Half-year report

2020

Content

Foreword of the Management Board

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

Ladies and gentlemen,
Dear shareholders,

In the first half of 2020, 2G continued the dynamic growth of recent financial years, which certainly cannot be taken for granted given the known limitations of the ongoing COVID-19 pandemic.

We sensitized employees at an early stage and adapted our processes in production, service, sales and administration to meet the necessary hygiene measures. We have secured our supply chains as far as possible and, where necessary, expanded stockpiling. Our production process in Heek remained largely uninterrupted. Although construction site closures occurred in some cases, leading to delays in the commissioning of individual projects, we have not yet had to record any cancellations of orders. We have succeeded in fulfilling our performance commitments to our customers – both in the deliveries of new CHP systems and in the maintenance and service of existing systems.

This is also reflected in our results as of June 30, 2020: 2G generated net sales of EUR 85.6 million and increased its total operating revenue by a gratifying 7.5 % to reach EUR 115.5 million. As an interim result, we report EBIT of EUR 2.3 million, corresponding to a 2.7 % EBIT margin. Thanks to an order book position of almost EUR 160 million and continuing lively demand, particularly in Germany and in a number of European and Asian countries, we are confident that we will increase our net sales and earnings in the second half of the year in line with our full-year forecast. This is subject to the proviso that economic activity continues to normalize in many parts of the world.

In Germany, the overall conditions for the market for natural gas fired CHP systems have partially improved in connection with the revision of the German Cogeneration Act. Climate-compatible heating supply is now becoming an increasingly important part of the energy system transformation. CHP systems up to 50 kW are properly subsidized and can be deployed in newly constructed buildings and in neighborhood networks in an economically attractive manner, for example. Consequently, we expect demand for the g-box series to trend upwards.

With the g-box 50 plus, we have had a powerful module on the market since last year achieving an overall efficiency of 104.7 % in terms of calorific value. This highly compact system stands out from alternative products thanks to its very high overall efficiency, simple installation and low service requirements, making it the ideal cogeneration system as an ancillary solution for existing or new energy centers in residential and commercial construction.

In the times of the COVID-19 lockdown, the strong significance of digitalization for system availability and networking with service has been highlighted as if under a magnifying glass. The added value was tangible for our customers. With the 2G Power Plant, we have developed a central platform that provides substantial service support. The my.2-g.com customer and partner portal takes over administrative, commercial and technical tasks for system operators worldwide. We are further expanding our supply of spare parts with our online offerings via shop.2-g.com. This portfolio will also be available in Italy, Spain, France and North America in the future. In 2019, the second year of its existence, the online shop already generated total revenues of EUR 2.8 million.

In the sales area, too, we are utilizing digital support in order to promote the standardization of processes within the company, and in our customer dealings in the preparation of quotations. A product configurator is currently under development. On a system-managed basis, sales – especially the increasing share of sales realized via partners – are gaining in quality and speed, thereby enabling us to submit offers to our customers much faster and with a high level of detail and professional project engineering. Last but not least, we are able to leverage further efficiency gains in production.

We assume that the demands made on digital features and functionalities, as well as the networking options with other producers, contractors and network operators will rise significantly over the coming years. For this reason, we will continue to invest in digital CHP products. Digitalization represents a success factor for 2G.

In this context, we are not in any way neglecting hardware solutions. In addition to the expansion of the aura series with systems up to 420 kW electrical rated output, which exceed the lowest exhaust emission specifications without complex exhaust gas aftertreatment, we are also addressing – and to a greater extent than ever before – the aftersales market with exchange engines. Exchange motors are replacement engines that have been completely overhauled at the 2G factory. They are deployed as part of a major overhaul, which involves the costly repair of the existing motor on site. This saves 2G customers time, increases their system availability and thereby contributes to the economic efficiency of the overall application.

On July 3, 2020, the German legislator cleared the way for the phase-out of coal, confirming that coal-fired power systems in Germany will be decommissioned from 2023, and by 2038 at the latest. At the same time, the German government's climate protection program makes provision for the further expansion of wind and solar energy generation capacities. In terms of climate protection, this reads well, and correctly, at first sight: CO_2-intensive energy is departing, and CO_2-neutral energy is arriving – only the central structure, the stabilizing spine, is missing. Unlike nuclear and coal reactors, photovoltaic and wind power facilities cannot permanently feed electricity into the grid. In other words, technologies are needed that, in interaction with fluctuating energy sources, ensure secure supply seamlessly and over long periods of time – such as technologies that generate energy on demand, are dynamically controllable, climate-friendly and decentralized, and which can also be available on a large scale as from 2023.

We are convinced that our combined heat and power technology can be harnessed very well as a backbone technology. It fulfils the aforementioned properties, offsetting fluctuating electricity production from wind and sun in line with demand. CHPs operated with both fossil and regenerative gas stabilize the supply system. This is an established, industrially tested and socially accepted technology.

A major step towards climate compatibility will initially be achieved by substituting coal with gas. In a second step, climate-neutral fuels such as hydrogen and synthetic fuels will follow. The EU and the German government have developed ambitious scenarios for this purpose laid out in the Green Deal and the National Hydrogen Strategy. Hydrogen will play an essential role in decarbonized energy supply as an energy carrier and storage medium. Demand for base-load electricity will increase further owing to the "decarbonization of industry" envisaged in the national hydrogen strategy, which particularly includes the transformation to greenhouse gas-neutral steel production utilizing hydrogen.

And these are not far-fetched dreams for the future: pioneering projects deploying hydrogen-based storage technologies are already proving to be very attractive. 2G is involved in such projects with its CHP hydrogen technology, as hardly any other technology exists that can convert hydrogen so efficiently into electricity and heating: whether for the public utility company in Hassfurt in the supply of electricity and heating, for a district project in Esslingen, or for energy supplies for an industrial company in Rostock. Highly efficient power recovery with the 2G CHP makes such projects feasible.

2G has taken one step further in terms of its customers' investment decisions on their future energy supply types. We are the only power system supplier in the world that is capable of converting its cogeneration systems, which are designed for natural gas operation, to exclusive hydrogen operation on site. Even gas mixtures of different proportions can be realized in an uncomplicated manner. Consequently, 2G is not only offering an efficient and environmentally friendly natural gas bridging technology that will accompany us into the purely regenerative age and then become obsolete. Quite the opposite: based on this technology and product strategy, we will continue to form part of decentralized energy concepts for decades to come – in other words, as an instrument in a concert of different energy conversion and energy storage technologies. Companies and organizations utilizing 2G power systems today have bought into a future-proof energy supply. 2G is hydrogen-ready!

Heek, in September 2020
2G Energy AG

Kind regards,

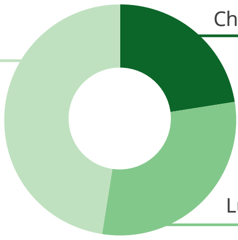
Christian Grotholt Management Board Chairman (CEO)	Ludger Holtkamp Management Board member	Friedrich Pehle Management Board member	Frank Grewe Management Board member

2G share price rises by 46 percent

In the first half of 2020, the 2G share continued its positive price performance of the previous year with even greater dynamism, starting the stock market year at a price of EUR 46.10 and closing at the end of June at a price of EUR 67.30. The share price performance was interrupted only by the general market slump, which was triggered by concerns about the economic effects of the COVID-19 pandemic. On March 18, it marked its low for the period under review at EUR 30.50. By mid-May, the share price had already regained its pre-coronavirus level of around EUR 50 in a continuous upward movement. The share then climbed in a steep upward channel to reach a new all-time high of EUR 68.50 by the end of June. This was then topped three weeks later at a high of EUR 84.90. The share price has since moved roughly in a range between EUR 70 and EUR 75. The market capitalization of 2G Energy AG rose to almost EUR 300 million on the reporting date (previous year: EUR 190 million). This performance was supported by positive corporate news on the 2019 financial year results, business operations that were hardly impaired by the COVID-19 pandemic, and a further increase in new order intake in Germany and abroad, as well as a proposal to the Annual General Meeting of a year-on-year unchanged dividend.

As a consequence, the 2G share again significantly outperformed selection indices. The DAX decreased by 8 % in the period under review. The Scale 30 selection index, to which 2G belongs, shed 4 % by the end of June. The Scale All Share Index, which includes all the companies listed in the Scale segment of Deutsche Börse AG, was up by 0.8 % over the same period.

2G Energy AG shareholder structure Share %

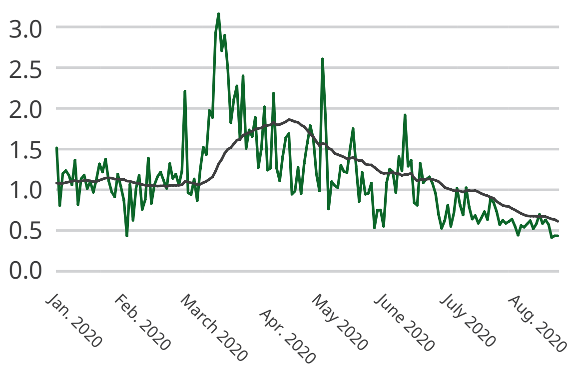


As of June 30, 2020

Turnover in the 2G share on XETRA, tradegate and regional stock exchanges averaged around 22,900 shares per day during the first half of the year (H1 2019: 11,400). Around 53 % (H1 2019: 66 %) of the turnover in 2G shares was traded through XETRA, 37 % (25 %) via tradegate, and 10 % (9 %) through the German regional stock exchanges. The share's significantly enhanced liquidity during the period under review was accompanied by a further reduction in the average spread between bid and offer prices in stock exchange trading. As shown in the first chart on the following page, the spread widened to as much as 1.8 % on a 30-day average during the stock market uncertainty triggered by the COVID-19 pandemic. However, as equity markets continued to recover, the average percentage spread improved again to around 1 %. At the beginning of the second half of 2020, the spread then narrowed to almost half a percent. This positive trading performance also continues to make the 2G share attractive for investors.

At the virtual Ordinary AGM on June 23, 2020, a large majority of the shareholders approved the payout of a EUR 0.45 dividend for the 2019 financial year (previous year: EUR 0.45). In light of the COVID-19 pandemic, the constant

Trend in average spreads between bid and ask prices in %



average spread between bid and ask prices XETRA
30-day average on a rolling basis

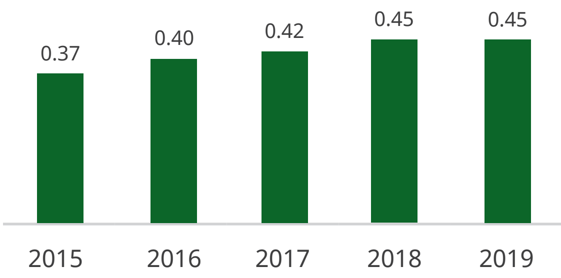
Trend in average spreads between bid and ask prices from January to August 2020.
Source: Pareto Securities, 2G calculations, August 2020

dividend compared to the previous year was a clear sign that 2G wishes to remain stable and predictable in its dividend policy. Despite the higher profitability in the 2019 financial year, the Management and Supervisory boards have refrained from proposing a higher dividend for reasons of commercial prudence. In principle, the dividend policy is unchanged: dividends should be based on sustainable profitability, and should avoid distributions from the company's net assets, in order to maintain the company's financial and innovative strength for further growth.

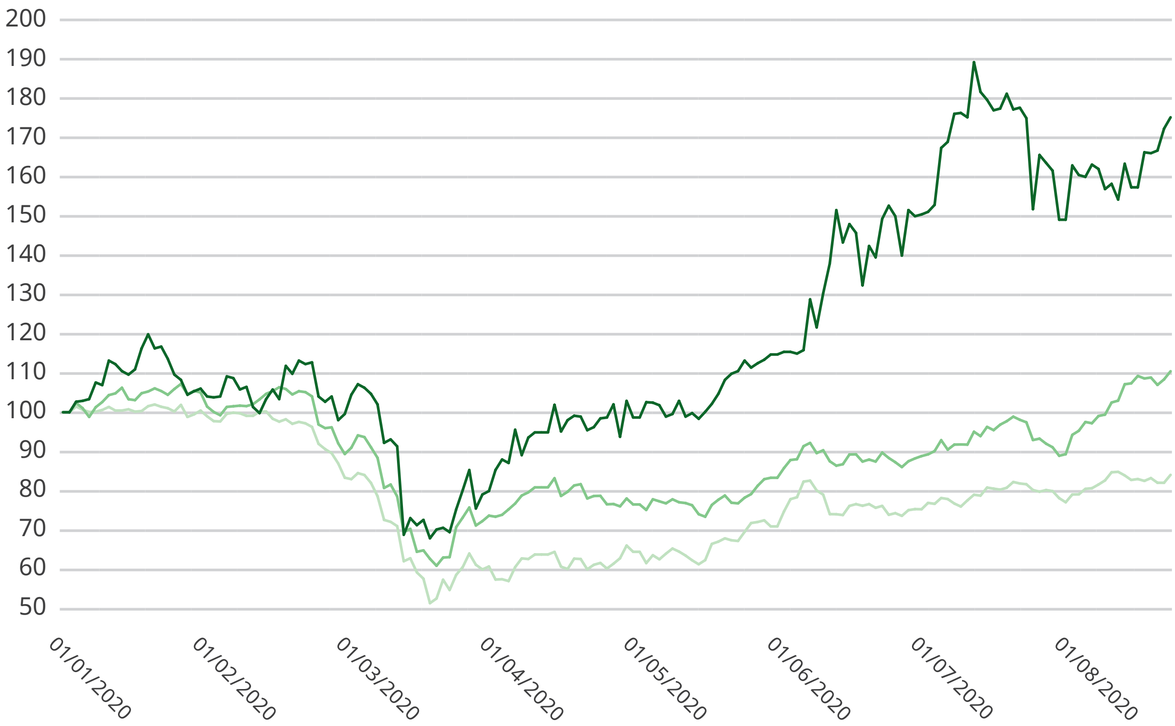
The Annual General Meeting passed a resolution to renew both approved and conditional capital. Firstly, the Management Board has been authorized until June 22, 2025, with Supervisory Board approval, to increase the company's share capital, once or on several occasions, by up to a total of EUR 2,215,000.00 through issuing new shares against non-cash or cash capital contributions. Secondly, the Management Board was authorized, with Supervisory approval, until June 22, 2025, to issue, once or on several occasions, convertible bonds and/or bonds with warrants in a total nominal amount of up to EUR 100,000,000.00 with a maximum 20-year maturity.

Attendance at the virtual AGM amounted to around 64.0 % of the share capital (previous year: 72.1 %).

Dividends for the financial years 2015 – 2019 EUR



2G share price performance and comparative indices 01/01/ to 24/08/2020 (indexed) in %



2G share price | DAXsubsector All Renewable Energies | DAXsector All Industrial

2G. Group management report.

Group management report of 2G Energy AG

Reservation in relation to forward-looking statements

This interim Group management report includes forward-looking statements that are based on management estimations that are current as of the time when this management report is prepared. Such statements relate to future periods, or are characterized by terms such as “expect”, “forecast”, “predict”, “intend”, “plan”, “estimate” and “anticipate”. Forward-looking statements are connected with the risks and uncertainties. Many of such risks and uncertainties are determined by factors that are not subject to the 2G Group’s influence. As a consequence, actual results can differ significantly from those described below.

A. 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 the digital grid integration of combined heat and power systems, the company is offering comprehensive solutions in the growing market for highly efficient combined heat and power (CHP) systems. After-sales and maintenance services comprise an important additional performance criterion. In particular, the product range includes CHP modules with an electric output range between 20 kW and 4,500 kW for operation deploying natural gas, biogas and other lean gases (e. g. landfill, sewage and mine gases). All systems work highly efficiently, on a basis that conserves resources, and that mitigates or neutralizes the emission of climate-damaging carbon dioxide or nitrogen oxide through combined energy degeneration and modern emission gas cleaning systems. Worldwide, more than 6,500 installed 2G systems in various applications are supplying electrical and thermal energy as well as heating and cooling to a broad spectrum of customers, including 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 nine operating subsidiaries under its manage-ment.

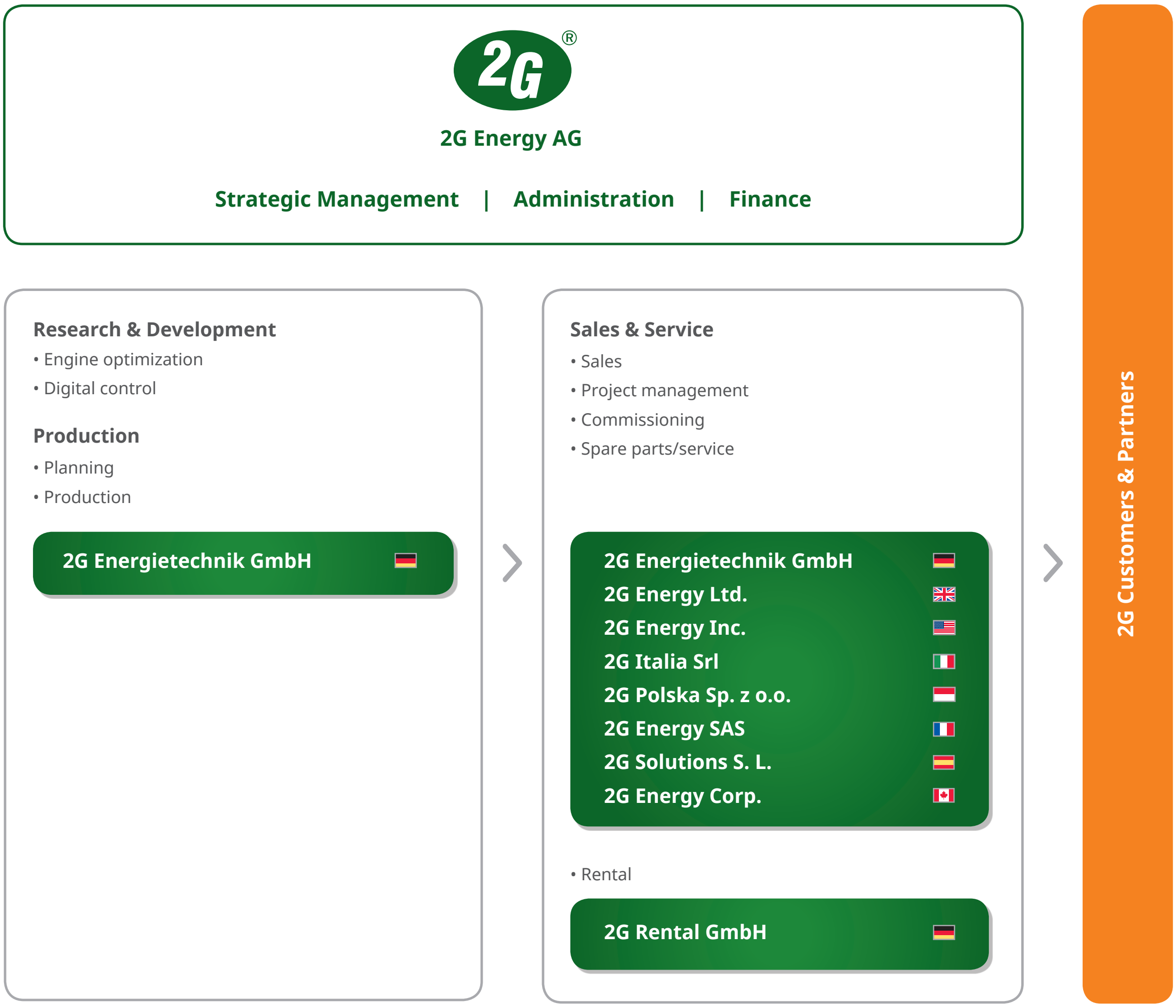


Diagram 1: 2G Energy AG corporate structure, subsidiaries' business purposes and value chain (as of June 30, 2020).

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, commissioning and ongoing service of 2G systems. Moreover, 2G operates dependent branches in Schonstett near Munich, in Hamburg, in Halle/Saale, and in Berlin.

Abroad, 2G is represented with independent sales and service companies in the USA, Canada, France, the UK, Spain, Italy and Poland. In addition, important conurbation areas and industrial markets are secured through sales partnerships in Japan, China, Southeast Asia, Australia and Russia, for example.

B. Business environment/macroeconomic situation

According to the summer forecast of the Kiel Institute for the World Economy (IfW), the global economy, which has already been weakened by trade disputes and political upheavals, is expected to have contracted by almost 10 % in the first half of 2020 as a consequence of the COVID-19 pandemic. However, the low point now appears to have been traversed. Indeed, the Chinese economy has already offset a considerable part of the production slump it suffered in January and February. In their economic forecast, the economic researchers assume that the global economy's gross domestic product (GDP) will diminish by 3.8 % in 2020.

According to the IfW, the Eurozone is in a state of shock due to coronavirus. The measures implemented in order to contain the pandemic have led to the most severe slump in economic activity since the creation of monetary union. Although the restrictions mainly did not come into force until March, the decrease in GDP already amounted to 3.6 % in the first quarter, and a double-digit reduction of over 13 % is likely to be recorded in the second quarter, according to the economic experts. In France, Italy and Spain, economic output is declining at a disproportionately rapid rate, as these countries are realizing particularly drastic measures in order to control the infection. With a look to the Eurozone, the experts expect a reduction in overall economic production of 8.6 % this year.

For Germany, economic researchers are forecasting a GDP decrease of 6.8 % for 2020. They note that global weakness in investment presents a particular burden in connection with export business. The labor market shed one million jobs at the peak. Experts at the IfW note that the coronavirus crisis marks the sharpest economic plunge since the Federal Republic of Germany came into existence.

Companies in the mechanical and plant engineering industry in Germany recorded a significant drop in their order books in the first six months of the current year, according to data from the VDMA. This sector recorded a real decrease in orders of 16 % compared to the previous year. The VDMA remarks that the reduction in orders from abroad was significantly greater than the decrease in orders from Germany.

Industry trends – light and dark

According to 2G, the impact of the economic contraction caused by the measures against the COVID-19 pandemic and the resultant uncertainty surrounding investment decisions has particularly affected international sub-markets for the CHPs as capital goods. The German market proved to be very robust – in the first half of the year, domestic new order intake of EUR 56.0 million stood around 45 % higher year-on-year. Firstly, this occurred thanks to continued support for capacity expansions for biogas-powered CHP systems up until July 2021, and, secondly, to the successively improved framework and funding conditions for natural gas-fired CHP systems (as explained in the 2019 Annual Report), which has removed uncertainties from the market and made the basis for investors' decisions more calculable.

Outside of Germany, the COVID-19 pandemic incurred a negative impact on new order intake in some markets compared with the previous year. Lockdowns and the closure of many production facilities have created uncertainty, and investment decisions have been postponed.

One example is the American continent, which has been hit particularly hard by the pandemic: new order intake in the USA plummeted to almost zero. By contrast, new order intake increased in the UK (EUR 7.6 million, +82 %) and Japan (EUR 4.2 million, +61 %) in the first half of 2020. At EUR 5.6 million, new order intake in France was approximately at the previous year's level (EUR 6.0 million).

2G assumes that the factors for a further increase in international demand for CHP systems in the medium term are intact, and that the COVID-19 pandemic will lead to only temporary investment reticence. Expanding demand for energy worldwide, the better availability of natural and liquid gas, and rising requirements in terms of avoiding emissions offer the overarching conditions for this demand in global terms. With a look to the spark spread (see page 16) – the relationship between the electricity price and the gas price that determines the economic viability of CHP systems – a beneficial picture continues to prevail in the regions where 2G is represented directly via subsidiaries or indirectly via sales partners.

Biogas business in Germany benefits from term extension for flex premium

2G again recorded very brisk new order intake for biogas driven CHP systems in Germany in the first half of 2020. The extension of the deadline for the flexibility premium with an increase in the output of existing systems also contributed in this context. The extension of the transition period for flexibility until July 2021 has made many system operators more willing to invest. 2G increased its high unit sales level by around 20 % to EUR 34.0 million year-on-year. The CHP systems installed from 2006 onwards are gradually reaching the end of their normal operating life, which is generating brisk demand for highly efficient, flexible new systems. The aforementioned funding framework and the 2G service offering support customers' investment decisions. Furthermore, 2G is acquiring new customers that are replacing their legacy equipment from third-party manufacturers with highly efficient, flexible 2G systems. The successful cooperation with HJS Motoren GmbH, which – as expected – has significantly improved access to customers throughout southern Germany, also contributes in this context.

In markets outside Germany, 2G sold biogas driven CHP systems mainly in Japan and France during the reporting period. The strongest foreign market in the first half of 2020 was France with new order intake of EUR 5.5 million (EUR 4.8 million).

Natural gas an important pillar of the energy revolution

2G is of the view that natural gas is assuming an important bridging role for sustainable energy supplies as part of the energy revolution. 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 compatible 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 inexpensively available (surplus) electricity generated from wind and solar power systems. This combines renewable energies, CHP technology, gas grids, and local and district heating applications in a manner that is beneficial, complimentary, and compatible with existing systems.

Prospectively, natural gas will be gradually 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.

Preliminary figures from the German Federal Office of Economics and Export Control (BAFA) for 2019 dated July 1, 2020 are not yet sufficiently complete, so that reference is made to the 2014 to 2018 time series in diagram 2 for the 2G market share in Germany for natural gas-operated CHP systems. 2G has gradually increased its market share to well over a quarter.

In Germany, business with natural gas-fired CHP systems picked up tangibly in the first half of 2020. Signs of a revival of the market already emerged in the second half of 2019, after legal hurdles regarding the EEG mandatory levy and state aid reservations were removed. 2G reported an order book position of EUR 21.7 million as of June 30, 2020 (H1 2019: EUR 9.9 million). This already corresponds almost to the previous year's total net sales for natural gas-fired CHP systems in Germany.

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 %

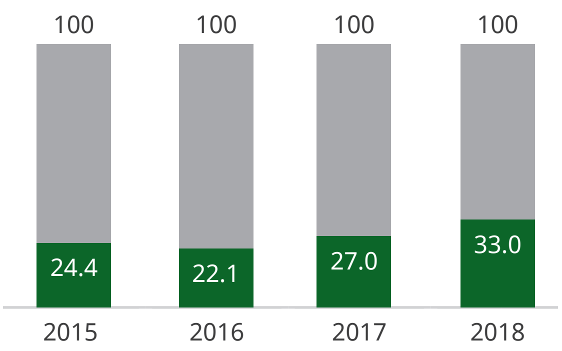


Diagram 2: Trends in 2G's market share in German CHP market 2015–2018 for natural gas-operated CHP power plants in the core performance range > 50–500 kW in %. Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), July 1, 2020

Despite the COVID-19 pandemic, new order intake from markets outside Germany remained at the previous year's level of around EUR 13 million. The UK market posted a remarkable performance, with new order intake up fivefold to EUR 7.2 million. Overall, the share of orders received from natural gas-fired systems increased from 32 % to 40 %.

Spark spread remains at attractive level

Generally, potential 2G customers face an economic decision as to whether to invest in a gas operated CHP power plant and thereby become largely more independent of public supplies and save energy costs, or to stay with conventional energy supplies. The ratio between the price of electricity and the price of natural gas, the so-called spark spread, is the decisive metric for the economic efficiency of CHP systems. For this reason, special attention is paid to price trends. Natural gas prices – as measured by the Dutch TTF Natural Gas Forward – have decreased significantly in recent years, as illustrated in diagram 3.

TTF Natural Gas Forward January 2018 to July 2020 in EUR/MWh

Diagram 3: European Natural Gas Prices, TTF Dutch Gas EUR/MWh.
Source: Bloomberg, August 25, 2020

With regard to electricity prices, it can be stated that the price level has continued to rise slightly for many years from an already high level. No trend turnaround towards falling prices has been identifiable to date, including during the course of the current reporting year.

With regard to the spark spread, the outlined trend in the gas and electricity markets underscores CHP systems' economic efficiency. 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 the G7 countries 2015 – 2019

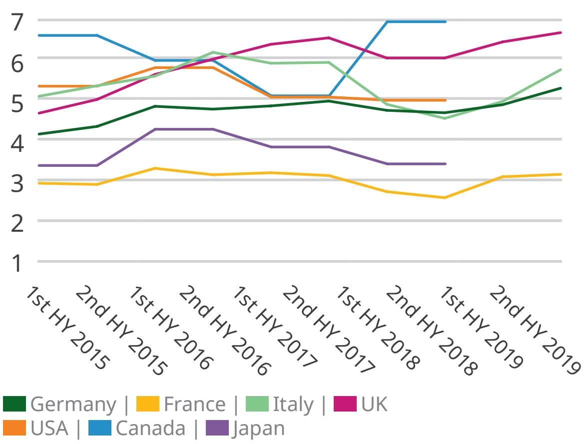


Diagram 4: Spark spread trends in the G7 countries 2015 – 2019.
Source: German Federal Statistical Office, energy price trend data, August 2020; UK Department of Energy & Climate Change, Industrial Electricity & Gas Prices in the IEA, Jun 25, 2020; 2G calculations

Regulatory environment further improved by coal phase-out law

On May 14, 2020, the Bundestag passed the tenth amendment to the EEG 2017, thereby extending until July 31, 2021 the deadline for the flex premium, which is relevant for 2G in the business with biogas system operators. This signifies good conditions for unit sales of biogas systems in Germany for around a further eight months.

In early July 2020, the German Bundestag passed the "Act on the Reduction and Termination of Coal-fired Power Generation" (KVBG), setting out the timeframe and conditions for the phase-out of coal energy. This is a first step towards substituting coal as a fuel for power generation as far as possible with less greenhouse gas-emitting energy sources (such as natural gas), which can also be harnessed as required. The amendment

Reduction of installed net capacity from nuclear and coal-fired power systems

in GW

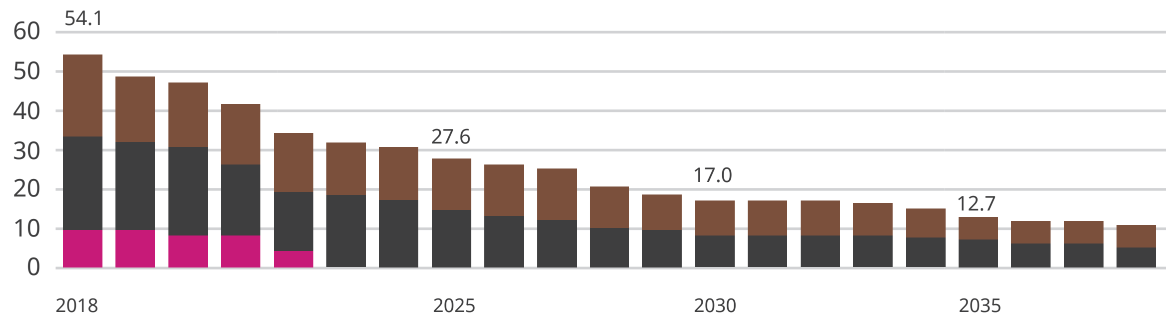


Diagram 5: Reduction of installed net capacity from nuclear and coal-fired power systems in GW in Germany.
Source: EUPD Research, Energiewende im Kontext von Atom- und Kohleausstieg, May 2020

to the German Cogeneration Act (KWKG) also forms part of the coal phase-out act that has also been passed. Overall, cogeneration is being given more importance in the implementation of energy system transformation.

Extended funding period until December 31, 2029

The new legal regulations have been in force since August 14, 2020 for CHP systems that were put into continuous operation after December 31, 2019 – subject to EU approval under state aid law. The new version of the KWKG contains an extended funding period until December 31, 2029 for systems that have been in continuous operation until then, or have been awarded a CHP tender. In order to be able to grant the improvements, the funding cap was raised to EUR 1.8 billion per calendar year (previously EUR 1.5 billion).

With regard to CHP systems that will in future benefit from supplements under the KWKG, the subsidy will be limited to 3,500 operating hours/year from calendar year 2025. Transitional periods apply up to 2025, with support being phased out degressively from 2021.

For systems up to 50 kW, the total funding period has been reduced from 60,000 to 30,000 full-use hours, but the allowances will be doubled, so that the actual funding amount remains unchanged. Thanks to these practice-oriented regulation, CHP systems in this output class can fulfill their role in climate protection, as assigned by the new German Building Energy Act (GEG), in the construction of new buildings and in district networks, without heat supply costs rising disproportionately.

The KWKG now also provides support for renewable, innovative heating (from 1 MW) and for electric heat generators as well as a so-called south bonus. The south bonus is intended to promote the expansion of CHP in southern Germany by means of an investment subsidy to compensate for the loss of capacity from decommissioned nuclear power plants in the region. The redesigned, graded support for the switch from hard coal to natural gas has improved the incentive to exit coal rapidly, especially in large cities' municipal district heating sectors.

The fact that the bonuses for innovative renewable heat and for electric heat generators are only granted for CHP systems with electrical output of more than 1 MW excludes especially small and medium-sized towns' municipal district heating companies from the necessary subsidies. CHP systems in such cities are very often smaller than 1 MW. The German CHP Association (BKWK) speaks of a distortion of competition, and expresses the hope that the legislator will make short-term improvements in this respect.

The first half of 2020 in overview

The Group generated total net sales of EUR 85.6 million as of June 30, 2020 (H1 2019: EUR 95.8 million). The following table provides an overview of the distribution of net sales*:

Composition of sales revenues and additional key indicators*

	H1 2020			H1 2019		
	Germany	Abroad	Total	Germany	Abroad	Total
Net sales (EUR)	54.8	30.8	85.6	59.2	36.6	95.8
CHP systems	23.2	16.6	39.8	29.4	23.9	53.2
of which biogas	16.0	9.4	25.4	22.1	14.0	36.1
of which natural gas	7.0	7.2	14.2	6.9	9.9	16.8
of which hydrogen	0.2	0	0.2	0.3	0.0	0.3
Service	31.6	14.1	45.7	29.8	12.8	42.6
CHP systems Units	127	67	194	120	59	179
CHP systems Ø Value per unit (EUR/unit)	182,633	248,304	205,314	244,755	404,718	297,481
Electric capacity sold in kW			49,937			68,680
Electric capacity sold Ø kW per unit			257			384

* rounding differences can arise

Due to effects relating to the balance sheet date, net sales thereby stand around EUR 10.2 million or 11 % below the previous year's level. This particularly reflects the high proportion of projects invoiced as of December 31, 2019, which led to a reduction in inventories of EUR 10.3 million. Moreover, the COVID-19 pandemic prompted isolated closures of construction sites, with the installation or commissioning of individual projects being delayed accordingly.

The production process in Heek, by contrast, remained largely uninterrupted, with total operating revenue thereby increasing by a gratifying 7.5 % to EUR 115.5 million (H1 2019: EUR 107.4 million). Inventories of work in progress and finished goods increased accordingly by EUR 29.8 million (H1 2019: EUR 11.6 million).

In terms of the distribution of net sales in the past half-year, 2G again increased service sales by around EUR 3.2 million, or 7 %, to EUR 45.7 million. In total, 53 % of net sales were generated in the service segment as of the end of the first half of the year.

At EUR 39.8 million, net sales of new systems were around 25 % down on the previous year (EUR 53.2 million) for the reasons outlined above. The absolute decrease in net sales of EUR 13.4 million is attributable to both Germany (EUR -6.2 million) and foreign countries (EUR -7.2 million). However, assuming that no further Europe-wide "lockdown" occurs due to the COVID-19 pandemic, 2G still expects system sales for the year as a whole to remain at the level of the previous year (EUR 147 million).

In the first half of 2020, 2G thereby continued the recent financial years' positive trend overall. During the reporting period, new order intake amounting to EUR 85.6 million was acquired, corresponding to an increase of around 18 % over the previous year. The growth in the German natural gas market is particularly pleasing – here new order intake in the past six months stood at EUR 21.7 million (H1 2019: EUR 9.9 million, +119 %).

C. Results of operations

With net sales of EUR 85.6 million (H1 2019: EUR 95.8 million, -11 %) and an increase in inventories of EUR 29.7 million (H1 2019: EUR 11.6 million), total operating revenue in the first half of the year amounted to EUR 115.5 million (H1 2019: EUR 107.4 million, including own work capitalized of EUR 0.1 million and EUR 13 thousand respectively), and consequently 7.5 % higher than in the same period of the previous year.

The cost of materials rose from EUR 74.6 million to EUR 80.2 million in line with the higher level of total operating revenue. Despite the significantly lower net sales in relation to total operating revenue, the cost of materials ratio remained constant compared to the previous year, at 69.5 %. The implementation of the industrial process model in the form of low-waste and quality-oriented procurement processes was thereby again reflected in an increase in gross profit to EUR 35.3 million (H1 2019: EUR 32.8 million, 7.5 %).

Personnel costs rose significantly to EUR 22.0 million in the past half-year (H1 2019: EUR 19.3 million, 14.0 %). In addition to very cautious capacity expansions, especially in the service area, the continued very low unemployment rate at the company's headquarters in Westmünsterland plays a certain role, that permanently exposes the company to pressure to adapt. Moreover, protection measures in connection with the COVID-19 pandemic have occasionally led to a loss of efficiency.

At EUR 1.8 million, depreciation and amortization remained virtually unchanged from the previous year, as did other operating expenses of EUR 10.0 million.

As of June 30, 2020, 2G reported EBIT of EUR 2.3 million, which is around EUR 0.6 million below the previous year's figure, particularly due to the lower net sales level as of the reporting date. The EBIT margin stands at 2.7 % (H1 2019: 3.0 %).

After the net financial result of EUR -0.3 million (H1 2019: EUR -0.2 million) and an income tax expense of EUR 0.7 million (H1 2019: EUR 1.2

million), the Group reports a net profit for the first half of the year of EUR 1.5 million (H1 2019: EUR 1.5 million).

D. 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*

	H1 2020	H1 2019
	TEUR	TEUR
EBIT	**2,338**	**2,865**
Depreciation and amortization	1,812	1,822
Change in provisions	-2,304	-1,736
Change in inventories	-22,867	-14,682
Change in trade receivables that are not allocable to investing or financing activities	3,522	-335
Change in trade payables and other liabilities that are not allocable to investing or financing activities	16,559	4,982
Loss/gain on fixed asset disposals	-30	-15
Miscellaneous	18	-885
Cash flow from operating activities	**-952**	**-7,984**
Cash flow from investing activities	**-1,189**	**-3,395**
Cash flow from financing activities	**-2,335**	**5,236**
Liquid funds on June 30**	**6,127**	**7,442**

* rounding differences can arise
** reported excluding short-term bank overdraft drawdowns

Operating cash flow in the first half of 2019 amounted to EUR -1.0 million (H1 2019: EUR 8.0 million). The higher level of funds tied up in inventories (EUR 83.3 million, EUR +22.9 million) is offset by prepayments received of EUR 41.6 million (EUR +15.2 million). In addition, the level of receivables reduced by EUR 4.3 million compared with December 31, 2019.

An amount of around EUR 1.5 million was invested in tangible fixed assets as part of investing activities. 2G purchased new vehicles for a total of around EUR 0.7 million, while around EUR 0.1 million was spent on corresponding IT equipment in connection with the coronavirus crisis.

As scheduled, financial liabilities of EUR 0.6 million were repaid during the first half of the year. In order to cover the higher working capital requirements, short-term money market loans totaling EUR 4.0 million were taken out in June – the money market loans taken out at the end of 2019 in the amount of EUR 4.0 million have since been repaid as of mid-February 2020.

At the Ordinary Annual General Meeting on June 23, 2020, the distribution of a dividend of around EUR 2.0 million was approved.

As a consequence, the company reports cash and cash equivalents of EUR 6.1 million as of the half-year balance sheet date, after taking currency-related changes in cash into consideration. In addition, as of June 30, free credit lines in the amount of EUR 23.8 million were available.

E. Net assets

Overview of the net asset position of the 2G Group as of June 30, 2020*:

Assets*

	30/06/2020	31/12/2019
	TEUR	TEUR
A. Fixed assets	27,475	28,182
B. Current assets	123,903	109,921
C. Prepayments and accrued income	1,157	341
D. Deferred tax assets	1,906	2,476
Total assets	**154,440**	**140,921**

* rounding differences can arise

Equity and liabilities*

	30/06/2020	31/12/2019
	TEUR	TEUR
A. Equity	67,985	68,522
B. Provisions	13,120	15,394
C. Liabilities		
I. Bank borrowings	10,325	10,553
II. Other liabilities	62,997	46,452
Total assets	**154,440**	**140,921**

* rounding differences can arise

Compared with December 31, 2019, total assets have expanded by around EUR 13.5 million to EUR 154.4 million as of the half-year balance sheet date. This increase in total assets primarily reflects the rise in work in progress and finished goods, while cash and cash equivalents decreased by EUR 4.5 million.

As of June 30, 2020, equity amounts to EUR 68.0 million. The consolidated net income for the first half of the year (EUR 1.5 million) and the dividend payment of around EUR 2.0 million, which was disbursed in June 2020, exerted a correspondingly counteracting effect.

Overall statement on the business situation

As planned, 2G grew its total operating performance by a significant 7.5 % to EUR 115.5 million in the past half-year. On this basis, the Management Board continues to believe that it is in a position to increase net sales for the year as a whole to a level between EUR 235 million and EUR 250 million, and achieve an EBIT margin of 5.5 % to 7.0 % accordingly.

To date, 2G has coped well with the challenges posed by the COVID-19 pandemic over the past six months. Production activity remained largely uninterrupted and a constantly high level of new order intake ensures that the order books remain full, and that production is utilized in two shifts well into 2021.

As a consequence, business performance in the current financial year is very satisfactory overall.

F. Non-financial performance indicators

Pages 18 to 22 of the 2019 Annual Report (Sustainability Report) provide a presentation of non-financial performance indicators. We briefly address research & development and personnel trends for the January to June 2020 period.

Research & development

Thanks to 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. In addition to engine mechanics, the service areas include engine control, software and electronic component development, the optimization of peripheral equipment such as post-electricity generation (ORC), and the optimization of efficiency for various gas types such as natural gas, lean gases and hydrogen.

2G underpins gas engine technology leadership with hydrogen CHP units

2G has rolled out its hydrogen technology based on a standard gas engine to various system sizes and engine types as shown in the table below. Moreover, the development department has succeeded in converting conventional 2G natural gas CHP modules to hydrogen operation with a standard conversion kit at the existing site. As a consequence, our customers can switch to completely climate-neutral operation on site, provided the hydrogen to be utilized is of green origin, i.e. generated with wind and solar power.

2G hydrogen product overview

Type	Output		Efficiency		
	electrical	thermal	electrical	thermal	total
agenitor 404c H_2	115 kW	129 kW	37.7 %	42.3 %	80.0 %
agenitor 406 H_2	170 kW	183 kW	39.0 %	41.9 %	80.9 %
agenitor 408 H_2	240 kW	250 kW	40.2 %	41.9 %	82.1 %
agenitor 412 H_2	360 kW	371 kW	40.5 %	41.7 %	82.2 %

The expansion of the safe and flexible operation of hydrogen cogeneration systems within the framework of a broad, future use of power-to-gas concepts forms a further focus of development work.

With the entry into force of the 44th German Federal Immission Control Ordinance (BImSchV), many CHP system operators are required to comply with emission values for nitrogen oxides (NO_x), among other criteria, and to prove such values by measurements. 2G has created a solution for a whole range of engines, such as the 28 series of MAN lean-burn engines or most MAN replicas, as well as for Mercedes industrial engines with the so-called V36 cylinder head, which – while maintaining efficiency levels – lies well below the required 500 mg/Nm³ NO_x limit value. 2G developers designed the cylinder head with optimized cooling.

The doubling of valve clearance adjustment intervals comprises a further economic benefit.

Moderate growth in employee base

As of June 30, 2020, the Group had 701 employees (H1 2019: 659 employees), including 70 part-time (H1 2019: 70) and 34 apprentices (H1 2019: 29). This nominal hiring occurred mainly through strengthening the service and sales units for CHP systems.

G. Corporate responsibility

Risk report

Pages 58 to 68 of the 2019 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. This also applies to the assessment of the risks and opportunities associated with the COVID-19 pandemic.

H. Outlook

Further economic development depends on the course of the COVID-19 pandemic

In their economic forecast published in June 2020, the IfW's experts issued an outlook on how quickly and comprehensively the global economy can recover. According to the economic researchers, such recovery depends not least on epidemiological trends and the epidemic policy measures pursued by politicians. Thanks to massive support from monetary and fiscal policy, overall economic output is expected to rise significantly in the second half of the year under review, provided that the trend of the pandemic allows a sustained and far-reaching relaxation of containment policies. Although the low point in global production is likely to have been traversed as early as April, an average decrease of 3.8 % (measured on the basis of purchasing power parities) is likely to be recorded for the current year, according to the IfW. This represents by far the most severe economic slump over the past seventy years. For 2021, the IfW is expecting strong production growth of 6.2 %. However, the loss of income caused by the coronavirus crisis and a presumably sustained dampened propensity to invest as a consequence of a deterioration in unit sales expectations, as well as a reduced equity base, will mean that the level of global production will likely lie well below the path that the experts had anticipated at the start of the year.

The prospects for the German economy are increasingly improving after the sharp slump during the coronavirus crisis. Corporate sentiment brightened further in August 2020. The Ifo Business Climate index rose by 2.2 points to 92.6 points compared with the previous month. This represents the fourth consecutive increase following the historic slump during the coronavirus crisis. Companies ascribed better ratings to both their current situation and the outlook for the next six months. However, the incipient recovery is being slowed by rising infection rates, travel warnings and concerns about new economic constraints on the path out of the coronavirus recession. Furthermore, a full recovery will take some time, according to the IfW. For example, important customer countries are more affected economically by the coronavirus pandemic than Germany, so that exports are picking up again only gradually. Overall, the Kiel-based experts expect GDP to decrease by 6.8 % in the current year, followed by an increase of 6.3 % in 2021.

2G intensifies digitalization in all business and product functions

2G has exploited the past few months, which have been marked by the COVID-19 pandemic, in order to sharpen its three key projects of internationalization, digitalization and Lead-to-Lean, particularly under the commercial imperatives of independence, flexibility and customer benefits. The coronavirus era has again clearly demonstrated the importance of structural and process adjustments for our profitable growth path.

2G has expanded and developed its network of sales and service partners both nationally and internationally. This established network enables us to ensure the presence of our 2G brand in various countries and regions, boost unit sales, ensure service quality with short paths to the customer, and quickly adapt to new requirements. The figures show that we are successful with our partner network strategy: in 2019, we sold 54 % of our CHP modules nationally via partners, and 82 % internationally.

The installation of digital power components in CHP systems and in the service area has proven to be an advantage over the coronavirus period, which is characterized by limited freedom of movement and longer logistic periods. We will drive this further forward in a focused manner. 2G resolves over 70 % of fault messages online via remote diagnosis, remote control and remote maintenance. The “shop.2-g.com” online shop sends replacement material to service partners and customers – including for third-party systems. Moreover, all issues related to CHP system operation from an operator’s perspective are now covered by the “my.2-g.com” platform developed by 2G itself. Administrative activities are included, as well as commercial and technical tasks. For customers, we simplify and “de-technologize” power system operation management.

Last but not least, our self-developed I.R.I.S. report and information system enables us to learn from experience in a systematic and data-based manner, and to develop measures that further reduce maintenance and repair effort thanks to preventive influences. Much in system operation and service is already detached from the operator's physical location and specific know-how. The focus here is on system availability, resource efficiency, minimum emission values and cost-effectiveness for the customer.

We assume that the requirements for digital properties and networking possibilities with other producers and network operators will rise significantly over the coming years. For this reason, we will continue to invest in digital CHP products. Only in this way can we flank our engine hardware with innovative, CHP-specific software products, and thereby keep it future-viable, as energy supplies are being progressively decentralized in the course of the energy system transformation. Without digital interfaces, power systems spread across the country cannot be efficiently controlled, regulated and orchestrated in line with demand. Consequently, we are currently undergoing IT certification in accordance with DIN EN ISO 27001 as part of our already broad-based information management system.

In the sales area, too, we will in future rely to a greater extent on digital support, and thereby on process standardization, both within the company and for the customer. A product configurator is currently being developed which will simplify the preparation of quotations in the sales area. The aim is to utilize the configurator in order to guide the sales force through both the quotation system and project engineering, thereby aiming to substantially enhance quality and speed in sales and project processes – which applies especially to the rising share of sales realized via partners.

By investing in the digitalization of CHP systems, service, maintenance and sales, we are actively boosting our products' economic efficiency as well as customer benefits. This enables us to set international standards with an integrated power generation system while meeting customer expectations.

COVID-19 pandemic effects managed well to date

To date, the special circumstances surrounding the COVID-19 pandemic have exerted only a limited effect on 2G operations. By taking appropriate measures and raising the awareness of employees, customers and suppliers at a very early stage, we have succeeded in ensuring that business growth has suffered hardly any impact to date. On the procurement side, supply chains remained largely intact, the company's own staff came through the first half of the year practically infection-free, and the factory in Heek worked predominantly in regular operation – despite, or thanks to, more homeworking. Output grew again as a consequence, albeit with the application of continuous and costly safeguard measures. However, significant delays occurred in the commissioning of CHP systems on construction sites, particularly abroad, as customer schedules were disrupted by coronavirus, whether due to delayed approvals, the loss of other suppliers, or the fact that entire construction sites were inaccessible for weeks and months as part of a lockdown, as was the case in France and Italy, for example. Overall, however, new order intake is growing practically without halt – and is even almost 20 % higher than in the previous year.

In Europe, infection rates have risen again after the summer holidays, although the situation appears to be manageable overall. The same applies to Asian countries. In large parts of North America, however, the pandemic is still not under control, and is exerting a tangible effect on economic activity. New order intake for new systems remained well below expectations as a consequence of the COVID-19 pandemic in the first half of 2020. On a positive note, it should be noted that ongoing projects can still be completed, and that net sales of approximately EUR 9 million were already generated in the first half of the year. Many regions in the USA are currently struggling with a second wave, so that the steps required for project implementation from development through to approval are progressing very slowly. However, the order pipeline remains promisingly full, so we expect significant new order intake over the coming months – provided no further nationwide lockdown is implemented.

It remains difficult to assess the further course of the COVID-19 pandemic, especially during the winter months, as well as its long-term social, political, economic and ecological consequences. Government stimulus packages that have already been adopted, and those to come, as well as expansive monetary policy pursued by central banks, will help to stimulate investment and get the economy back on its feet. In all probability, investments in climate protection and sustainability will form part of the solution.

The entry into force of the Coal Exit Act in Germany is an example of the fact that the path to virtually CO_2-free energy generation is irreversible. This is generating immediate demand for flexible, intelligent generation technologies that are above all capable of integrating the volatile producers of wind and solar into a secure supply system. CHPs stabilize the system. For this reason, we speak of a “backbone technology”, as modern CHP systems cover both peak and base loads in a highly efficient and purely regenerative manner. The overproduction of electricity from supply-dependent, regenerative power systems can be stored long-term via electrolyzers in the form of hydrogen. The hydrogen strategy of the German government and the EU will support this path in the future. With 2G hydrogen technology, our CHPs are able to utilize the stored energy decentrally at the place of consumption as electrical and thermal energy with low losses. 2G positioned itself for this market at an early stage with its hydrogen CHPs and is (correctly) perceived as a technology leader.

The core market of Germany is proving to be extremely robust. The framework conditions are favorable: the extension of the flex premium for biogas fired CHP systems ensures that this special economic situation, which is specific to Germany, will fade only over an extended period. The KWKG, which was revised in the context of the Coal Exit Act, provides further investment incentives for natural gas driven CHP systems. With the subsidies, combined heat and power generation is now also being accorded an active role in heating supply. Given the economic crisis induced by COVID-19, we sense a much greater awareness among many of our potential industrial customers of the need to reduce costs and energy consumption than was the case a year ago. Under such circumstances, in many cases we should be able to influence in our favor upcoming investment decisions by industry and municipal authorities towards innovative energy generation technology embodying our CHPs' product characteristics. The steel industry and other energy-intensive industries are specifically putting out feelers for hydrogen in order to decarbonize their production processes. The dimensions are considerable: according to estimates from German Hydrogen Strategy, the transformation of domestic steel production to greenhouse gas-neutral production would require over 80 TWh of hydrogen by 2050. The conversion of German refinery and ammonia production (chemical industry) to hydrogen would in turn require about 22 TWh of green hydrogen. Roughly speaking, both measures lead to an additional electricity demand in Germany of 150 TWh, which is equivalent to an increase in the annual electricity volume required by around one quarter.

Order book position on a positive trend in many markets

Continued brisk demand for CHP power plants both in German and abroad has led to EUR 94.9 million of new order intake by end of July, considerably above the previous year's EUR 82.0 million. The significant growth of almost 16 % derives entirely from Germany, where new order intake rose from EUR 46.1 million to EUR 63.1 million. Fortunately, this growth is generated largely thanks to good business with natural gas-fired CHP systems, which achieved an increase in sales of EUR 13.4 million or 113 %.

The order book position at the end of July amounts to EUR 159.5 million (previous year: EUR 149.6 million). Production in two-shift operation is thereby fully utilized far beyond the first quarter of 2021.

2G's management estimates that the order book position as of July 30, 2020 will enable the company to complete the 2020 financial year in line with forecasts – always provided that the COVID-19 pandemic does not worsen in key markets, and does not lead to production being halted for a few weeks. We assume that the efficiency gains from economies of scale and the lead projects will approximately offset the additional coronavirus expenses. For this reason, we confirm the forecast issued in April 2020 of net sales between EUR 235 million and EUR 250 million, and an EBIT margin between 5.5 % and 7 %.

Heek, in September 2020
2G Energy AG

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
member

Friedrich Pehle
Management Board
member

Frank Grewe
Management Board
member

2G. Consolidated financial statements.

Consolidated balance sheet of 2G Energy AG

Assets

	30/06/2020 EUR	31/12/2019 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	469,385.23	515,729.65
Goodwill	2,503,824.58	2,713,726.37
Prepayments rendered	91,553.00	9,333.00
	3,064,762.81	**3,238,789.02**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-party land	13,027,709.98	13,148,804.75
Plant and machinery	1,218,648.10	1,281,148.29
Other factory and office equipment	9,331,654.13	9,570,803.74
Prepayments rendered and plant under construction	74,630.60	63,822.35
	23,652,642.81	**24,064,579.13**
III. Financial fixed assets		
Participating interests in associated companies	747,379.10	868,469.58
Other participating interests	10,000.00	10,000.00
	757,379.10	**878,469.58**
	27,474,784.72	**28,181,837.73**
B. Current assets		
I. Inventories		
Raw materials and supplies	49,160,814.52	48,413,088.57
Work-in-progress	60,606,159.96	30,856,174.88
Prepayments rendered	5,276,817.08	1,279,921.72
Prepayments received for orders	-31,751,762.75	-20,124,106.79
	83,292,028.81	**60,425,078.38**
II. Receivables and other assets		
Trade receivables	30,644,881.75	37,030,124.06
Receivables due from participating interests	403,726.27	301,622.91
Other assets	3,408,645.68	1,462,606.06
	34,457,253.70	**38,794,353.03**

Assets

	30/06/2020	31/12/2019
	EUR	EUR
III. Cash in hand, bank balances	**6,153,882.86**	**10,701,989.93**
	123,903,165.37	**109,921,421.34**
C. Prepayments and accrued income	**1,156,845.20**	**341,284.70**
D. Deferred tax assets	**1,905,669.66**	**2,476,098.29**
Total	**154,440,464.95**	**140,920,642.06**

Equity and liabilities

	30/06/2020	31/12/2019
	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	57,899,375.82	53,129,681.91
IV. Consolidated net income	-4,667,547.60	630,403.04
V. Minority interests	-42,333.60	-42,691.61
VI. Equity difference from currency translation	-869,779.96	-860,688.13
	67,985,014.66	**68,522,005.21**
B. Provisions		
Tax provisions	1,335,207.24	1,304,741.02
Other provisions	11,784,803.71	14,088,937.11
	13,120,010.95	**15,393,678.13**
C. Liabilities		
Bank borrowings	10,324,670.40	10,552,715.90
Prepayments received for orders	41,611,638.95	26,405,463.52
Trade payables	15,204,342.99	13,728,619.72
Other liabilities	6,180,847.02	6,318,159.58
	73,335,439.34	**57,004,958.72**
Total	**154,440,464.95**	**140,920,642.06**

Consolidated profit and loss account of 2G Energy AG

	01/01/ to 30/06/2020 EUR	01/01/ to 30/06/2019 EUR	01/01/ to 31/12/2019 EUR
Net sales	**85,574,712.72**	**95,810,077.64**	**236,395,643.92**
Increase/decrease in work-in-progress and finished goods	29,749,985.08	11,617,027.62	-10,290,290.52
Other own work capitalized	143,130.49	13,776.59	13,776.59
	115,467,828.29	**107,440,881.85**	**226,119,129.99**
Other operating income	1,057,994.21	1,213,071.46	2,016,706.78
	116,525,822.50	**108,653,953.31**	**228,135,836.77**
Cost of materials			
a) Costs of raw materials and supplies, and for purchased merchandise	64,004,605.30	58,641,491.79	118,369,427.96
b) Costs of purchased services	16,205,400.61	15,989,371.10	28,393,108.49
	80,210,005.91	**74,630,862.89**	**146,762,536.45**
Personnel costs			
a) Wages and salaries	18,428,339.67	16,137,562.49	32,577,245.73
b) Social security, pension and other benefits	3,525,095.14	3,125,906.35	6,387,810.55
	21,953,434.81	**19,263,468.84**	**38,965,056.28**
Depreciation and amortization applied to tangible and intangible fixed assets	1,812,468.03	1,822,445.68	3,715,252.13
Other operating expenses	10,000,582.73	10,045,893.84	23,054,957.54
Income from associated companies	-121,090.48	48,918.89	-12,560.86
Income from other participating interests	500.00	500.00	500.00
Other interest and similar income	62,781.84	27,860.68	58,202.96
Interest and similar expenses	232,555.34	213,310.47	407,236.93
Taxes on income	702,999.63	1,155,807.63	4,801,921.40
Profit after taxes	**1,555,967.41**	**1,599,443.53**	**10,475,018.14**
Other taxes	90,366.13	75,560.59	173,125.08
Consolidated net profit/loss for the year	**1,465,601.28**	**1,523,882.94**	**10,301,893.06**
Share of net profit/loss attributable to other shareholders	-358.01	15,688.56	8,005.89
Consolidated net profit/loss	**1,465,243.27**	**1,539,571.50**	**10,309,898.95**
Retained earnings	630,403.04	5,835,705.09	5,835,705.09
Dividend payment	-1,993,500.00	-1,993,500.00	-1,993,500.00
Allocation to other retained earnings	-4,769,693.91	-13,521,701.00	-13,521,701.00
Consolidated net retained earnings	**-4,667,547.60**	**-8,139,924.41**	**630,403.04**

Derivation of EBIT

		01/01/ to 30/06/2020	01/01/ to 30/06/2019	01/01/ to 31/12/2019
		EUR	EUR	EUR
	Other interest and similar income	**1,465,601.28**	**1,523,882.94**	**10,301,893.06**
+	Taxes on income	702,999.63	1,155,807.63	4,801,921.40
+	Interest and similar expenses	232,555.34	213,310.47	407,236.93
−	Other interest and similar income	62,781.84	27,860.68	58,202.96
=	**Earnings before interest and tax**	**2,338,374.41**	**2,865,140.36**	**15,452,848.43**

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, 2020. Last years' figures relate to the balance sheet at the end of the previous year (December 31, 2019) as well as the profit and loss account of the corresponding prior fiscal year period (January 1 to June 30, 2019).

The interim financial statements and the interim management report as at June 30, 2020 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 group management report of 2G Energy AG as of December 31, 2019, were audited by an auditor according to § 317 HGB under consideration which is certified by the Institut der Wirtschaftsprüfer in Germany (IDW), and an unqualified audit certificate was issued.

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-sales 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 as well as foreign currency transactions in the trade balance II 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 related to the financial 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 Home GmbH, Heek, Germany	100	125	580	2	31/12/2007
2G Rental GmbH, Heek, Germany	100	50	56	-29	31/12/2014
HJS Motoren GmbH, Amtzell, Germany	50	25	1.037	90	01/07/2018
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90	3	-646	4	31/01/2008
2G Energie SAS, Sainte-Luce-sur-Loire (Nantes), France	100	200	772	-105	24/08/2016
2G Italia Srl, Vago di Lavagno (Verona), Italy	100	10	841	335	15/03/2011
2G Energy Ltd., Cheshire, United Kingdom**	100	1	418	62	19/09/2011
2G Polska Sp. z o.o., Bielsko-Biala, Poland**	100	1	-82	-28	07/11/2011
2G Energy Inc. St. Augustine (FL), USA**	100	1	624	-82	27/02/2012
2G Energy Corp. Fergus (ON), Canada**	100	205	-113	48	01/01/2019

* 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., 2G Energy Inc. and 2G Energy Corp. 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.

The purpose of HJS Motoren GmbH is the development, sales and service of combined heat and power systems.

Apart from HJS Motoren GmbH, 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.

HJS Motoren GmbH is included ‘at equity’ in the consolidated financial statements.

Effective January 1, 2020 (merger date), 2G Energietechnik GmbH has taken over the assets of the transferring sister company 2G Drives GmbH as part of the merger.

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, 2020 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.

Currency translation differences as part of the consolidation of liabilities are recognized in profit or loss under other operating income or expenses.

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).

Currency translation differences in the context of the elimination of interim profits are recognized in profit or loss under other operating income or expenses.

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.

Equity valuation

The valuation using the equity method must be carried out if a company is to be regarded as an associated company. This means that the parent company can exercise a significant influence on the business and financial policy of the subsidiary. According with Section 311 of the German Commercial Code (HGB), such significant influence is to be assumed in the case of participations in companies and thus a valuation must be carried out ‘at equity’.

Shares in associated companies are valued at the level of their proportioned equity plus a goodwill acquired for a consideration pursuant to Section 312 of the German Commercial Code (HGB). The equity valuation was carried out using the book value method at the time of acquisition in the consolidated financial statements.

The remaining difference (goodwill) is capitalized in the participating interest in associated companies and since it represents the acquired know-how of the associated company depreciated over the expected useful life of 3 years using the straight-line method.

The elimination of unrealized results of intragroup transactions in the context of the equity valuation was waived due to its minor significance in accordance with Section 312 (5) sentence 3 of the German Commercial Code (HGB).

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 respective legal form-specific regulations.

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:

Intangible fixed assets

	Useful life
Software	3–5 years
Licenses	3 years
Other intangible fixed assets	3–6 Jahre

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:

Tangible fixed assets

	Useful life
Land and land rights	0 years
Buildings, indoor and outdoor facilities on own land	5–33 years
Buildings on third-party land	9–19 years
Fixtures and fittings	6–21 years
Vehicles and conveyor vehicles	6–8 years
Tools	5–13 years
Computer equipments	3–9 years
Facilities on third-party land	5–21 years
Other operating and office equipment	5–21 years

Prepayments rendered are recognized at normal value.

3. Financial fixed assets

Other participating interests 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 recognized 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.

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 are recognized at the settlement amounts and include taxes relating to the reporting year that have not yet been assessed.

11. Other provisions

Other provisions are recognized at the settlement amounts and 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 2,740 (previous year: TEUR 3,166) of rental plants from the operating activities of 2G Rental GmbH.

Participating interests in associated companies include a difference between the book value and the equity of the associated company in the amount of TEUR 166 (previous year: TEUR 332), which is attributable in full to the acquired goodwill.

2. Receivables and other assets

Specific and general valuation allowances of TEUR 3,837 (previous year: TEUR 4,483) were applied to trade receivables.

As in the previous year, receivables due from participating interests relate to trade receivables in full.

As in the previous year, all receivables and other assets have a residual term of less than one year.

3. Deferred tax assets

Deferred tax receivables of TEUR 1,906 (previous year: TEUR 2,476) arise from tax loss carryforwards (TEUR 116) at 2G Polska Sp. z o.o. and 2G Energy Corp. No deferred tax assets were formed in relation to the loss carryforwards of 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 826) and inventories (TEUR 833) deriving from intragroup deliveries and services as of the balance sheet date, and on temporary differences (TEUR 131). 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.

4. 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 EUR 11,235 arise mainly from share premiums from capital increases at 2G Energy AG.

In a resolution passed at the Annual General Meeting on June 23, 2020, the Management Board was authorized to increase the company's subscribed share capital during the period until June 22, 2025, 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 2020).

Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 1,985.

An amount of TEUR 51,063 is available to shareholders for distribution in the year under review. 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.

5. 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 provisions, in TEUR

	30/06/2020	31/12/2019
Warranty commitments	4,969	6,046
Residual work on completed plants/outstanding invoices	2,780	4,263
Amounts owed to staff	2,520	2,143
Taxable fringe benefits	872	872
Professional cooperative contributions	188	315
Costs of preparing and auditing financial statements	167	158
Litigation costs	57	82
AGM and annual report	53	53
Archiving of business documents	20	20
Misc. other provisions	159	137
Total	**11,785**	**14,089**

6. Liabilities

Liabilities consist of the following:

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

	Up to 1 year	More than 1 year	Thereof more than 5 years	Total
Bank borrowings	5,324 (5,406)	5,001 (5,146)	1,319 (1,532)	10,325 (10,553)
Prepayments received for orders	41,612 (26,405)	0 (0)	0 (0)	41,612 (26,405)
Trade payables	15,204 (13,729)	0 (0)	0 (0)	15,204 (13,729)
Other liabilities	6,181 (6,318)	0 (0)	0 (0)	6,181 (6,318)
Total	**68,334** **(51,859)**	**5,001** **(5,146)**	**1,319** **(1,532)**	**73,335** **(57,005)**

The following collateral instruments are connected with bank borrowings:

- EUR 2.8 million land charge, Siemensstraße 20, Heek
- EUR 2.63 million land charge, Benzstraße 3, Heek
- EUR 0.31 million land charge, Siemensstraße 10, Heek
- Collateral assignment of a lease claims

Other liabilities comprise tax liabilities of TEUR 3,090 (previous year: TEUR 3,820), and social security liabilities of TEUR 89 (previous year: TEUR 118).

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
(previous year's amounts in brackets)

	Germany	Abroad	Total
CHP/ After Sales	23,279 (29,371)	16,282 (23,878)	39,561 (53,249)
Service	31,613 (29,792)	14,400 (12,769)	46,014 (42,561)
Total	**54,892 (59,163)**	**30,683 (36,647)**	**85,575 (95,850)**

2. Other operating income

Other operating income comprises TEUR 685 (previous year: TEUR 346) of income related to other accounting period that consists mainly of the decrease of bad debt allowances (TEUR 303), the release of provisions (TEUR 265) and of insurance compensation payments and loss compensation payments (TEUR 106).

Other operating income includes income of TEUR 105 (previous year: TEUR 436) from currency translation.

3. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	01/01/2020 to 30/06/2020	01/01/2019 to 30/06/2019
Operating expenses	4,118	3,735
Administration expenses	1,585	1,632
Sales and marketing expenses	2,771	3,187
Miscelleneous	1,526	1,492
Total	**10,001**	**10,046**

Other operating expenses comprise TEUR 155 (previous year: TEUR 346) of expenses related to other accounting periods that consist mainly of non-period credits and losses incurred on receivables.

Other operating expenses include expenses of TEUR 549 (previous year: TEUR 436) from currency translation.

4. Personnel costs

Social security contributions and pension and benefit expenses include TEUR 228 (previous year: TEUR 221) of pension expenses.

5. Depreciation

Depreciation and amortization applied to tangible and intangible assets include amortization of goodwill in the amount of TEUR 210 (previous year: TEUR 272).

6. Income from associated companies

Income from associated companies consists of the following:

Income from associated companies, in TEUR

	01/01/2020 to 30/06/2020	01/01/2019 to 30/06/2019
Partial result	45	215
Depreciation of goodwill	-166	-166
Total	**-121**	**49**

7. Other interest and similar income

Other interest and similar income include income from the discounting of provisions in the amount of TEUR 9 (previous year: TEUR 7).

8. Taxes on income

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

Income from deferred taxes, in TEUR

	01/01/2020 to 30/06/2020	01/01/2019 to 30/06/2019
Deferred tax income	0	0
Deferred tax expenses	-570	-319
of which attributable to loss carryforwards (net balance)	-6	-14
Income from deferred taxes	**-570**	**-319**

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 27 (previous year: TEUR 1,067).

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

Christian Grotholt notified the company in accordance with Section 20 of the German Stock Corporation Act (AktG) that he owns more than one quarter of the shares in 2G Energy AG as of the balance sheet date. The notification was submitted to the electronic Federal Gazette (Bundesanzeiger) on July 30, 2007.

3. Events of key significance after the reporting date

Effective January 1, 2020 (merger date), 2G Energietechnik GmbH has taken over the assets of the transferring sister company 2G Drives GmbH as part of the merger. The Executive Board of 2G Energy AG, Heek, as the sole shareholder of 2G Energietechnik GmbH and 2G Drives GmbH, passed the resolution to merge these companies on November 11, 2019. The supervisory board of 2G Energy AG approved the resolution on November 14, 2019.

Worldwide, companies and the population are directly and indirectly affected by the COVID-19 pandemic in their economic and professional lives through considerable restrictions. The expected decline in economic output in all economies in many sectors is caused by the partially draconian measures to curb the COVID-19 pandemic and the arising uncertainty, the lack of demand, the partial decline in production and the decommissioning of service providers and a broad reluctance to invest.

As long as no vaccine for immunization or prevention and no medication for treatment are available, it cannot be ruled out that the radical actions of isolation and quarantine will continue.

2G sees the COVID-19 pandemic primarily as risks for the areas of “sales risks”, “availability of products” and “personnel” that are discussed in the risk and opportunity report. We refer to our comments in the group management report.

From today's perspective, there are no discernible risks to the continued existence of 2G.

4. Derivative financial instruments

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

Financial instruments, in TEUR

	Scope	Maturity	Fair value
Forward exchange transaction EUR – CAD	498	31/07/2020	18
Forward exchange transaction EUR – GBP	638	15/09/2020	24
Forward exchange transaction EUR – USD	1,072	30/07/2020	-36
Forward exchange transaction EUR – USD	553	30/07/2020	-5
Forward exchange transaction EUR – USD	1,741	30/09/2020	-21
Forward exchange transaction EUR – USD	2,044	30/07/2020	-18
Forward exchange transaction EUR – CAD	516	28/08/2020	19
Forward exchange transaction EUR – GBP	590	23/09/2020	15
Forward exchange transaction EUR – GBP	456	30/07/2020	10
Forward exchange transaction EUR – GBP	419	15/09/2020	14
Forward exchange transaction EUR – USD	853	30/07/2020	6
Forward exchange transaction EUR – USD	198	27/11/2020	-3
Forward exchange transaction EUR – CAD	114	29/10/2020	-1
Forward exchange transaction EUR – USD	694	31/08/2020	-8
Forward exchange transaction EUR – USD	774	31/08/2020	-9
Forward exchange transaction EUR – CAD	608	14/08/2020	25
	11,767		**31**

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. Other financial obligations

Other financial obligations existed in relation to contracts as follows:

Other financial obligations, in TEUR (previous year's figures in brackets)

	Up to 1 year	1 to 5 years	Total
Permanent rental contracts*	516 (483)	0 (0)	516 (483)
Fixed-term rental contracts	106 (154)	138 (247)	243 (401)
Lease contracts	163 (188)	217 (280)	380 (468)
Total	**785 (825)**	**355 (527)**	**1,140 (1,352)**

* The stated value for the continuing obligations relates to the Company's obligation under these contracts for a period of 12 months.

7. Average number of employees during the financial year

The average number of employees pursuant to Section 267 of the German Commercial Code (HGB) is composed as follows:

Number of employees

	01/01/2020 to 30/06/2020	01/01/2019 to 30/06/2019
Industrial workers	367	345
Commercial employees	328	308
	695	**653**
of whom part-time employees	69	81

8. Management Board

The Management Board is currently composed as follows:

Management Board

	Since	Appointed until
Mr. Dipl.-Ing. Christian Grotholt (Chairman) Ahaus-Alstätte CEO of 2G Energy AG Strategy and Sales	17/07/2007	16/07/2022
Mr. Ludger Holtkamp Gronau COO of 2G Energy AG Procurement, Production and Project Management	17/07/2007	16/07/2022
Mr. Dipl.-Betriebsw. (BA) Friedrich Pehle Soest CFO of 2G Energy AG Finance, Investor Relations, Controlling, Human Resources, Law and IT	01/12/2017	30/11/2023
Mr. Dipl.-Ing. Frank Grewe Vreden CTO of 2G Energy AG Service, Research and Development	01/07/2020	30/06/2023

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

9. 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) Hamburg Lawyer	17/07/2007
Mr. Heinrich Bertling (Deputy Chairman) Gronau Tax adviser	28/08/2012
Mr. Wiebe Hofstra Drachten/NL Senior Manager van der Wiel Holding BV	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".

10. Directors' compensation

Compensation of TEUR 481 (previous year: TEUR 431) was paid to the Management Board in the financial year under review, and compensation of TEUR 20 (previous year: TEUR 15) to the Supervisory Board.

Heek, September 2, 2020

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
member

Friedrich Pehle
Management Board
member

Frank Grewe
Management Board
member

Consolidated statement of changes in fixed assets

	Cost					
	01/01/2020	Currency translation	Additions	Transfers	Disposals	30/06/2020
Intangible fixed assets						
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	2,606,966.36	-18.95	89,393.10	0.00	0.00	2,696,340.51
Goodwill	8,431,787.58	0.00	0.00	0.00	0.00	8,431,787.58
Prepayments rendered	9,333.00	0.00	82,220.00	0.00	0.00	91,553.00
	11,048,086.94	**-18.95**	**171,613.10**	**0.00**	**0.00**	**11,219,681.09**
Tangible fixed assets						
Land, land rights and buildings, including buildings on third-party land	15,727,055.63	-5,200.53	136,761.64	0.00	0.00	15,858,616.74
Plant and machinery	2,408,154.54	-17,869.04	167,102.47	0.00	3,227.01	2,554,160.96
Other factory and office equipment	22,226,379.17	-94,764.94	1,185,262.10	1,500.00	611,231.81	22,707,144.52
Prepayments rendered and plants under construction	63,822.35	0.00	12,308.25	-1,500.00	0.00	74,630.60
	40,425,411.69	**-117,834.51**	**1,501,434.46**	**0.00**	**614,458.82**	**41,194,552.82**
Financial fixed assets						
Participating interests in associated companies	868,469.58	0.00	0.00	0.00	121,090.48	747,379.10
Other participating interests	10,000.00	0.00	0.00	0.00	0.00	10,000.00
	878,469.58	**0.00**	**0.00**	**0.00**	**121,090.48**	**757,379.10**
Total	**52,351,968.21**	**-117,853.460**	**1,673,047.56**	**0.00**	**735,549.30**	**53,171,613.01**

Depreciation and amortization					Book value	
01/01/2020	Currency translation	Additions	Disposals	30/06/2020	30/06/2020	31/12/2019
2,091,236.71	-18.95	135,737.52	0.00	2,226,955.28	469,385.23	515,729.65
5,718,061.21	0.00	209,901.79	0.00	5,927,963.00	2,503,824.58	2,713,726.37
0.00	0.00	0.00	0.00	0.00	91,553.00	9,333.00
7,809,297.92	**-18.95**	**345,639.31**	**0.00**	**8,154,918.28**	**3,064,762.81**	**3,238,789.02**
2,578,250.88	-560.99	253,216.87	0.00	2,830,906.76	13,027,709.98	13,148,804.75
1,127,006.25	-13,963.10	222,469.71	0.00	1,335,512.86	1,218,648.10	1,281,148.29
12,655,575.43	-47,288.13	991,142.14	223,939.05	13,375,490.39	9,331,654.13	9,570,803.74
0.00	0.00	0.00	0.00	0.00	74,630.60	63,822.35
16,360,832.56	**-61,812.22**	**1,466,828.72**	**223,939.05**	**17,541,910.01**	**23,652,642.81**	**24,064,579.13**
0.00	0.00	0.00	0.00	0.00	747,379.10	868,469.58
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**	**757,379.10**	**878,469.58**
24,170,130.48	**-61,831.17**	**1,812,468.03**	**223,939.05**	**25,696,828.29**	**27,474,784.72**	**28,181,837.73**

Consolidated cash flow statement

		01/01/ to 30/06/2020 EUR	01/07/ to 31/12/2019 EUR	01/01/ to 30/06/2019 EUR
	Consolidated net profit/loss for the year	**1,465,601.28**	**8,778,010.12**	**1,523,882.94**
+	Depreciation, amortization and fixed asset write-downs	1,812,468.03	1,892,806.45	1,822,445.68
±	Change in provisions	-2,304,133.40	1,476,320.42	-1,736,163.72
±	Change in inventories	-22,866,950.43	375,217.34	-14,681,682.71
±	Change in trade receivables and other assets that are not allocable to investing or financing activities	3,521,538.83	-4,057,731.98	-335,489.29
±	Change in trade payables and other liabilities that are not allocable to investing or financing activities	16,558,526.12	2,691,178.74	4,981,910.07
±	Loss/gain from fixed asset disposals	-30,420.65	61,622.92	-15,031.41
+	Interest and similar expenses	232,555.34	193,926.46	213,310.47
-	Other interest and similar income	-62,781.84	-30,342.28	-27,860.68
-	Other income from participating interests	120,590.48	61,479.75	-49,418.89
+	Taxes on income	702,999.63	3,646,113.77	1,155,807.63
±	Income tax payments	-102,104.78	-5,183,089.08	-836,027.24
=	**Cash flow from operating activities**	**-952,111.39**	**9,905,512.63**	**-7,984,317.15**
+	Proceeds from fixed asset disposals	420,940.42	155,965.63	17,489.23
-	Payments for investments in intangible fixed assets	-171,613.10	-100,293.15	-133,582.29
-	Payments for investments in tangible fixed assets	-1,501,434.46	-2,368,272.61	-1,918,057.66
-	Payments for investments in financial fixed assets	0.00	0.00	-1,388,888.00
+	Interest received	63,281.84	30,342.28	28,360.68
=	**Cash flow from investing activities**	**-1,188,825.30**	**-2,282,257.85**	**-3,394,678.04**

		01/01/ to 30/06/2020	01/07/ to 31/12/2019	01/01/ to 30/06/2019
		EUR	EUR	EUR
+	Proceeds from raising of loans	4,549,136.28	-3,636,830.71	8,000,000.00
-	Outgoing payments for redemption of loans	-4,658,565.35	-671,553.14	-557,601.10
-	Interest paid	-232,555.34	-193,926.46	-213,310.47
-	Dividends paid to parent company shareholders	-1,993,500.00	0.00	-1,993,500.00
=	**Cash flow from financing activities**	**-2,335,484.41**	**-4,502,310.31**	**5,235,588.43**
=	**Net change in cash and cash equivalents**	**-4,476,421.10**	**3,120,944.47**	**-6,143,406.76**
	Currency-related change in cash and cash equivalents	46,930.46	-6,849.16	-29,458.33
+	Cash and cash equivalents at start of period	10,556,421.09	7,442,325.78	13,615,190.87
=	**Cash and cash equivalents at end of period**	**6,126,930.45**	**10,556,421.09**	**7,442,325.78**

	01/01/ to 30/06/2020	01/07/ to 31/12/2019	01/01/ to 30/06/2019
	EUR	EUR	EUR
Composition			
Liquid assets	6,153,882.86	10,701,989.93	8,509,513.69
Short-term bank borrowings	-26,952.41	-145,568.84	-1,067,187.91
	6,126,930.45	**10,556,421.09**	**7,442,325.78**

Consolidated statement of changes in equity

Consolidated statement of changes in equity, in EUR

	Parent company				
	Subscribed share capital	Capital reserves	Retained earnings	Equity difference from currency translation	Consolidated retained earnings attributable to the parent company
Balance on 01/01/2019	**4,430,000.00**	**11,235,300.00**	**40,299,580.49**	**-907,255.47**	**5,835,705.09**
Transfer to retained earnings	0.00	0.00	13,521,701.00	0.00	-13,521,701.00
Currency translation	0.00	0.00	0.00	46,567.34	0.00
Dividends	0.00	0.00	0.00	0.00	-1,993,500.00
Miscellaneous changes	0.00	0.00	-691,599.58	0.00	0.00
Consolidated profit for the year	0.00	0.00	0.00	0.00	10,309,898.95
Balance on 31/12/2019	**4,430,000.00**	**11,235,300.00**	**53,129,681.91**	**-860,688.13**	**630,403.04**
Balance on 01/01/2020	**4,430,000.00**	**11,235,300.00**	**53,129,681.91**	**-860,688.13**	**630,403.04**
Transfer to retained earnings	0.00	0.00	4,769,693.91	0.00	-4,769,693.91
Currency translation	0.00	0.00	0.00	-9,091.83	0.00
Dividends	0.00	0.00	0.00	0.00	-1,993,500.00
Consolidated profit for the year	0.00	0.00	0.00	0.00	1,465,243.27
Balance on 30/06/2020	**4,430,000.00**	**11,235,300.00**	**57,899,375.82**	**-869,779.96**	**-4,667,547.60**

	Non-controlling interests			Consolidated equity
Total	Non-controlling interests before equity difference from currency translation and profit	Profit/loss attributable to non-controlling interests	**Total**	
60,893,330.11	**5,300.60**	**657,302.10**	**662,602.70**	**61,555,932.81**
0.00	0.00	0.00	0.00	0.00
46,567.34	0.00	0.00	0.00	46,567.34
-1,993,500.00	0.00	0.00	0.00	-1,993,500.00
-691,599.58	-5,000.00	-692,288.42	-697,288.42	-1,388,888.00
10,309,898.95	0.00	-8,005.89	-8,005.89	10,301,893.06
68,564,696.82	**300.60**	**-42,992.21**	**-42,691.61**	**68,522,005.21**
68,564,696.82	**300.60**	**-42,992.21**	**-42,691.61**	**68,522,005.21**
0.00	0.00	0.00	0.00	0.00
-9,091.83	0.00	0.00	0.00	-9,091.83
-1,993,500.00	0.00	0.00	0.00	-1,993,500.00
1,465,243.27	0.00	358.01	358.01	1,465,601.28
68,027,348.26	**300.60**	**-42,634.20**	**-42,333.60**	**67,985,014.66**

Colophon

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