent sales and service companies in France, Spain, Italy, Poland and the United Kingdom. Outside Europe, 2G is present with a production, sales and service location in the USA. In addition, important conurbation areas and industrial markets are secured through sales partnerships in Japan, China, Southeast Asia, Australia, Africa and Russia, for example.

## 2. Economic environment / Macroeconomic situation

The economic dynamic in Germany abated somewhat during the first half of 2018, according to the Kiel Institute for the World Economy (IfW). Its economic experts believe that the phase of economic weakness at the start of the year was attributable mainly to temporary causes. Along with threatened and actual punitive tariffs imposed by the USA on China and the EU, these also include a high number of holidays and strike days. For the current year, the institute downgraded its forecast gross domestic product growth rate by 0.5 percentage points to 2 %. For new orders in the German machine building sector, the VDMA has forecast an increase of 7 % for the first half of 2018. A tangible pickup in a willingness to invest domestically has also contributed to this, according to the VDMA.

The upturn in the Eurozone continued at a more moderate rate, according to the IfW. Following the very strong production rise last year, the economic dynamic has clearly weakened since the start of the year. However, borrowing terms remain very favorable thanks to the ECB's strongly expansive policy, fiscal policy should continue to exert a slightly expansive effect, and the world economy remains on an uptrend. It is expected that the Eurozone GDP growth rate of 2.1 % this year will be somewhat lower than last year (2.5 %).

The upswing in the global economy lost momentum at the start of 2018, according to the IfW. The economic experts have downgraded their forecast for world production growth for 2018 by 0.2 % to 3.8 %.

### Sector trends

The statements made on pages 38 to 47 of the 2017 annual report continue to be valid for sector trends in Germany and in foreign markets. Overall, the market for combined heat and power generation systems is growing. Expanding demand for electricity, the better availability of natural and liquid gas, and rising climate protection requirements offer the overarching conditions for this globally. With a look to the Spark Spread (see page 17) – the relationship between the electricity price and the gas price which determines the economic viability of systems – a beneficial picture continues to prevail in the regions where 2G is represented directly via subsidiaries or indirectly via sales partners.

Although decentralized systems can provide the flexible generation capacities required in the electricity market in the future, new construction has weakened in Germany and Europe. The rapid establishment of wind energy and PV plants in combination with overcapacities on the electricity exchange has led to price lows. Missing EU notifications of important statutory regulations in the German Cogeneration Act (KWK-G) and in the German Renewable Energies Act (EEG) repeatedly brought additional uncertainties, either making investment decisions difficult or leading to their postponement.

In this sector environment, 2G benefited from the early implementation of its strategy to differentiate its business model towards different power classes, different gas types and business activities on different continents. Smaller competitors focusing mainly on biogas technology forewent their financial independence, or disappeared entirely from the market – mostly following an extended period of uncertainty. Higher technical standards, especially for natural gas operated CHP systems, rising environmental and emission regulations, and digital requirements demand continued research and development work and investments. 2G can benefit from this, especially through acquiring further market shares as well as occasionally with the takeover of qualified personnel for service, sales and production. Thanks to its foreign subsidiaries and established sales partnerships, 2G regards itself as well positioned overall both domestically and in international markets.

2G is benefiting from the expansion of its quality management according to international management standards, which it implements systematically. Supplier certification in Germany and abroad is also playing an increasingly important role in international competition. Furthermore, low emission levels, such as for carbon dioxide and nitrogen oxide, and a high level of heating efficiency are becoming more significant, especially in tenders for applications in conurbations. 2G has responded to this by developing the new “aura” series, which corresponds to the new requirements of the German Clean Air Act (“TA Luft”) with very low gas emission levels. With its SCR catalyst technology, which it developed in-house, 2G can also equip other series above 50 kW in its portfolio for low-emission applications.

2G‘s proprietary development of modifying a standard gas engine and operating it with pure hydrogen also meets these requirements, and goes a decisive step further. In combination with wind and solar energy, “green” hydrogen can be generated in situ through a power-to-gas system. The hydrogen is stored either in the natural gas grid or in pressurized tanks and quickly converted back into electricity as required. In combination with renewable energies, 2G technology thereby qualifies as both residual and balancing energy.

Along with the field test at Berlin-Brandenburg Airport, which was already successfully operated in 2012 in a partnership including the companies Linde and Total, 2G started a further, highly praxis-relevant pilot project with Stadtwerke Hassfurt in June 2018.

2G hydrogen technology is suited not only to pure hydrogen but also to high hydrogen content gases and gas mixtures with natural gas. By contrast with fuel cells, the engine is not sensitive to contaminants in the gas, and can thereby also be operated with hydrogen that is not highly pure, such as it is created as a by-product from chemical processes.

2G currently produces the 0-series of hydrogen CHP systems. The H2 modules form a meaningful supplement to the existing product range and support the company's strategic orientation of producing generation units for balancing energy.

**Repowering and flexibilization determine biogas business in Germany**

During the first half of the year in Germany, 2G continued to sell predominantly biogas driven CHP systems as part of making existing biogas systems more flexible and boosting installed input. This dynamic demand trend arises, firstly, from the subsidy terms of the 2017 German Renewable Energies Act (EEG) for existing systems and improved overall terms (the term "system" has been clarified, balancing output hardly plays any role any longer, spot market sales and new direct marketing models) and, secondly, from the numerous CHC modules that 2G has installed at customers from 2006 on. These are now increasingly reaching their regular operating duration (around 60,000 operating hours, an average of eight years).

Through the high level of its technology, system controls and grid integration capacity in this market, 2G created the preconditions at an early stage to participate not only in new biogas systems but also in repowering investments. 2G CHP systems satisfy the grid and system regulations of the transmission grid operators (so-called grid codes), are certified in compliance with medium and low voltage guidelines, and can also be controlled remotely in operation through control software for energy service providers (contractors). Making biogas systems more flexible helps to feed more electricity generated from wind and solar into the grid.

This has also contributed to the fact that 2G sells more than two thirds of its projects with at least three times electrical output in comparison to the previously installed CHP plant. As of June 30, 2018, the company has a total of 194 orders for biogas driven CHP systems in Germany, comprising a total contract volume of EUR 77.4 million. This is reflected in market share gains. The 2G share is 27.3 % for 2018 based on expected industry figures from the German Biogas Association.

**Trend in 2G's market share in German biogas CHP market 2014 - 2018e**

in %

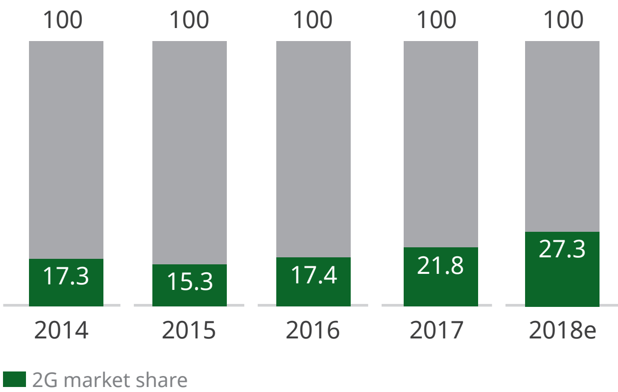



Diagram 2: Trend in 2G's market share in German biogas CHP market for biogas operated CHP power plants across all performance ranges.
Source: 2G Energy AG, 2G calculations, German Biogas Association, May 2018

In markets outside Germany, 2G sold biogas driven CHP systems mainly in Japan, France, the Benelux countries and Eastern Europe during the reporting period. As already in the previous year, but at a significantly higher level, the strongest foreign markets during the first half of 2018 included Japan and France with new order intake of EUR 5.6 million (+12 % year-on-year) and EUR 6.1 million respectively (+144 % year-on-year).

**Natural gas an important pillar of the energy revolution**

2G considers that natural gas is playing a key role in sustainable energy supplies as part of the new energy policy direction. Natural gas applications combined with renewable energies offer a very good basis to function as a bridge to almost carbon dioxide-free energy generation.

The well-established benefits of natural gas include its comparatively environmentally friendly characteristics, high flexibility, availability, the harnessing of electricity and heat generation as well as the existing distribution infrastructure. 2G has already shown in practice that the power-to-gas method enables economic utilization of cheaply available (surplus) electricity generated from wind and solar power plants. This allows renewable energies, CHP technology, gas grids, and local and district heating applications to be combined in a manner that is beneficial, complimentary, and systemically useful.

Natural gas will be prospectively replaced in the gas grid by "green" generated gases (hydrogen, methane), thereby becoming significantly more climate-neutral. With its innovative gas engine technology, 2G makes an important contribution to the economic utilization of these resources.

**Trends in 2G's market share in German CHP market for natural gas operated CHP power plants in the core performance range > 50 - 500 kW** in %

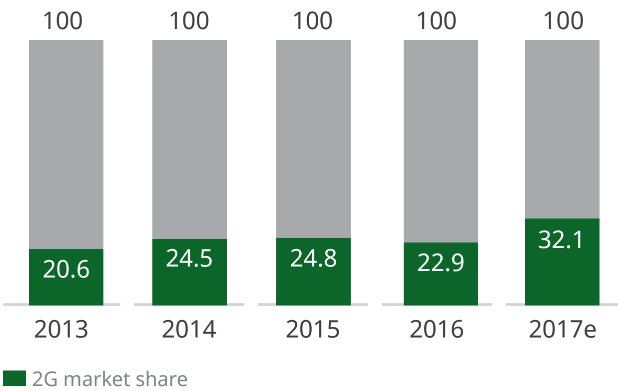



Diagram 3: Trends in 2G's market share in German CHP market 2013 - 2017e for natural gas operated CHP power plants in the core performance range > 50 - 500 kW.
Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), CHP modules 2013 - 2017e, July 11, 2018

2G has expanded its market share from 22.9 % to 32.1 % in the German market for natural gas driven systems in the relevant performance range of between 50 kW and 500 kW, according to preliminary data for 2017 published on July 11, 2018 by the German Federal Office for Economic Affairs and Export Control (BAFA). The average for the last five years stands at 25.0 %.

In the first half of 2018, business in Germany with natural gas operated CHP systems continued to be characterized by reticence on the part of both manufacturers and investors. In particular, a lack of clarity about the structuring of the EEG mandatory levy on own electricity consumption for new CHP systems installed from August 2014 exerted a negative impact. The German Federal Cogeneration Association (B.KWK) referred to an investment backlog.

### Positive order trend in Germany and abroad

Outside Germany, the USA (EUR 5.1 million) and the UK (EUR 3.7 million) in particular reported a positive demand for 2G natural gas operated CHP systems. The company is pushing its sales of natural gas operated CHP systems in European countries outside Germany, in order to thereby establish an alternative in the medium term to biogas markets, which are weakening. 2G achieved such a switch in the UK within the course of one year.

### Gas prices fall further

Global natural gas reserves of which we are aware today are still sufficient for a period of 55 years. A total of 14.5 % of gas produced worldwide is sold in Europe. The gas market is becoming increasingly global due to the marked expansion of liquefaction capacities (LNG, Liquid Natural Gas) and distribution logistics (primarily port terminals) over recent years. Liquefaction capacities amounted to 369 million tons per annum (MTPA) in March 2018, with a further 92 MTPA under construction and 875 MTPA planned. This helps considerably to establish a liquid gas market worldwide and to keep the supply situation relatively secure and attractively priced. Gas prices worldwide have been on a significant downtrend since 2014.

**Development of prices for natural gas for the industry, households, trade and commerce in Germany** (Index 2010 = 100)

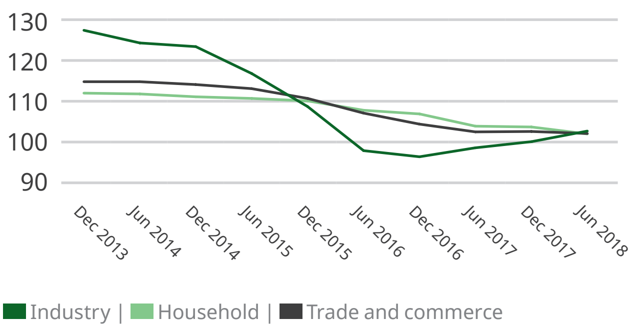



Diagram 4: Development of prices for natural gas for the industry, households, trade and commerce (incl. the housing industry) in Germany.
Sourse: German Federal Statistical Office, Development of Energy Prices, August 2018

This is also reflected in price trends in Germany. In the case of delivery to wholesalers/retailers and other commercial enterprises (including the housing sector) and to households, the gas price has fallen further compared with the first half of the previous year. Only with deliveries to industry was a slight price increase of 2.6 % year-on-year recorded during the first six months of 2018. The gas price has thereby also considerably decoupled itself from the oil price trend and the former “oil price link”, as the oil price (Brent Crude) reported a marked upwards movement in the first half of 2018. Until the end of June 2018, the price increased by 19.5 % to 79.4 USD/barrel.

### Electricity prices rise further

Average electricity prices for medium-size industrial companies will increase by around 0.5 % compared with 2017, according to an electricity price study published in May 2018 by the German Association of Energy and Water Industries (BDEW). Overall, the BDEW assumes an electricity price (including electricity tax) of 17.17 ct/kWh (previous year 17.09 ct/kWh) for industry in 2018. Along with higher wholesale prices on the Leipzig EEX Electricity Exchange, further increases in state imposed levies, surcharges and taxes have also contributed to this development. Diagram 5 presents the individual components of the total electricity price.

Overall, it can be noted that electricity prices for medium-sized industry as an electricity consumer have risen further from the high level since 2011. No turnaround trend towards falling prices has been identifiable to date, including during the course of the current reporting year.

**Average electricity price for industrial customers (incl. electricity tax) 2014 - 2018** Euro Cent per kWh

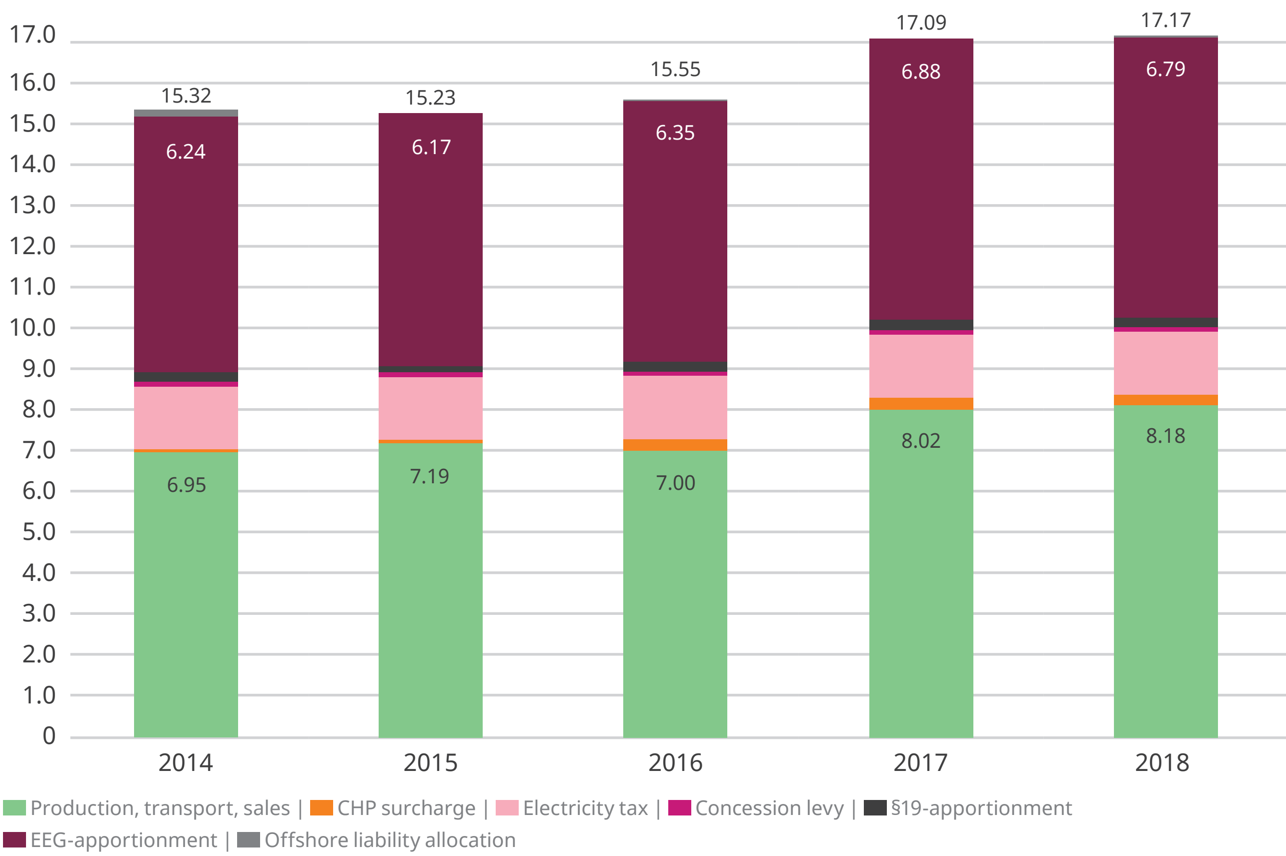



Diagram 5: Average electricity price for industry 2014 - 2018 (including electricity tax) in Germany in Euro Cent per kWh (annual consumption 160 to 20,000 MWh), medium voltage supplies (intake 100 kW/1,600 h to 4,000 kW/5,000 h).
Source: BDEW Electricity Price Analysis 2018, May 18, 2018

As far as the Spark Spread (the ratio between electricity price and the natural gas price) is concerned, the outlined development in the gas and electricity markets in 2017 (more recent data is not yet available) underscores the economic viability of CHP systems. Foreign markets of relevance for 2G continue to report a Spark Spread of generally three or greater. Accordingly, the basic preconditions for the economically efficient operation of combined heat and power generation continue to exist internationally.

**Spark Spread ratios in Europe and USA 2013 - 2017**

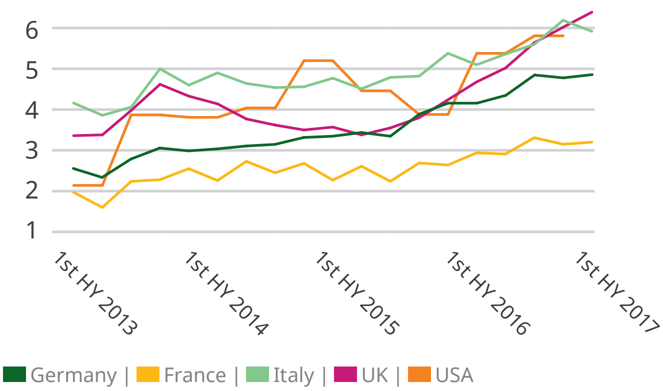



Diagram 6: Spark Spread trends in selected European countries and the USA 2013 – 2017.
Source: German Federal Statistical Office, energy price trend data, August 2017; UK Department of Energy & Climate Change, Industrial Electricity & Gas Prices in the IEA, June 2018; 2G calculations

### $CO_2$ certificate prices have risen sharply

The energy sector is of outstanding importance for the reduction of greenhouse gases. Around 83 % of $CO_2$ emissions in Germany were attributable to the generation of heating and electricity in 2016, according to the German Environment Agency (UBA). A guiding function from the European Emission Trading System (ETS) was almost non-existent for a long period as an oversupply of pollution rights held the certificate price at a level that created no incentives for environmentally compatible investments (average of the last five years: 5.86 EUR/t$CO_2$). In November 2017, the EU Commission, EU Parliament and European Council agreed on re-regulating the ETS. This set new overall conditions of the ETS, including reducing $CO_2$ total emissions by 2.2 % per annum from 2021. The so-called Market Stability Reserve, which the EU already approved in 2015 and which will become effective as of January 1, 2019, enables the EU to take up to 25 % of certificates out of the market.

These changed circumstances have led to a marked pickup in prices for emission rights since mid-2017. Whereas the price at the end of May 2017 still stood slightly above 4 EUR/t$CO_2$ according to the UBA, it traded at more than 14 EUR/t$CO_2$ in May 2018, an increase of around 250 %. Analysts cite various reasons for this: The European economy is largely still on a growth track. This boosts energy consumption and consequently also demand for emission rights. Furthermore, many industrial operations, which originally bet on falling $CO_2$ prices, subsequently bought certificates when they saw that prices were going up. According to expert opinions, stable legal conditions are leading to better plannability for market participants in the coming years. In turn, however, this security is also attracting investors and, with them, speculators.

Expert opinions diverge as to how high prices per ton of $CO_2$ would need to be in order to actually exert a guiding effect. These range from EUR 30 per certificate to EUR 80. It should in any case be noted that $CO_2$ certificate prices are rising again for the first time in seven years. This can help innovative technologies and sustainable energy generation forms become significantly more attractive investment opportunities through effective $CO_2$ prices. Already today, market-tested combined heat and power technology offers resource efficiency, high total operating efficiencies, as well as significant $CO_2$ reduction in energy production, and can be operated with regenerative fuels.

**The first half of 2018 in overview**

The Group generated total net sales of EUR 84.1 million as of June 30, 2018. This corresponds to an increase of 16.3 % compared with the prior-year period. The following table provides an overview of the distribution of net sales:

In view of these figures, 2G is clearly continuing the trend over the past quarters, during which the previously typical seasonality has increasingly been smoothed. As a consequence, 2G is benefiting from the diversification of business activities that it has consistently implemented. A total of 46 % of net sales generated from the sale of CHP systems derived from abroad – both foreign companies in Europe and USA as well as sales partners, especially in Asia and Eastern Europe, have contributed here.

Service sales also reported further year-on-year growth. At EUR 38.9 million (H1 2017: EUR 32.1 million; +21 %), the service and replacement parts business contributed 46 % to consolidated net sales (H1 2017: 43 %).

**Absolute and percentage distribution of revenues by product range***

| | H1 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Germany | | Abroad | | Total | |
| **Net sales in EUR millions** | 53.9 | 64 % | 30.2 | 36 % | 84.1 | 100 % |
| CHP systems | 24.4 | 29 % | 20.8 | 25 % | 45.2 | 54 % |
| of which biogas | 19.4 | 23 % | 13.3 | 16 % | 32.7 | 39 % |
| of which natural gas | 5.0 | 6 % | 7.5 | 9 % | 12.5 | 15 % |
| Service | 29.5 | 35 % | 9.4 | 11 % | 38.9 | 46 % |

* Rounding differences can arise.

Overall, the first half of 2018 proved very satisfactory and in line with expectations. 2G increased new order intake by 47.2 %, from EUR 65.4 million in the previous year to EUR 96.3 million.

This growth is attributable not only to higher order volumes in Germany (+78 %) but also abroad (+11 %). In Germany, the situation in the biogas market is proving particularly beneficial for 2G (see description page 13).

### 3. Results of operations

2G lifted its net sales by EUR 11.7 million year-on-year, from EUR 72.4 million to EUR 84.1 million. These net sales include the final invoicing for an UK project of an amount of EUR 8.4 million to a customer that had notified its insolvency in 2017, and from which advance payments equivalent to around 92 % of the contract value had previously been received. The CHP, which had already been delivered but which had not yet been finally invoiced, was written down to the value of the advance payment received with effect on profit and loss in 2017. In 2018, this transaction was offset in two steps with no effect on profit and loss. Firstly, the final invoice was offset with the advance payments received and with an addition to specific allowances for receivables. Secondly, the corresponding change in inventory was recognized to the level of the advance payment received.

After inventory increases of EUR 9.9 million (H1 2017: EUR 12.1 million) and own work capitalized in an amount of EUR 0.5 million (H1 2017: EUR 1.0 million), which arose exclusively from the operating activities of 2G Rental GmbH, total operating revenue in the first half of the year amounted to EUR 94.5 million (H1 2017: EUR 85.4 million).

The cost of materials was up from EUR 59.5 million to EUR 64.6 million due to the higher level of total

**Results of operations** in EUR million

| | | 30/06/2018 | 30/06/2017 |
|---|---|---|---|
| | Net sales | 84.1 | 72.4 |
| + | Increase/decrease in work-in-progress and finished goods | 9.9 | 12.1 |
| + | Own work capitalized | 0.5 | 1.0 |
| = | Total operating revenue | 94.5 | 85.4 |
| + | Other operating income | 0.5 | 0.5 |
| - | Cost of materials | 64.6 | 59.5 |
| - | Personnel costs | 17.1 | 16.2 |
| - | Depreciation and amortization | 1.8 | 1.9 |
| - | Other operating expenses | 10.3 | 8.8 |
| = | EBIT | 1.1 | -0.5 |

operating revenue. The cost of materials ratio based on total operating revenue reported a slight improvement to 68.4 % (H1 2017: EUR 69.6 million). Gross profit stood at EUR 29.9 million in the reporting period (H1 2017: EUR 26.0 million).

The personnel cost ratio improved year-on-year from 18.9 % to 18.1 %. Personal costs increased by 5.8 % to EUR 17.1 million. Along with general compensation adjustments, this reflects moderate hiring in the Service area as well as at the German and foreign companies, especially at 2G Energie SAS and 2G Energy Ltd.

Depreciation and amortization reduced by EUR 0.1 million to EUR 1.8 million. Other selling & marketing, operating, and administrative expenses rose by EUR 1.5 million compared with the previous year. Among other items, this position includes the corresponding specific valuation allowances of EUR 0.7 million for the final invoices for the aforementioned projects in the UK. This specific valuation allowance has no effect on profit and loss, however, as it had already been anticipated in 2017, as described above.

For the first time since 2012, 2G is reporting positive EBIT of EUR 1.1 million as of June 30, 2018, corresponding to an EBIT margin of 1.3 %. As finished goods and work-in-progress are to be measured only at their cost of production in accordance with German Commercial Code (HGB) accounting policies, 2G traditionally anticipates a marked earnings improvement by the end of the year.

After the net financial result of EUR -0.3 million (H1 2017: EUR -0.2 million) and income tax expense of EUR 0.3 million (H1 2017: EUR 0.1 million), the Group reports a net profit for the first half of the year of EUR 0.6 million (H1 2017: consolidated net loss of EUR 0.8 million).

## 4. Financial position

The Group parent company in Germany performs central liquidity management within the 2G Group by supplying the individual Group companies with corresponding liquidity as required. The following condensed cash flow statement presents the 2G Group‘s financial position:

**Cash flow statement**

| | 30/06/2018 | 30/06/2017 |
|---|---|---|
| | TEUR | TEUR |
| **Net profit for the period** | **630** | **-784** |
| Depreciation and amortization | 1,797 | 1,905 |
| Change in provisions | 853 | -432 |
| Change in inventories | -5,358 | -428 |
| Change in trade receivables and other assets that are not allocable to investing or financing activities | 3,087 | 6,693 |
| Change in trade payables and other liabilities that are not allocable to investing or financing activities | 8,052 | 2,103 |
| Loss/gain on fixed asset disposals | 11 | -7 |
| Cash inflow/cash outflows from tax and interest | -172 | -146 |
| **Cash flow from operating activities** | **8,900** | **9,196*** |
| **Cash flow from investing activities** | **-4,193** | **-2,000** |
| **Cash flow from financing activities** | **1,839** | **-27** |
| **Liquid funds on June 30**** | **22,621** | **17,383** |

* Rounding differences can arise.

** Reported excluding short-term bank overdraft drawdowns.

The 2G Group had sufficient liquidity during the entire period under review. Operating cash flow of EUR 8.9 million was approximately at the previous year's level (EUR 9.2 million).

An amount of EUR 4.8 million was invested in tangible fixed assets as part of investing activities. Among other items, 2G Energy AG invested EUR 3.2 million in the new production and service buildings.

Financial liabilities of EUR 0.7 million were repaid during the first half of the year. During the reporting period, 2G Energy AG raised a EUR 2.8 million loan to partially refinance the investment costs of the new production and service buildings.

Overall, the company reports cash and cash equivalents of EUR 22.6 million as of the half-year balance sheet date, after taking currency-related changes in cash into consideration. This liquidity is available in the form of bank deposits, and ensures that the 2G Group is solvent at all times.

## 5. Net assets

Overview of the net asset position of the 2G Group as of June 30, 2018:

### Assets*

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| | TEUR | TEUR |
| A. Fixed assets | 27,962 | 25,458 |
| B. Current assets | 97,152 | 88,816 |
| C. Prepayments and accrued income | 1,009 | 550 |
| D. Deferred tax assets | 1,977 | 1,435 |
| **Total assets** | **128,100** | **116,258** |

* Rounding differences can arise.

### Equity and liabilities*

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| | TEUR | TEUR |
| A. Equity | 56,397 | 55,711 |
| B. Provisions | 16,553 | 15,513 |
| C. Liabilities | 55,151 | 45,034 |
| I. Bank borrowings | 8,428 | 6,364 |
| II. Other liabilities | 46,723 | 38,670 |
| **Total assets** | **128,100** | **116,258** |

* Rounding differences can arise.

Compared with December 31, 2017, total assets have increased by around EUR 11.8 million to EUR 128.1 million as of the half-year balance sheet date. This increase in total assets is attributable to the following effects:

- Tangible fixed assets grew by EUR 2.9 million, including due to the investment in new production and service buildings.

- Inventories rose by EUR 5.4 million as a consequence of the marked increase in the order book position. Work-in-progress, which is valued in accordance with due commercial prudence, will largely become effective in terms of sales and earnings in 2018, according to the current project status.

- Liquid assets increased by EUR 6.5 million. This is largely attributable to the reduction in trade receivables (EUR -4.1 million).

**Overall statement on the business situation**

In terms of interim results, 2G reports EBIT of EUR 1.1 million as of June 30, 2018 (previous year: EUR -0.5 million) on net sales of EUR 84.1 million (previous year: EUR 72.4 million). Overall, the business position and trends of the 2G Group are at a very good level during the current 2018 year. 2G reported year-on-year growth in its new order intake in every month during the first half of 2018. Internally, expense ratios were lowered thanks to positive effects from the Lead-to-Lean project, and the seasonality of the business was reduced considerably, so that earnings before interest and tax reported a marked improvement by EUR 1.6 million.

## 6. Non-financial performance indicators

Pages 54 to 59 of the 2017 annual report provide a presentation of non-financial performance indicators. We briefly address research & development and personnel trends.

**Research & development**

Through consistent and intensive research and development efforts, 2G has developed a leading technological position in the market for combined heat and power generation systems in the 50 KW to 550 KW output class in recent years. Service areas offered include not only engine mechanics but also engine controls, software and electric component development as well as the optimization of efficiencies for various gas types such as natural gas, lean gases and hydrogen. The aim is to generate USPs that create advantages and additional benefits for customers when utilizing a 2G module compared with competitors‘ products. The focus of development work surrounding the 2G product program is shifting increasingly from realizing the greatest possible electric efficiency, or extraordinary total efficiency, towards service and maintenance applications that cater for better availability and integration of CHP systems into balancing energy cycles, in order to thereby realize a further improvement in economic efficiency and profitability. 2G is also complying with rising requirements made of emission and pollution figures for CHP modules with developments such as the Lambda-1 technology and the specified „aura“ series. More information about research and development work at 2G is presented on pages 57 to 58 of the 2017 annual report.

**Employees**

As of June 30, 2018, the Group employed 638 individuals (H1 2017: 637), of whom 58 (H1 2017: 55) were employed part-time and 28 were trainees (H1 2017: 23).

## 7. Corporate responsibility

**Risk report**

Pages 59 to 67 of the 2017 Annual Report provide a presentation of opportunities and risks. Compared with the assessments at that time, no significant changes have occurred to the position of opportunities and risks of the 2G Energy Group.

## 8. Outlook

**Further economic trends characterized by uncertainty**

The experts at the IfW continue to assume moderate growth for the world economy both this and next year. They see capacity utilization rising especially in advanced economies. For example, the IfW continues to envisage an increase of 3.8 % in worldwide production this year and of 3.6 % in 2019.

For the Eurozone, the IfW experts forecast a continued economic upturn, albeit failing to achieve the previous year's dynamic. They believe that the Eurozone economy will continue to be supported by low interest rates and an expansive fiscal policy. The IfW forecasts growth rates for the current year of approximately 2.1 % and a 2.0 % for next year.

The IfW takes a confident view of economic growth in Germany, and notes that the country continues to enjoy a high level of economic activity. It comments that strong domestic demand and a robust global economy are driving further GDP growth. For 2018, the IfW experts forecast growth of 2.7 %, and 2.0 % for 2018.

In assessing risks to the global economic growth, the IfW emphasizes especially trade policy risks, with the USA having taken the first steps towards a protectionist path. It sees the risk of a spiral developing of actions and reactions within the trade policy arena, which could eventually dampen economic activity tangibly in advanced economies and with China. Concerns about the trade conflict escalating can already hamper investments and lead to a detectable slowdown of the economy, according to the Kiel economic experts. Furthermore, political uncertainties in the Eurozone have increased especially after the change of government in Italy. Moreover, the IfW sees a risk of the forthcoming monetary policy normalization leading to sudden uncertainty in capital markets, with the consequence of sharp corrections in asset prices, yields and exchange rates, or a reversal of capital flows, which could comprise a problem especially for emerging economies.

As a medium-sized company with short reporting paths, qualified employees and largely standardized products, 2G can move quickly and successfully in markets and respond to changes. Continuous research and development work conducted by the company's own machine and software engineers creates the basis for innovative products, efficiency enhancements, emission reductions and connectivity to digital applications. The growing foreign business and diversification across performance classes and gas types also enable numerous business options and growth oppertunities which 2G is exploiting actively.

As a consequence, 2G focuses on things it can influence itself: the development of reliable and durable products and the continuous expansion of the 2G network both in Germany and abroad. The constantly growing number of sales and service partners distributing 2G products worldwide 24/7 with pleasure and commitment form precisely the foundation that enables the company to look with confidence to the future.

According to the status of knowledge today, the economic ratio for the combined heat and power generation product based on gas engines will remain over the coming years. Given low prices for gas as a fuel and a further uptrend in electricity prices, the Spark Spread will remain attractive.

**Overall good business prospects in the German CHP market**

Nothing significant has changed to the assessment of the future sector situation compared with the last published set of consolidated financial statements. Please refer to pages 68 to 70 of the 2017 annual report. In the long term, 2G assumes that with its own natural gas, lean gas and hydrogen driven systems it can tap 10 % of the world market for CHP systems that is relevant today. This would correspond to net sales of EUR 300 million.

The Management Board believes that the market for natural gas driven CHP systems in Germany will remain in a state of suspense at least for 2018. Although the transition regulation for the EEG levy has been extended for the next four years for systems commissioned from August 1, 2014 on, statutory implementation into German law is still outstanding. In the German natural gas market, confidence is nonetheless gradually starting to recover that the agreement with the EU Commission will be anchored in corresponding legislation soon, in other words, after the summer break.

It is incomprehensible that the German government is unable to ensure investment security for efficient energy supplies, in order to meet its own $CO_2$ reduction targets. It is even more important that local authorities, the housing sector, and industry and commerce team up with expert technology partners in order to take the matter into their own hands, as consistent climate protection begins with rational electricity and heating provision along with combined heat and power generation, and is far from ending with just energy savings.

Our project of a 100 % hydrogen driven CHP system realized together with Stadtwerke Hassfurt provides a good example. The electrolyzer of the power-to-gas system is driven with electricity from a local wind energy plant. For the first time in the local government sector, a closed storage chain for renewable electricity can be created for the first time, leading from electricity generation from wind energy through to conversion into hydrogen by means of electrolysis and storage in pressurized tanks, and conversion back into electricity by means of cogeneration, in line with demand. The modified, highly flexible 6-cylinder standard gas engine developed by 2G is integrated into residual load as an ideal partner to wind and solar electricity generation. This product acts as a model. We assume that we will realize further projects of this customization type in the near future.

With the German Renewable Energies Act 2017 (EEG 2017), the conditions for the biogas CHP market in Germany are good overall. An increasing number of biogas system operators are adjusting their units to future electricity market requirements through investments in combined heat and power plants, which enable biogas generation to be aligned flexibly to fluctuating solar and wind electricity production. 2G can benefit in full from this, as many plant operators are replacing their units with new plants offering better performance. An initiative is currently being discussed in Berlin to continue subsidizing flexibilization projects until into the year 2020. Nonetheless, Germany's new energy policy direction cannot and will not remain purely a new policy direction in terms of electricity alone. Transitions to renewable energies must also occur in the mobility sector and in the heating sector. By contrast with the electricity sector (expansion to a more than 30 % share), the share of renewable energy utilization in the heating sector amounts to around 13 %, and in the mobility sector to approximately 5 %. The hope is to boost sustainability in this sector through the electrification of vehicles and the harnessing of electricity in the heating sector in combination with the utilization of regeneratively reproduced gases. 2G can do both of these. 2G power plants can ensure decentralized electricity supplies on a basis that serves grids, and they can also structure heating supplies so as to conserve more resources.

**2G exploits opportunities in international markets**

2G has worked to become increasingly independent from individual markets over recent years. The partner network makes an important contribution in this context. It makes it easier to enter markets in new countries and to provide service locally.

In the US market, new order intake of EUR 5.1 million as of the half-year stage confirms the positive trend of 2017. Strategically, 2G continues to regard the American market as the most important future growth market.

In France, growth opportunities remain good, especially for biogas operated systems. New order intake is growing constantly and amounted to EUR 6.5 million as of June 30, 2018. For natural gas operated systems, too, 2G identifies good opportunities to secure an early positioning in a market that continues to grow in the mid performance ranges. With the Nantes-based independent subsidiary 2G Energie SAS, the company has created good preconditions to continue to report strong growth.

The market in the Asia-Pacific region also offers promising potentials that 2G aims to tap further through both existing and new sales partnerships. In the Japanese market, brisk demand is evident for biogas CHP systems. The new order intake stood at EUR 6.5 million. In the Southeast Asian region, too, demand is growing for combined heat and power generation, especially for applications in waste management, such as to utilize landfill gases and gases from purification plants.

2G's declared objective is to become a fully globalized leading provider of CHP systems and CHP solutions. As of the half-year balance sheet date, the foreign proportion of CHP and service sales amounted to around 36 % (as of December 31, 2017: 35 %) and in terms of sales with CHP systems to around 46 % (as of December 31, 2017: 42 %) Although the figures will level out on a full-year view, 2G is well positioned in a market with growing demand in many parts of the world for cogeneration technology.

The Management Board and the workforce are continuing to work intensively on the three leading projects of “Partner Concept / Internationalization”, “Lead-to-Lean” and “Digitalization”. With “Lead-to-Lean”, 2G is aligning its corporate organization and working processes on a significantly more economic basis. Significant efficiency enhancement is being realized, especially through moving to the new hall at the main site in Heek, aggregating service, the warranty department, engine optimization as well as engine inspection. With its “Digitalization” lead project, 2G will extend its technology leadership claim to extend above and beyond engine mechanics to include software. Today, both are inseparably combined when it comes to highly efficient and economic CHP systems. The focus is on boosting plant efficiency and availability, the lowest possible emissions as well as a reduction in operational and service running costs.

### Order book position on a positive trend both in Germany and abroad

In the current financial year, 2G has built on the previous year‘s good results with net sales of EUR 189.4 million and an EBIT margin of 3.9 %. Continued brisk demand for CHP power plants in the year under review has led to EUR 96.3 million of new order intake, considerably above the previous year‘s EUR 65.4 million.

| New order intake for new CHP systems as of August 31, 2018 | in EUR million |
|---|---|
| of which Germany | 81.7 |
| of which France | 9.9 |
| of which Japan | 6.8 |
| of which USA | 5.1 |
| of which UK | 4.2 |
| of which rest of world | 16.4 |
| **Total** | **124.1** |

New order intake has continued to perform extremely well during the July to August months. Overall, 2G has acquired new orders worth EUR 124.1 million this year (as of August 31) (previous year: EUR 94.0 million). The order book position stood at EUR 161.1 million as of the end of August 2017 (previous year: EUR 122.7 million). Production in two-shift operation is thereby fully utilized at least until the end of the first quarter of 2019. 2G assumes further lively business abroad and a gradual pickup in demand in Germany for natural gas operated CHP systems and further brisk demand for biogas driven CHP systems.

Given this, the Management Board confirms its forecast for the 2018 financial year and assumes net sales in a range between EUR 180 million and EUR 210 million (previous year: EUR 189.4 million). At the same time, the Management Board confirms its estimate concerning achieving an EBIT margin of between 3.5 % and 5.5 %.

Heek, in September 2018
2G Energy AG

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Friedrich Pehle
Management Board member

# 2G. Consolidated financial statements.

# Consolidated balance sheet of 2G Energy AG

## Assets

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| | EUR | EUR |
| **A. Fixed assets** | | |
| I. Intangible fixed assets | | |
| Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets | 568,227.09 | 656,384.19 |
| Goodwill | 3,767,338.28 | 4,051,857.78 |
| Prepayments rendered | 9,333.00 | 7,533.00 |
| | **4,344,898.37** | **4,715,774.97** |
| II. Tangible fixed assets | | |
| Land, land rights and buildings, including buildings on third-party land | 8,158,054.82 | 8,078,427.62 |
| Plant and machinery | 1,080,786.66 | 1,142,609.50 |
| Other factory and office equipment | 10,500,521.62 | 10,723,450.80 |
| Prepayments rendered and plant under construction | 3,867,892.31 | 787,296.07 |
| | **23,607,255.41** | **20,731,783.99** |
| III. Financial fixed assets | | |
| Other participating interests | 10,000.00 | 10,000.00 |
| | **10,000.00** | **10,000.00** |
| | **27,962,153.78** | **25,457,558.96** |
| **B. Current assets** | | |
| I. Inventories | | |
| Raw materials and supplies | 37,051,774.16 | 31,404,343.59 |
| Work-in-progress | 40,378,322.53 | 30,400,090.36 |
| Finished goods and merchandise | 0.00 | 887,018.54 |
| Prepayments rendered | 8,027,708.49 | 2,448,480.75 |
| Prepayments received for orders | -36,133,273.06 | -21,173,864.40 |
| | **49,324,532.12** | **43,966,068.84** |
| II. Receivables and other assets | | |
| Trade receivables | 23,827,315.78 | 27,881,499.50 |
| Other assets | 1,359,188.67 | 851,052.60 |
| | **25,186,504.45** | **28,732,552.10** |

## Assets

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| | EUR | EUR |
| III. Cash in hand, bank balances | **22,641,391.67** | **16,117,059.21** |
| | **97,152,428.24** | **88,815,680.15** |
| **C. Prepayments and accrued income** | **1,009,015.59** | **550,226.69** |
| **D. Deferred tax assets** | **1,976,591.22** | **1,434,819.61** |
| **Total** | **128,100,188.83** | **116,258,285.41** |

## Equity and liabilites

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| | EUR | EUR |
| **A. Equity** | | |
| I. Subscribed share capital | 4,430,000.00 | 4,430,000.00 |
| II. Capital reserve | 11,235,300.00 | 11,235,300.00 |
| III. Other retained earnings | 40,299,580.49 | 40,299,580.49 |
| IV. Consolidated net income | 788,380.81 | 178,735.80 |
| IV. Minority interests | 593,126.69 | 572,562.47 |
| V. Equity difference from currency translation | -949,710.26 | -1,005,335.70 |
| | **56,396,677.73** | **55,710,843.06** |
| **B. Provisions** | | |
| Tax provisions | 2,872,316.82 | 2,685,679.26 |
| Other provisions | 13,680,444.44 | 12,827,280.96 |
| | **16,552,761.26** | **15,512,960.22** |
| **C. Liabilities** | | |
| Bank borrowings | 8,427,763.33 | 6,363,971.09 |
| Prepayments received for orders | 30,126,085.83 | 23,347,059.73 |
| Trade payables | 9,929,663.68 | 10,091,987.92 |
| Other liabilities | 6,667,237.00 | 5,231,463.39 |
| | **55,150,749.84** | **45,034,482.13** |
| **Total** | **128,100,188.83** | **116,258,285.41** |

# Consolidated profit and loss account of 2G Energy AG

| | 01/01 to 30/06/2018 | 01/01 to 30/06/2017 | 01/01 to 31/12/2017 |
|---|---|---|---|
| | EUR | EUR | EUR |
| **Net sales** | **84,142,366.16** | **72,369,272.21** | **189,404,149.19** |
| Increase / decrease in work-in-progress and finished goods | 9,890,761.65 | 12,110,678.49 | -2,307,389.81 |
| Other own work capitalised | 496,268.38 | 965,302.64 | 3,397,240.93 |
| | **94,529,396.19** | **85,445,253.34** | **190,494,000.31** |
| Other operating income | 549,582.67 | 530,768.59 | 1,302,582.10 |
| | **95,078,978.86** | **85,976,021.93** | **191,796,582.41** |
| Cost of materials | | | |
| a) Costs of raw materials and supplies, and for purchased merchandise | 51,067,254.06 | 46,881,142.54 | 100,693,429.63 |
| b) Costs of purchased services | 13,571,148.57 | 12,578,275.85 | 26,128,728.14 |
| | **64,638,402.63** | **59,459,418.39** | **126,822,157.77** |
| Personnel costs | | | |
| a) Wages and salaries | 14,328,820.80 | 13,538,057.24 | 27,351,282.22 |
| b) Social security, pension and other benefits | 2,773,870.10 | 2,629,041.79 | 5,319,020.66 |
| | **17,102,690.90** | **16,167,099.03** | **32,670,302.88** |
| Depreciation and amortization applied to tangible and intangible fixed assets | 1,796,548.11 | 1,905,194.78 | 3,783,377.45 |
| Other operating expenses | 10,355,446.95 | 8,843,487.53 | 20,954,731.91 |
| Other interest and similar income | 33,773.85 | 11,902.98 | 48,308.33 |
| Interest and similar expenses | 217,116.43 | 194,621.69 | 417,450.37 |
| Taxes on income | 297,993.32 | 87,368.84 | 2,040,589.33 |
| **Profit after taxes** | **704,554.37** | **-669,265.35** | **5,156,281.03** |
| Other taxes | 74,345.14 | 114,411.39 | 233,492.21 |
| **Consolidated net profit/loss for the year** | **630,209.23** | **-783,676.74** | **4,922,788.82** |
| Share of net profit/loss attributable to other shareholders | -20,564.22 | 5,104.78 | 83,884.78 |
| **Consolidated net profit/loss** | **609,645.01** | **-778,571.96** | **5,006,673.60** |
| Retained earnings | 178,735.80 | 37,243,642.69 | 37,243,642.69 |
| Dividend payment | 0.00 | 0.00 | -1,772,000.00 |
| Allocation to other retained earnings | 0.00 | 0.00 | -40,299,580.49 |
| **Consolidated net retained earnings** | **788,380.81** | **36,465,070.73** | **178,735.80** |
| **Earnings before interest and taxes** | **1,111,545.13** | **-513,589.19** | **7,332,520.19** |

# Notes to the consolidated financial statements of 2G Energy AG

## A. General information about the consolidated statements

### 1. Basic information

2G Energy AG is a public limited company under German law. The company's shares are listed on the trading segment Scale, a part of the Open Market (Regulated Unofficial Market) of the Frankfurt Stock Exchange (FWB), as operated by Deutsche Börse AG, which is consequently not an organized market.

The company is entered in the commercial register of the Coesfeld District Court (commercial register sheet number B 11081), and has its headquarters at Benzstrasse 3, 48619 Heek, Germany.

These consolidated financial statements of 2G Energy AG represent the reporting period from January 1 to June 30, 2018. Last years' figures relate to the balance sheet at the end of the previous financial year (December 31, 2017) as well as the profit and loss account of the corresponding prior fiscal year period (January 1 to June 30, 2017).

The interim financial statements and the interim management report as at June 30, 2018 have not been audited in accordance with Section 317 of the German Commercial Code (HGB) and have not been reviewed by an external auditor. The consolidated financial statements and the management report of the company as at December 31, 2017 were audited by an auditor in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and have been issued an unqualified opinion.

### 2. Line of business

The company and its subsidiaries primarily plan and install combined heat and power ("CHP") systems and other systems for the recovery of efficient use of electrical energy, and provide after-sale services associated with CHP systems. One subsidiary is responsible for optimizing gas engines, and for manufacturing and marketing Otto spark-ignition-gas engines.

### 3. Accounting policies

The consolidated financial statements of 2G Energy AG were prepared in accordance with Section 290 et seq. of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

The regulations for public limited companies in the meaning of Section 264 et seq. of the German Commercial Code (HGB), the relevant provisions of the German Stock Corporation Act (AktG), and the provisions pursuant to Section 290 et seq. of the German Commercial Code (HGB) in relation to consolidated financial statements apply to the Group's accounting procedures.

The Group's functional currency is the euro. All amounts are consequently presented in euros or thousands of euros (TEUR).

Foreign companies' balance sheet items are translated at the respective exchange rate on the balance sheet date. Equity items are translated at historical rates. Cost and income items are translated at average rates for the year.

## B. Consolidation methods

### 1. Consolidation scope and shareholdings

The following financial statements are included in the consolidated financial statements of 2G Energy AG (parent company):

**Subsidiary**

| | Interest in % | Subscribed capital in TEUR | Equity in TEUR | Profit/loss for year in TEUR | Initial consolidation |
|---|---|---|---|---|---|
| 2G Energietechnik GmbH* Heek, Germany | 100 | 1,000 | 2,832 | 0 | 30/06/2007 |
| 2G Drives GmbH, Heek, Germany | 80 | 25 | 3,411 | 551 | 24/03/2010 |
| 2G Home GmbH, Heek, Germany | 100 | 125 | -1,832 | 108 | 31/12/2007 |
| 2G Rental GmbH, Heek, Germany | 100 | 50 | -100 | 9 | 31/12/2014 |
| 2G Solutions of Cogeneration S.L., Vic Barcelona, Spain | 90 | 3 | -525 | -44 | 31/01/2008 |
| 2G Energie SAS, Carquefou (Nantes), France | 100 | 200 | 23 | -153 | 24/08/2016 |
| 2G Italia Srl, Vago di Lavagno (Verona), Italy | 100 | 10 | 975 | 482 | 15/03/2011 |
| 2G Energy Ltd., Cheshire, United Kingdom** | 100 | 1 | 725 | 282 | 19/09/2011 |
| 2G Polska Sp. z o.o., Bielsko-Biala, Poland** | 100 | 1 | -67 | 26 | 07/11/2011 |
| 2G Energy Inc. St. Augustine (FL), USA** | 100 | 1 | 1,824 | -491 | 27/02/2012 |

* On July 5, 2007, a control and profit assumption agreement was contracted with 2G Energietechnik GmbH
** Converted at reporting date's exchange rate

The purpose of the subsidiaries 2G Energietechnik GmbH, 2G Home GmbH, 2G Solutions of Cogeneration S.L., 2G Energie SAS, 2G Italia Srl, 2G Energy Ltd., 2G Polska Sp. z o.o. and 2G Energy Inc. is to plan and install combined heat and power systems, trade in components for CHP systems, and provide after-sales services associated with CHP systems.

The purpose of the subsidiary company 2G Drives GmbH is to optimize gas engines, and to manufacture and market Otto spark-ignition gas engines.

The purpose of the subsidiary company 2G Rental GmbH is to trade in, and rent, combined heat and power systems.

All of the companies are included as subsidiaries in the consolidated financial statements due to the parent company owning the majority of their voting rights.

## 2. Consolidation methods applied

### Closing date for consolidated financial statements and companies included in the consolidation scope

The consolidated financial statements are based on the separate financial statements of 2G Energy AG and the financial statements of the subsidiaries included in the consolidation scope. The financial statements are prepared as of the June 30, 2018 closing date.

### Capital consolidation

Capital is consolidated according to the revaluation method pursuant to Section 301 (1) of the German Commercial Code (HGB). All balance sheet items at subsidiary level are recognized at fair value on the first-time consolidation date. Share acquisition costs are offset subsequently against revalued proportionate equity. The residual differential amount from capital consolidation (goodwill) is capitalized and amortized, as it applies to the core business of 2G Energy AG, straight-line over a prospective 20-year useful life pursuant to Section 309 (1) of the German Commercial Code (HGB).

Interests in subsidiaries which are included in the consolidated financial statements, but which are not held by 2G, are reported as minority interests.

### Consolidation of liabilities

Liabilities are consolidated pursuant to Section 303 (1) of the German Commercial Code (HGB). Accordingly, prepayments rendered and other receivables, provisions and liabilities between the companies included in the consolidated financial statements are to be eliminated. Offsetting differences in connection with the consolidation of liabilities are recognized through profit or loss if they comprise year-on-year changes. Otherwise, they are recognized directly in equity. Minor offsetting differences were recognized in the reporting year.

### Treatment of unrealized results of intragroup transactions

Unrealized results of intragroup transactions are eliminated pursuant to Section 304 (1) of the German Commercial Code (HGB). Accordingly, assets that are based fully or partly on deliveries or services between the companies included in the consolidated financial statements must be recognized at the amount at which they could be recognized in the annual balance sheet for the respective company prepared on the closing date of the consolidated financial statements, if the companies included in the consolidated financial statement were also to form a single entity in legal terms.

The consolidated profit and loss account is adjusted to reflect profit or loss contributions from intragroup transactions as part of consolidating income and expenses in accordance with Section 305 of the German Commercial Code (HGB).

**Consolidation of income and expenses**

Income and expenses are consolidated in accordance with Section 305 (1) of the German Commercial Code (HGB). The purpose of this is to present only income and expenses in the consolidated profit and loss account according to type and amount that result from business relationships with third parties outside the Group. Consolidation measures exclusively comprise eliminations.

## C. Information about accounting policies

The individual financial statements of 2G Energy AG and its subsidiaries are prepared in accordance with standard accounting policies.

The annual financial statements of the companies included in the consolidation scope are prepared in accordance with the regulations set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Valuation methods were applied unchanged compared with the previous year.

Valuation details are as follows:

**1. Intangible fixed assets**

Acquired intangible fixed assets are recognized at acquisition cost and, if they comprise depreciating assets, less straight-line amortization. Prepayments rendered are recognized at normal value.

**2. Tangible fixed assets**

Tangible fixed assets are recognized at acquisition cost and, if they are subject to wear and tear, less scheduled depreciation. Depreciation is applied straight-line according to the assets' prospective useful lives. Prepayments rendered are recognized at normal value.

**3. Financial fixed assets**

Financial assets are recognized at the lower of their cost or fair value on the balance sheet date. If the value of financial assets calculated in accordance with the principles referred to above is higher than the fair value on the balance sheet date, an extraordinary write-down is applied. If the grounds for a lower valuation no longer exist, a write-up is applied pursuant to Section 253 (5) Clause 1 of the German Commercial Code (HGB).

**4. Inventories**

Raw materials and supplies are recognised at the lower of cost or fair value.

Work-in-progress and finished goods are recognized at the lower of cost or fair value. In addition to directly attributable specific costs of materials and production, production costs also include materials and production overheads, as well as general administrative costs to the extent that they can be allocated to production. Borrowing costs are not included in production costs.

Merchandise is recognized at the lower of cost or fair value.

Prepayments rendered are recognized at nominal value.

If prepayments received do not exceed the value of the work-in-progress, they are offset with work-in-progress to the level of the satisfaction amount on a project basis.

**5. Receivables and other assets**
Receivables and other assets are recognized at the nominal value. Appropriate specific valuation allowances are applied to all risky items. General default and credit risk is reflected through general valuation allowance.

**6. Cash in hand and bank balances**
Cash in hand and bank balances are measured at nominal value.

**7. Prepayments and accrued income**
Prepayments and accrued income include payments received before the balance sheet date as far as they represent costs for a particular time period after that date.

**8. Deferred tax**
Deferred tax assets and deferred tax liabilities have not been offset against each other. An average consolidated tax rate of 30 % has been applied to measure deferred tax assets.

Offsetting applied as part of consolidation generates a differential amount that is to be reported as goodwill. Deferred taxes are not charged on this differential amount (German Accounting Standard/DRS 18 section 25).

**9. Equity**
Equity is measured at nominal value.

**10. Tax provisions**
Tax provisions include taxes relating to the reporting year that have not yet been assessed.

**11. Other provisions**
Other provisions are created for contingent liabilities at their settlement value in accordance with reasonable commercial judgment, and taking into account all identifiable risks and contingent liabilities.

**12. Liabilities**
Liabilities are recognized at the settlement amounts.

**13. Prepayments received**
Prepayments received include advance payments for new plants, and advance payments from full maintenance contracts. If prepayments received do not exceed the value of the work-in-progress, prepayments received for new plants are offset on a project basis with work-in-progress to the level of the satisfaction amount. Any surplus is reported as a prepayment received on the liabilities side of the balance sheet. Prepayments received for full maintenance contracts are accrued on a percentage of completion basis according to the specific contract. Prepayments received for full maintenance contracts are recognized in sales revenues according to percentage of completion. Any surplus prepaid amount is accrued as a prepayment received.

### 14. Currency translation

Items in the annual financial statements that are based on amounts denominated in foreign currencies are translated at the cash exchange rate in compliance with Section 256a of the German Commercial Code (HGB).

## D. Notes to the consolidated balance sheet

### 1. Fixed assets

For information about changes in fixed assets during the financial year under review, please refer to the corresponding presentation in the statement of changes in fixed assets. This statement also presents depreciation, amortization and extraordinary write-downs applied for each balance sheet item during the financial year.

Fixed assets include TEUR 5,663 (previous year: TEUR 5,991) of rental plants from the operating activities of 2G Rental GmbH.

### 2. Inventories

Inventories amounted to TEUR 49,325 (previous year: TEUR 43,966) as of the balance sheet date. Along with raw materials and supplies (TEUR 37,052), they comprise work-in-progress (TEUR 40,378) and prepayments rendered (TEUR 8,028).

Pursuant to Section 268 (5) of the German Commercial Code (HGB), prepayments received for orders (TEUR 36,133) were deducted openly from the inventories item.

### 3. Receivables and other assets

Specific and general valuation allowances of TEUR 4,046 (previous year: TEUR 3,071) were applied to trade receivables.

All receivables and other assets have a residual term of less than one year.

### 4. Deferred tax assets

Deferred tax receivables of TEUR 1,977 (previous year: TEUR 1,435) arise from tax loss carryforwards (TEUR 114) at 2G Rental GmbH, 2G Energie SAS and 2G Polska Sp. z o.o. No deferred tax assets were formed in relation to the loss carryforwards of 2G Home GmbH, 2G Solutions S.L., 2G Italia Srl. and 2G Energy Inc. due to their having generated net losses in previous years. In this context, a cautious approach was adopted that does not take into account positive expectations arising from current structural changes. In addition, deferred taxes were formed in relation to eliminated intragroup gains on fixed assets (TEUR 391) and inventories (TEUR 1,365) deriving from intragroup deliveries and services as of the balance sheet date, and on temporary differences (TEUR 106). These temporary differences arise mainly from recognizing differing valuations for inventories and provisions in the financial statements and in the tax accounts.

It is assumed with sufficient probability that the tax benefits connected with the loss carryforwards can be realized over the coming financial years.

No deferred tax liabilities required reporting as of the balance sheet date.

### 5. Consolidated equity

The share capital amounts to TEUR 4,430, and is divided into 4,430,000 ordinary bearer shares each with a nominal value of EUR 1.

Capital reserves of TEUR 11,235 arise mainly from share premiums from capital increases at 2G Energy AG.

In a resolution passed at the Annual General Meeting on July 8, 2015, the Management Board was authorized to increase the company's subscribed share capital during the period until July 7, 2020, with Supervisory Board approval, once or on several occasions, by up to a total of TEUR 2,215 by issuing new shares against cash or non-cash capital contributions (Approved Capital 2015).

An amount of TEUR 39,111 is available to shareholders for distribution in the year under review. Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 1,977.

No restricted amounts that cannot be distributed exist in the separate financial statements of 2G Energy AG.

For more information about changes in consolidated equity during the financial year under review, please refer to the corresponding presentation in the consolidated statement of changes in equity.

**6. Other provisions**

The composition on the balance sheet date and changes in other provisions during the reporting year are shown in the following statement of changes in provisions:

**Other provision,** in TEUR

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Warranty commitments | 6,658 | 6,080 |
| Residual work on completed plants / outstanding invoices | 4,316 | 3,924 |
| Amounts owed to staff | 1,396 | 1,408 |
| Taxable fringe benefits | 872 | 872 |
| Professional cooperative contributions | 140 | 229 |
| Miscellaneous other provisions | 298 | 315 |
| **Total** | **13,680** | **12,827** |

**7. Liabilities**

Liabilities consist of the following:

**Residual terms**, in TEUR (previous year's amounts in brackets)

| | Total | < 1 year | > 1 year | of which > 5 years |
|---|---|---|---|---|
| Bank borrowings | 8,428<br>(6,364) | 1,424<br>(1,468) | 7,003<br>(4,896) | 2,806<br>(1,314) |
| Prepayments received for orders | 30,126<br>(23,347) | 30,126<br>(23,347) | 0<br>(0) | 0<br>(0) |
| Trade payables | 9,930<br>(10,092) | 9,930<br>(10,092) | 0<br>(0) | 0<br>(0) |
| Other liabilities | 6,667<br>(5,231) | 6,667<br>(5,231) | 0<br>(0) | 0<br>(0) |
| **Total** | **55,151<br>(45,034)** | **48,147<br>(40,138)** | **7,003<br>(4,896)** | **2,806<br>(1,314)** |

The following collateral instruments are connected with bank borrowings:

- EUR 2.63 million land charge, Benzstrasse 3, Heek
- EUR 2.21 million land charge, Siemensstraße 20, Heek
- EUR 0.31 million land charge, Siemensstraße 10, Heek
- Collateral assignment of lease claims as well as collateral assignment of the corresponding assets

Other liabilities comprise tax liabilities of TEUR 2,970 (previous year: TEUR 2,597), and social security liabilities of TEUR 41 (previous year: TEUR 91).

## E. Notes to the consolidated profit and loss account

The profit and loss account is prepared applying the nature of expense method, and structured according to Section 275 (2) of the German Commercial Code (HGB).

### 1. Net sales

Net sales are divided geographically and by operating activities as follows:

**Net sales**, in TEUR

| | Germany | Abroad | Total |
|---|---|---|---|
| CHP Systems / After Sales | 24,427 | 20,834 | 45,261 |
| Service | 29,459 | 9,423 | 38,881 |
| **Total** | **53,886** | **30,256** | **84,142** |

### 2. Other operating income

Other operating income comprises TEUR 135 of income related to other accounting periods (previous year: TEUR 192) that consists mainly of the release of provisions (TEUR 80), insurance compensation payments and loss compensation payments (TEUR 30), and the elimination of specific and general valuation allowances on receivables (TEUR 8).

Other operating income includes income of TEUR 152 from currency translation (previous year: TEUR 144).

### 3. Other operating expenses

Other operating expenses consist of the following:

**Other operating expenses**, in TEUR

| | 01/01 to 30/06/2018 | 01/01 to 30/06/2017 |
|---|---|---|
| Operating expenses | 3,474 | 3,126 |
| Administration expenses | 1,363 | 1,512 |
| Sales and marketing expenses | 2,713 | 2,500 |
| Miscellaneous | 2,806 | 1,704 |
| **Total** | **10,355** | **8,843** |

Other operating income comprises TEUR 1,103 of income related to other accounting periods (previous year: TEUR 365) that consists mainly of the transfer to specific and general valuation allowances on receivables (TEUR 878) and non-period credits and losses incurred on receivables.

Other operating expenses include expenses of TEUR 26 from currency translation (previous year: TEUR 438).

### 4. Personnel costs

Social security contributions and pension and benefit expenses include TEUR 199 of pension expenses (previous year: TEUR 153).

### 5. Other interest and similar income

Other interest and similar income include income of TEUR 11 from the discounting of provisions (previous year: TEUR 0).

### 6. Taxes on income

The following items are recognized in the profit and loss account under taxes on income:

**Deferred tax result**, in TEUR

| | 01/01 to 30/06/2018 | 01/01 to 30/06/2017 |
|---|---|---|
| Deferred tax income | 664 | 298 |
| Deferred tax expenses | -122 | -34 |
| of which attributable to loss carryforwards | -122 | -28 |
| **Income from deferred taxes** | **541** | **264** |

**7. Extraordinary income and expenses**

On March 16, 2017, Agraferm Technologies AG (Agraferm) applied for the initiation of insolvency proceedings in self-management at the district court of Ingolstadt.

When Agraferm applied for the initiation of insolvency proceedings in self-management, there were no outstanding trade receivables from Agraferm. There were open orders with Agraferm with an order volume of TEUR 8,397, to which Agraferm has paid prepayments of TEUR 7,687 towards 2G.

In the consolidated financial statements as of December 31, 2017, an additional valuation allowance in the amount of the difference between the advance payments received and the order volume, totaling TEUR 707. The valuation allowance was made on the work-in-progress associated with these orders.

The aforementioned orders were finally invoiced in April 25, 2018. The consolidated financial statements for the financial year 2018 contain corresponding net sales of TEUR 8,394. Trade receivables arising in the amount of the order volume less advance payments already received were written down to their full amount.

The corresponding expenses of TEUR 707 from the transfer to specific valuation allowances on receivables are reported under other operating expenses. Due to the valuation allowance made in the previous year there is no further impact on earnings from this business transaction in the current financial year.

If the Agraferm orders were not finally invoiced in fiscal year 2018, the individual items of the income statement would be as follows:

in TEUR

| | Value according to profit and loss account | Effects from settlement | Value excluding extraordinary items |
|---|---|---|---|
| Net Sales | 84,142 | 8,394 | 75,749 |
| Increase in work-in-progress and finished goods | 9,891 | 7,686 | 17,577 |
| Total output | 94,529 | -707 | 93,833 |
| Operating output | 95,079 | -707 | 94,372 |
| Other operating expenses | 10,355 | -707 | 9,648 |
| Profit after taxes | 705 | 0 | 705 |
| **Earnings before interest and taxes (EBIT)** | **1,112** | **0** | **1,112** |

## F. Additional information

### 1. Consolidated cash flow statement

The cash flow statement is prepared in compliance with German Accounting Standard/DRS 21.

Cash and cash equivalents shown in the cash flow statement include cash at banks and in hand, less short-term liabilities of TEUR 12 (previous year: TEUR 13).

### 2. Notifications pursuant to Section 20 of the German Stock Corporation Act (AktG)

Christian Grotholt and Ludger Gausling notified the company in accordance with Section 20 of the German Stock Corporation Act (AktG) that they each own more than one quarter of the shares in 2G Energy AG as of the balance sheet date. Both notifications were submitted to the electronic Federal Gazette (Bundesanzeiger) on July 30, 2007.

Ludger Gausling notified the company in accordance with Section 20 of the German Stock Corporation Act (AktG) that he does not own more than one quarter of the shares in 2G Energy AG any more. This notification was published in the electronic Federal Gazette (Bundesanzeiger) on January 27, 2017.

### 3. Significant events after the reporting date

On July 2, 2018, 2G Energy AG acquired 50 % of the share capital of HJS Motoren GmbH. Accordingly, this business transaction was not yet to be included in the consolidated half-year financial statements.

### 4. Derivative financial instruments

Derivative financial instruments serve exclusively to hedge currency risks.  On the balance sheet date, the following derivative financial instruments existed:

| Type | Scope, in TEUR | Maturity | Fair value, in TEUR |
|---|---|---|---|
| Forward exchange transaction EUR – GBP | 304 | 17/10/2018 | 5 |
| Forward exchange transaction EUR – USD | 3,525 | 31/07/2018 | 121 |
| Forward exchange transaction EUR – USD | 264 | 31/08/2018 | 18 |
| Forward exchange transaction EUR – USD | 182 | 31/07/2018 | 12 |
| Forward exchange transaction EUR – USD | 296 | 15/08/2018 | 8 |
| Forward exchange transaction EUR – USD | 322 | 14/09/2018 | 6 |
| **Total** | **4,893** | | **170** |

As the conditions for these transactions are met, valuation units are formed according to section 254 of German Commercial Code (HGB) (micro hedge). Accordingly, provisions for anticipated losses with regard to the negative market value of the transactions were not required. The counteracting cash flows are offset on maturity of the underlying transactions, which are corresponding to the maturity of the hedging transactions. The effectiveness of the valuation unit is based on the consistency between the terms and conditions of the underlying and the hedging transaction. The so-called freezing method is used for financial reporting of the effective parts of the valuation units.

### 5. Contingent liabilities

No contingent liabilities in the meaning of Section 251 (HGB) of the German Commercial Code existed for third-party liabilities as of the balance sheet date.

### 6. Management Board

The Management Board is currently composed as follows. More information about the Management Board members of 2G Energy AG is provided on 2G's website in the section entitled "Company".

**Management Board**

| | Management Board member since | Appointed until |
|---|---|---|
| Mr. Dipl.-Ing. Christian Grotholt<br>Ahaus-Alstätte<br>CEO of 2G Energy AG<br>Strategy, Sales, Service, Research & Development | 17/07/2007 | 16/07/2022 |
| Mr. Ludger Holtkamp<br>Gronau<br>COO of 2G Energy AG<br>Procurement, Production, Project Management | 17/07/2007 | 16/07/2022 |
| Mr. Dipl.-Betriebsw. (BA) Friedrich Pehle<br>Soest<br>CFO of 2G Energy AG<br>Finance, Human Resources, Law, Investor Relations | 01/12/2017 | 30/11/2020 |

### 7. Supervisory Board

The following individuals were appointed as members of the Supervisory Board during the year under review:

**Supervisory Board**

| | Since |
|---|---|
| Dr. Lukas Lenz (Chairman)<br>Lawyer, Hamburg | 17/07/2007 |
| Mr. Heinrich Bertling (Deputy Chairman)<br>Tax adviser, Gronau | 28/08/2012 |
| Mr. Wiebe Hofstra<br>Senior Manager van der Wiel<br>Holding BV, Drachten/NL | 17/07/2007 |

The Supervisory Board members are appointed until the end of the AGM that passes a resolution concerning the discharge of the directors for the 2021 financial year.

More information about the Supervisory Board members of 2G Energy AG is provided on 2G's website in the section entitled "Company".

Heek, September 27, 2018

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Friedrich Pehle
Management Board member

# Consolidated statement of changes in fixed assets

| | Cost | | | | |
|---|---|---|---|---|---|
| | 01/01/2018 | Currency translation | Additions | Disposals | 30/06/2018 |
| **Intangible fixed assets** | | | | | |
| Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets | 2,526,254.87 | 421.91 | 64,309.70 | 282,586.10 | 2,308,400.38 |
| Goodwill | 8,431,787.58 | 0.00 | 0.00 | 0.00 | 8,431,787.58 |
| Prepayments rendered | 7,533.00 | 0.00 | 1,800.00 | 0.00 | 9,333.00 |
| | **10,965,575.45** | **421.91** | **66,109.70** | **282,586.10** | **10,749,520.96** |
| **Tangible fixed assets** | | | | | |
| Land, land rights and buildings, including buildings on third-party land | 9,817,564.17 | 76,220.73 | 160,687.20 | 0.00 | 10,054,472.10 |
| Plant and machinery | 2,007,054.02 | 3,447.70 | 1,163.03 | 0.00 | 2,011,664.75 |
| Other factory and office equipment | 20,529,634.77 | 30,334.26 | 1,545,507.72 | 982,924.99 | 21,122,551.76 |
| Prepayments rendered and plants under construction | 787,296.07 | 0.00 | 3,080,596.24 | 0.00 | 3,867,892.31 |
| | **33,141,549.03** | **110,002.69** | **4,787,954.19** | **982,924.99** | **37,056,580.92** |
| **Financial fixed assets** | | | | | |
| Other participating interests | 10,000.00 | 0.00 | 0.00 | 0.00 | 10,000.00 |
| | **10,000.00** | **0.00** | **0.00** | **0.00** | **10,000.00** |
| **Total** | **44,117,124.48** | **110,424.60** | **4,854,063.89** | **1,265,511.09** | **47,816,101.88** |

| Depreciation and amortization | | | | | Book value | |
|---|---|---|---|---|---|---|
| 01/01/2018 | Currency translation | Additions | Disposals | 30/06/2018 | 31/12/2017 | 30/06/2018 |
| 1,869,870.68 | 382.04 | 130,112.67 | 260,192.10 | 1,740,173.29 | 656,384.19 | 568,227.09 |
| 4,379,929.80 | 0.00 | 284,519.50 | 0.00 | 4,664,449.30 | 4,051,857.78 | 3,767,338.28 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7,533.00 | 9,333.00 |
| **6,249,800.48** | **382.04** | **414,632.17** | **260,192.10** | **6,404,622.59** | **4,715,774.97** | **4,344,898.37** |
| 1,739,136.55 | 4,905.34 | 152,375.39 | 0.00 | 1,896,417.28 | 8,078,427.62 | 8,158,054.82 |
| 864,444.52 | 1,685.50 | 64,748.07 | 0.00 | 930,878.09 | 1,142,609.50 | 1,080,786.66 |
| 9,806,183.97 | 17,852.03 | 1,164,792.48 | 366,798.34 | 10,622,030.14 | 10,723,450.80 | 10,500,521.62 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 787,296.07 | 3,867,892.31 |
| **12,409,765.04** | **24,442.87** | **1,381,915.94** | **366,798.34** | **13,449,325.51** | **20,731,783.99** | **23,607,255.41** |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10,000.00 | 10,000.00 |
| **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **10,000.00** | **10,000.00** |
| **18,659,565.52** | **24,824.91** | **1,796,548.11** | **626,990.44** | **19,853,948.10** | **25,457,558.96** | **27,962,153.78** |

# Consolidated cash flow statement

| | | 01/01 to 30/06/2018 | 01/07 to 31/12/2017 | 01/01 to 30/06/2017 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| | **Consolidated net profit/loss for the year** | **630,209.23** | **5,706,465.56** | **-783,676.74** |
| + | Depreciation, amortization and fixed asset write-downs | 1,796,548.11 | 1,878,182.67 | 1,905,194.78 |
| ± | Change in provisions | 853,163.48 | 1,746,627.94 | -432,266.30 |
| ± | Change in inventories | -5,358,463.28 | -157,448.65 | -428,747.27 |
| ± | Change in trade receivables and other assets that are not allocable to investing or financing activities | 3,087,258.75 | -3,772,379.53 | 6,693,480.33 |
| ± | Change in trade payables and other liabilities that are not allocable to investing or financing activities | 8,052,475.47 | -3,163,868.23 | 2,103,301.50 |
| ± | Loss/gain from fixed asset disposals | 11,016.90 | -79,616.22 | -7,479.05 |
| + | Interest and similar expenses | 217,116.43 | 222,828.68 | 194,621.69 |
| - | Other interest and similar income | -33,773.85 | -36,405.35 | -11,902.98 |
| + | Taxes on income | 297,993.32 | 1,953,220.49 | 87,368.84 |
| ± | Income tax payments | -653,127.37 | -648,414.58 | -123,594.72 |
| = | **Cash flow from operating activities** | **8,900,417.19** | **3,649,192.78** | **9,196,300.08** |
| + | Proceeds from fixed asset disposals | 627,503.75 | 709,926.93 | 55,351.29 |
| - | Payments for investments in intangible fixed assets | -66,109.70 | -175,971.80 | -28,593.25 |
| - | Payments for investments in tangible fixed assets | -4,787,954.19 | -3,447,779.70 | -2,039,052.65 |
| + | Interest received | 33,773.85 | 36,405.35 | 11,902.98 |
| = | **Cash flow from investing activities** | **-4,192,786.29** | **-2,877,419.22** | **-2,000,391.63** |
| + | Proceeds from raising of loans | 2,800,000.00 | 574,000.00 | 974,000.00 |
| - | Outgoing payments for redemption of loans | -743,898.84 | -665,607.99 | -806,671.03 |

| | | 01/01 to 30/06/2018 | 01/07 to 31/12/2017 | 01/01 to 30/06/2017 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| - | Interest paid | -217,116.43 | -222,828.68 | -194,621.69 |
| - | Dividends paid to parent company shareholders | 0.00 | -1,772,000.00 | 0.00 |
| = | **Cash flow from financing activities** | **1,838,984.73** | **-2,086,436.67** | **-27,292.72** |
| = | **Net change in cash and cash equivalents** | **6,546,615.63** | **-1,314,663.11** | **7,168,615.73** |
| | Currency-related change in cash and cash equivalents | -18,390.24 | 23,733.38 | 28,018.88 |
| + | Cash and cash equivalents at start of period | 16,092,462.54 | 17,383,392.27 | 10,186,757.66 |
| = | **Cash and cash equivalents at end of period** | **22,620,687.93** | **16,092,462.54** | **17,383,392.27** |

| | 01/01 to 30/06/2018 | 01/07 to 31/12/2017 | 01/01 to 30/06/2017 |
|---|---|---|---|
| | EUR | EUR | EUR |
| **Composition** | | | |
| Liquid assets | 22,641,391.67 | 16,117,059.21 | 17,395,021.85 |
| Short-term bank borrowings | -20,703.74 | -24,596.67 | -11,629.58 |
| | **22,620,687.93** | **16,092,462.54** | **17,383,392.27** |

# Consolidated statement of changes in equity

**Consolidated statement of changes in equity**, in EUR

| | Parent company | | | | |
|---|---|---|---|---|---|
| | Subscribed share capital | Capital reserves | Retained earnings | Adjustment item from foreign currency translation | Other accumulated consolidated earnings |
| **Balance on 01/01/2017** | **4,430,000.00** | **11,235,300.00** | **0.00** | **-649,469.98** | **6,375.40** |
| Transfer to retained earnings | | | 40,299,580.49 | | |
| Consolidation-related currency differences | | | | -355,865.72 | |
| Payments to shareholders | | | | | |
| Consolidated profit for the year | | | | | |
| **Balance on 31/12/2017** | **4,430,000.00** | **11,235,300.00** | **40,299,580.49** | **-1,005,335.70** | **6,375.40** |
| **Balance on 01/01/2018** | **4,430,000.00** | **11,235,300.00** | **40,299,580.49** | **-1,005,335.70** | **6,375.40** |
| Consolidation-related currency differences | | | | 55,625.44 | |
| Consolidated profit for the year | | | | | |
| **Balance on 30/06/2018** | **4,430,000.00** | **11,235,300.00** | **40,299,580.49** | **-949,710.26** | **6,375.40** |

| | | Minority interests | | | Consolidated equity |
|---|---|---|---|---|---|
| Retained earnings | **Total** | Minority interests | Retained earnings attributable to minority interests | **Total** | |
| **37,237,267.29** | **52,259,472.71** | **5,300.60** | **651,146.65** | **656,447.25** | **52,915,919.96** |
| -40,299,580.49 | | | | | |
| | -355,865.72 | | | | -355,865.72 |
| -1,772,000.00 | -1,772,000.00 | | | | -1,772,000.00 |
| 5,006,673.60 | 5,006,673.60 | | -83,884.78 | -83,884.78 | 4,922,788.82 |
| **172,360.40** | **55,138,280.59** | **5,300.60** | **567,261.87** | **572,562.47** | **55,710,843.06** |
| **172,360.40** | **55,138,280.59** | **5,300.60** | **567,261.87** | **572,562.47** | **55,710,843.06** |
| | 55,625.44 | | | | 55,625.44 |
| 609,645.01 | 609,645.01 | | 20,564.22 | 20,564.22 | 630,209.23 |
| **782,005.41** | **55,803,551.04** | **5,300.60** | **587,826.09** | **593,126.69** | **56,396,677.73** |

# Colophon

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