Annual Report

2021

Multi-year overview of Group key figures

Results of operations

	2021	2020	2019	2018	2017
	TEUR	TEUR	TEUR	TEUR	TEUR
Net sales	266,348	246,729	236,396	209,783	189,404
Change vs. previous year in %	8.0	4.4	12.7	10.8	8.7
Total operating revenue	268,926	254,206	226,119	221,149	190,494
Earnings before interest, tax, depreciation and amortization (EBITDA)	21,868	20,110	19,168	15,371	11,116
Earnings before interest and tax (EBIT)	17,927	16,446	15,453	11,453	7,333
Financial result	-206	-169	-361	-525	-369
Operating result (EBT)	17,843	16,477	15,277	11,233	7,197
Consolidated net income	**12,640**	**11,957**	**10,302**	**7,608**	**4,923**
Sales distribution					
Net sales international in %	39	38	35	35	35
Service ratio in %	43	38	38	37	34
Profitability					
EBITDA margin in %	8.2	8.2	8.1	7.3	5.9
EBIT margin in %	6.7	6.7	6.5	5.5	3.9
Return on equity in %	13.4	15.3	15.0	12.4	8.8
Return on total assets in %	10.6	11.2	11.0	9.2	6.3
ROCE[1] in %	18.9	20.6	21.8	17.9	12.5
Order and revenue situation					
Order backlog as of December 31	152,724	111,249	116,773	131,497	95,855
Book-to-bill ratio[2] as of December 31	1.25	0.97	0.96	1.22	1.07
Expense structure					
Cost of materials	171,265	167,255	146,763	148,739	126,822
Materials intensity in %*	63.7	65.8	64.9	67.3	66.6
Personnel costs	49,357	44,277	38,965	35,310	32,670
Average number of employees	763	723	649	627	606
Labor intensity in %*	18.4	17.4	17.2	16.0	17.2
Other operating expenses	29,738	24,627	23,055	23,190	20,955
Cost intensity in %*	11.1	9.7	10.2	10.5	11.0
Depreciation and amortization	3,941	3,664	3,715	3,918	3,783
Income tax	5,080	4,305	4,802	3,450	2,041
Tax ratio[3] in %	28.5	26.1	31.4	30.7	28.4

Financial position

	2021	2020	2019	2018	2017
	TEUR	TEUR	TEUR	TEUR	TEUR
Total assets	**169,702**	**146,559**	**140,921**	**124,796**	**116,258**
Asset structure					
Fixed assets	27,118	26,718	28,182	27,527	25,458
Tangible fixed assets to total assets ratio in in %**	13.3	15.6	17.1	18.3	17.8
Current assets	139,620	117,256	109,921	93,656	88,816
Inventory turnover ratio					
Inventories	3.7	4.1	3.9	4.5	4.3
Receivables	6.1	5.9	6.4	6.6	6.8
Capital structure					
Equity	94,540	78,312	68,522	61,556	55,711
Equity ratio in %	55.7	53.4	48.6	49.3	47.9
Share capital	4,485	4,430	4,430	4,430	4,430
Provisions	17,661	13,387	15,394	17,170	15,513
Bank borrowings	5,316	5,465	10,553	7,290	6,364
Working capital[4]	**67,858**	**53,176**	**42,669**	**36,487**	**33,164**
Net working capital	**72,297**	**62,883**	**57,321**	**45,949**	**38,409**
Financing					
Cash inflow/cash outflow from					
operating activities	8,863	9,785	1,921	4,875	12,845
as % of sales	3.3	4.0	0.8	2.3	6.8
investing activities	-1,856	-2,104	-5,677	-5,936	-4,878
financing activities	1,617	-7,372	733	-1,382	-2,114
Investments in plants	4,851	2,731	4,520	8,255	5,691
Free cash flow[5]	4,011	7,054	-2,599	-3,380	7,154
in % of net sales	1.5	2.9	-1.1	-1.6	3.8
Dividends	2,018	1,994	1,994	1,861	1,772
Change in liquid assets	8,624	309	-3,022	-2,443	5,854
Liquidity as of December 31	19,677	10,992	10,556	13,615	16,092

2G share

	2021	2020	2019	2018	2017
	EUR	EUR	EUR	EUR	EUR
Number of shares (≙ share capital in EUR)	4,485,000	4,430,000	4,430,000	4,430,000	4,430,000
Share price[6]	103.2	89.8	44.9	21.9	17.7
Earnings per share	2.82	2.70	2.33	1.72	1.11
Dividend per share	0.50[7]	0.45	0.45	0.45	0.42
Dividend yield in %[6]	0.5	0.5	1.0	2.1	2.4
Payout ratio in %[8]	17.7	16.7	19.4	26.2	37.8
Price-earnings ratio[6]	36.6	33.3	19.3	12.8	10.8
Price-cashflow ratio[6]	52.2	40.7	103.5	19.9	6.1

* Related to total output | ** Related to total assets | 1 = EBIT/(Fixed assets + Working capital) | 2 = CHP order intake /CHP net sales
3 = Income tax /EBT | 4 = Current assets – Current liabilities | 5 = Cashflow from operating activities – investments in plants
6 = Based on year-end Xetra closing price | 7 = Proposal to the Annual General Meeting | 8 = Dividends/Net income

Content

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

Foreword of the Management Board

Dear shareholders,

The COVID-19 pandemic and Russia's war against Ukraine have illustrated the fragility of cherished truths and practices, and have shown us that, as humanity and as values-based communities, we must adapt to new situations and act judiciously. This applies equally to the climate protection measures that are to be implemented on our path to climate neutrality. The dependence of Europe, and especially of Germany, on imports of fossil-based primary fuel sources from Russia and the sharp rise in energy costs have suddenly made it clear that the rate of expansion of wind power and solar energy, along with combined heat and power generation, is insufficient to ensure an economic, secure and climate-friendly supply. After twenty two years of the energy transition, the share of renewables in Germany's electricity consumption stands at just 40 %, while renewables' share in heat consumption stands at only 15 % – which is clearly insufficient. It is, however, entirely insufficient when, in hazy fall and winter weather and with diminishing nuclear and coal-fired capacity, renewables are almost entirely absent as generators. As a consequence, an impending heat gap accompanied at the same time by an impending electricity gap are no longer just a scientifically theoretical scenario, but now represent a situation that is tangible and comprehensible for everyone. This places enormous pressure on policymakers and industry to act in response to the challenges posed by energy costs, supply security and climate protection.

In recent years, we have repeatedly taken the opportunity to use our letter to our shareholders in order to point out the shortcomings and challenges of the energy transition. And we trust that we have not done so with an unduly lecturing tone, but rather always in connection with the technical developments and the positioning in the international CHP market that we as 2G are advancing with our products and our lead projects of "Partner Network", "Digitalization", "Innovation" and "Lead to Lean".

These are certainly some of the reasons why the 2G business model is proving to be weatherproof and oriented to opportunities in these particularly challenging times, and why we are a reliable partner for our customers, our partners and for all our employees. This approach reflects teamwork at a high level with the aim of positioning the performance and efficiency of our CHP series and services well ahead of our competitors. In production, we have started to raise productivity in the manufacturing process to industrial standards with pioneering projects such as the launch of line production of the g-box, which is characterized by pronounced capacitive flexibility. We will successively extend this approach to other production areas. In the year under review, we again converted our dynamics and drive and our customers' resultant appreciation for our technologically leading products into rising sales and robust profitability on an international scale.

Net sales for the year under review amounted to a total of EUR 266.3 million, reflecting growth of almost 8 %. This represents our sixth consecutive year of year-on-year sales growth, with an average growth rate of almost 10 % since 2015. Earnings before interest and tax (EBIT) were up by around 9 % to reach EUR 17.9 million in the year under review. Especially the success of the “Lead to Lean” projects is reflected in these two indicators: 2G is producing leaner and faster with significantly improved cost efficiency. Despite expanding our own stocks and despite some significant price increases in procurement markets, we succeeded in boosting our profitability.

Orders from abroad for new equipment accounted for almost 50 % of our total new order intake in the reporting year. We have thereby achieved an important interim target on our path to becoming a globalized company. 2G now supplies its cogeneration solutions and its service and maintenance services to a total of 60 countries. With our continuously growing partner network, we offer our customers regional expertise and service competence. With 2G Energy International GmbH, founded in 2021, we are expanding our sales activities in a structured manner with a company headed by an internationally experienced sales and industry professional. The focus is on export markets that have not yet been served by a separate national company. Technically, our sales function is efficiently supported by our newly introduced CPQ (configure, price, quote) digital platform. This product configurator supports both the company’s own sales force and sales partners in project engineering, simplifies the preparation of quotations, and ensures that primarily standardized solutions are combined to meet customer-specific requirements.

At the start of the current financial year, 2G acquired SenerTec Center Schweinfurt GmbH. Together with HJS Motoren GmbH, which is already consolidated, and the existing branch operation in Upper Bavaria, we are expanding our presence in Southern Germany in order to establish a closely meshed sales and service network and to participate to an even greater extent in the region’s sales potential. Both companies also give us access to new customer groups via the third-party systems we previously managed. This was also one of the reasons why in February of the current financial year 2G acquired a 40 % interest in KWK-tec GmbH, based in Germany’s Eifel region. With its technical expertise in all aspects of CHP, KWK-tec addresses many customers who operate CHP systems sourced from various manufacturers.

Our hydrogen CHP units are attracting great interest worldwide. In the course of the year under review, we sold additional applications and are pleased with the buoyant demand which is ongoing. When asked how significant hydrogen CHP systems’ share of 2G’s sales has now become, we can answer without hesitation – well above 50 %. This is because all CHP units delivered to run on natural gas or biogas in the 100 kW to 1,000 kW output range can be converted to run on 100 % hydrogen, such as during regular maintenance. It goes without saying that hydrogen can be admixed to up to 40 % of the gas mix. In other words, these 2G systems are only temporarily operated with natural gas. They operate – as the only ones worldwide – in H_2-ready mode. Operators thereby avoid running the risk of having to write off a stranded investment in the future. We are consistently developing hydrogen CHP systems with the aim of further expanding benefits and advantages for our customers.

Where do we go from here with the energy transition? Securing resources for energy supply is currently the top political and economic priority. CHP can help here, too. After all, if less natural gas is available in the future, the efficient use of this energy source will be all the more important. Cogeneration is and remains the most efficient type of power plant for secure supplies for both public and commercial purposes.

Very specifically, 2G and the CHP industry can jointly deliver up to 6 GW of new generation capacity each year. As a consequence, around 10 % of the impending heat shortfall in the first year would be offset by the rapid expansion of CHP systems. CHP units in the medium power range (20 kW to 4,500 kW), such as those produced by 2G, make a substantial contribution to mitigating the problem, because

- they can be installed very rapidly within a timeframe of two to eight months,
- they can be implemented without any special legal, regulatory or societal hurdles,
- they do not require any further infrastructure (apart from the gas connection) – in other words, there are no potential “showstoppers” on the path to the grid connection,
- in the 100 kW to 1,000 kW power range they can be converted to hydrogen on a standardized basis, thereby supporting the medium-term target of climate neutrality.

In parallel to strengthening their cogeneration role, we are convinced that the expansion of renewable energies and storage technologies must also be driven forward in a focused manner. The expansion of the hydrogen infrastructure is also becoming increasingly urgent. 2G is participating in a regional project to build a hydrogen infrastructure as part of Germany’s national hydrogen strategy. The aim is to test low-threshold, technical network requirements for consumers and generators and to establish the conditions for widespread availability for mass applications for industry and mobility. Planning for this project envisages connecting 2G’s headquarters in Heek to the hydrogen network by as early as 2024/25. The company will then be linked via a grid interconnection point to the long-distance pipeline from Lingen to the Ruhr area as well as to a cavern storage facility in the immediate vicinity of Heek. In other words, a shift in the industrial use of hydrogen is foreseeable.

Significant increases in energy costs (fuel, carbon certificates) are encouraging companies and regional utilities to realign their energy management strategies. With CHP systems powered by natural gas, companies secure part of their energy requirements, they gain additional flexibility in generation and, thanks to CHP systems’ high efficiency levels, companies can curb their energy costs and budget them better. With this in mind, and with our business on a firm footing, we are looking ahead to the current financial year supported by an order book position of over EUR 150 million as of the start of the year. The Management Board believes that, for better or worse, Germany and Europe will continue to rely on gas imports as a backbone resource for the energy transition in the medium term. The importance of gas-fired CHP technology for heat generation and secure power supplies has risen. However, the impact on Europe and on the world of Russia's war against Ukraine cannot be assessed at present. The Management Board believes the company is well positioned, with its strategic focus on international markets in line with its aim of being independent of individual markets, a high level of digitalization of CHP systems and service, and the ongoing industrialization of its production processes. For this reason, we are confident that we will maintain production, delivery capability, and service for our customers, including under difficult conditions. Subject to all reservations, we expect to generate net sales in a range between EUR 280 million and EUR 310 million in 2022, with an EBIT margin of between 6.0 % and 8.0 %.

In order to counteract the sense of powerlessness felt in the face of the war, 2G staff have shown great personal commitment in collecting a total of 15 tonnes of aid supplies within a period of just 48 hours for families in need in Ukraine and for refugees from the war zone. 2G sent a truck of its own to join a relief transport from the district of Borken. A second shipment of aid has already been initiated by 2G, and more are in the pipeline. We are thereby demonstrating that a lot can be accomplished as a community.

With this in mind, we would like to thank all our employees for their active commitment, team spirit and entrepreneurial approach to our business. Together, we have constructively tackled the many challenges in the 2021 financial year and generated good results. We would also like to thank our customers, partners and shareholders, who have accompanied us in a spirit of trust and constructive criticism on our path to further international growth and technological innovation. With this momentum, the Management Board is committed to leveraging – with all due care and sense of perspective – the opportunities that arise for 2G Energy AG, thereby enabling the company to continue its success story in the future.

Heek, April 2022

2G Energy AG
Yours sincerely

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
member

Friedrich Pehle
Management Board
member

Frank Grewe
Management Board
member

Report by the Supervisory Board

Dear shareholders,

The Supervisory Board of 2G Energy AG has accompanied the Management Board through a successful 2021 financial year and supervised it in the management of the company and the 2G Group, supported it in an advisory capacity and fulfilled its supervisory and advisory duties with due care in accordance with the requirements of the law, the company's bylaws and the rules of business procedure. The Supervisory Board was informed by the Management Board about important strategic and operative decisions, and was involved in decisions of particular significance for the 2G Group. This did not require the formation of any committees.

The Management Board regularly informed the Supervisory Board either verbally or in writing about business progress, the financial position and performance of the 2G Group as well as about business transactions of major importance. The Supervisory Board Chairman was also in contact with the Management Board outside the scope of meetings. In addition to current business trends, questions concerning the company's organization, the further development of products and services as well as foreign sales markets were discussed. As a consequence, the Supervisory Board was informed about important questions relating to business policy as well as about relevant forthcoming decisions, and was able to support the Management Board in its work.

Organization of the Supervisory Board

The members of the Supervisory Board in the year under review included Dr. Lukas Lenz (Chairman), Dr. Jürgen Vutz (Deputy Chairman) and Prof. Dr. Christof Wetter. The Supervisory Board of 2G Energy AG consists of only three members in order to enable efficient work and fruitful discussions on both strategic and detailed issues. The formation of separate supervisory board committees is not considered justifiable or expedient for this reason. This also applies to an audit committee, whose tasks the plenary Supervisory Board continues to perform.

Supervisory Board consultations and resolutions

A total of four ordinary and two extraordinary Supervisory Board meetings were held In the 2021 financial year as follows: the four ordinary meetings were held on February 24, April 22, June 15 and November 11, and two extraordinary were held on February 3 and March 23. The two extraordinary meetings were held via video and audio transmission, while the ordinary meetings were held in person. All Supervisory Board members attended these Supervisory Board meetings. Prof. Wetter participated in the meeting on April 22 via video and audio transmission.

The Supervisory Board discussed with the Management Board the transactions requiring its approval pursuant to the law and the company's bylaws, and reviewed and approved them unanimously in all cases. At the meetings, the Supervisory Board utilized the reports and documents submitted by the Management Board, including those pursuant to Section 90 (1) to (4) of the German Stock Corporation Act (AktG), to conduct consultations on the company's business and financial position, its operational and strategic development, its business divisions and its subsidiaries both in Germany and abroad. The Supervisory Board was also informed about the further development of the partner concept (internationalization), the "Lead-to-Lean" lead project, the digitalization of CHP systems as well as service activities, technological developments and the achievement of targets in relation to the annual planning. These were also discussed with the Management Board, including consideration being given to those instances where outcomes that had differed from previously reported targets. The Supervisory Board requested reports on important specific questions relating to the company, its M&A planning and its international sales activities, and consulted concerning them. The Supervisory Board also received ongoing information on the handling of the COVID-19 pandemic and its possible impact on the course of business.

The following topics were discussed in detail at the individual meetings:

At the extraordinary Supervisory Board meeting on February 3, 2021, the Supervisory and Management boards discussed a major project in the American sales region. The Supervisory Board unanimously approved the project.

At the Supervisory Board meeting on February 24, 2021, the members of the Management Board reported on current business within their areas of responsibility and responded to the Supervisory Board's questions. The board also discussed the recruitment of a manager to build up international sales activities. After in-depth discussion, the Supervisory Board agreed to the arrangement of a corresponding contract.

At the extraordinary Supervisory Board meeting on March 23, 2021, the Supervisory and Management boards discussed the founding of 2G Energy International GmbH as an international sales company. A corresponding resolution relating to the founding of this company was passed.

At the Supervisory Board meeting on April 22, 2021, the Supervisory Board discussed the annual financial statements, the Group management report and the auditor's reports. Two representatives of the auditors and the Management Board were available to the Supervisory Board to respond to questions. All questions from the Supervisory Board were answered comprehensively and to its satisfaction. Having duly examined the aforementioned documents that had been submitted to it, the Supervisory Board raised no objections. The Supervisory Board approved the annual financial statements unanimously, as well as the consolidated financial statements for the 2020 financial year. The annual financial statements were thereby adopted. The Supervisory Board concurred with the Management Board's proposal for the application of unappropriated profit for submission to the Annual General Meeting.

Further important items on the agenda of the Supervisory Board meeting included resolutions concerning the upcoming Annual General Meeting. The Supervisory Board also granted the Management Board approval for transactions that required its approval. Furthermore, the Supervisory Board approved the declaration of compliance with the German Corporate Governance Code voluntarily submitted by the Management and Supervisory boards. In addition, the board discussed and unanimously approved an early acquisition of the remaining 50 % interest in HJS Motoren GmbH.

On June 15, 2021, the Management Board reported to the Supervisory Board on the course of business and on new order intake trends in the first half of the year, and provided an outlook on the expected trend for the year as a whole, including in relation to price trends for the most important input factors, the situation at important suppliers, and a planned price increase for products of 2G Energy AG, among other factors. The Supervisory Board unanimously approved transactions of the Management Board requiring its consent.

At the Supervisory Board meeting on November 11, 2021, the Management Board explained the results of the half-year financial statements, business progress in the third and fourth quarters, and the company's liquidity trends. The boards also discussed the planning for the coming years relating to investments, profit and loss, sales revenue and earnings. In addition, the meeting included reports by the Management Board on IT security, international sales, and 2G's own technological and digital product developments.

No conflicts of interest arose among the members of the Supervisory Board during the year under review.

Separate and consolidated financial statements for the 2021 financial year

In accordance with statutory provisions, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Osnabrück, was elected as the auditor by the Annual General Meeting on June 15, 2021.

The Management Board prepared the separate financial statements, the consolidated statements and the Group management report for 2G Energy AG for the financial year from January 1 to December 31, 2021, in accordance with the regulations set out in the German Commercial Code (HGB). The auditor audited the separate financial statements, the consolidated financial statements and Group management report of 2G Energy AG for the 2021 financial year, including the financial accounting, awarding them unqualified audit certificates. The focus of the audit for the 2021 financial year was on the measurement of financial assets, the recognition and measurement of receivables, and the presentation of significant business transactions.

The separate financial statements, consolidated financial statements and the Group management report, as well as the related auditors' reports, were submitted on time before the financial accounts meeting to all Supervisory Board members. At the Supervisory Board meeting on April 21, 2022, the auditor reported on the main audit findings and explained them to the Supervisory Board, providing comprehensive answers to the Supervisory Board.

The Supervisory Board noted the audit reports with approval. Following the conclusive result of its own review, the Supervisory Board approved the consolidated financial statements and the Group management report. The separate annual financial statements pursuant to Section 172 of the German Stock Corporation Act (AktG) have thereby been adopted.

The Supervisory Board concurs with the Management Board's proposal concerning the application of unappropriated profit, to distribute a dividend in an amount of EUR 2.242.500,00, equivalent to EUR 0.50 per share, from the unappropriated profit of EUR 9.159.872,33, and to allocate the remaining profit of EUR 6,917,372.33 to other retained earnings.

Changes to the Supervisory Board

On June 15, 2021, the Annual General Meeting elected Prof. Dr. Christof Wetter and Dr. Jürgen Vutz to the Supervisory Board of 2G Energy AG, as proposed by the Supervisory Board. At the start of the year 2021, they had been appointed by the Coesfeld Local Court as members of the Supervisory Board to replace two former Supervisory Board members. The term of office of the two newly elected Supervisory Board members runs until the Annual General Meeting that passes a resolution concerning the formal approval of the actions of the Supervisory Board for the 2021 financial year.

The Supervisory Board wishes to thank the Management Board, the managing directors of the subsidiaries, and all employees of the 2G Group for the consistently high level of their work and personal commitment, as well as their flexibility, which made a significant contribution to a successful financial year, despite all the challenges and adversities in the second year of the pandemic. The 2G teams at home and abroad managed to maintain business operations in compliance with the necessary precautionary measures and to fulfill the company's service and performance commitments to its suppliers and customers. Beyond the pandemic, this will continue to strengthen the 2G brand in relation to international competition.

Heek, April 21, 2022

Supervisory Board

Dr. Lukas Lenz
Supervisory Board Chairman

2G share consolidates at a high level with strong final quarter

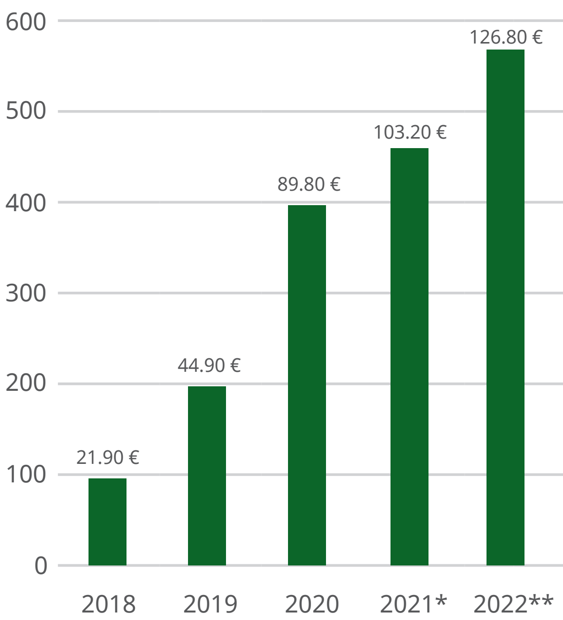
In a capital market environment characterized by uncertainty, the 2G share recorded a stable, upward price trend overall over the course of the reporting year. In the Management Board's opinion, this reflects capital market participants' expectations concerning the company's solid business performance and promising future prospects in an energy market that is undergoing change worldwide. The share started the 2021 stock market year at a price of EUR 93.20. It touched its low for the year at EUR 80.90 at the end of March. In the second and third quarters, the share price moved sideways in a range between EUR 85 and EUR 90. In the fourth quarter, the share price broke out to reach its high for the year of EUR 125.80. Towards the end of the year, the share price retreated to EUR 103.20 in line with the general stock market downturn following the emergence of the omicron coronavirus variant and the uncertainty this triggered. Overall, the 2G Energy AG share price appreciated by 10.5 % in the year under review (previous year: 94.8 %).

Corporate news on new orders for hydrogen CHP units, the overall very good trend in new order intake, growth in foreign business, a stable dividend payout and the four flagship projects of internationalization, digitalization and Lead-to-Lean, which aim to enhance profitability and productivity, had a sustained positive and supportive impact on the share price performance in the year under review. Intensive investor relations work, as described below, strengthened and maintained institutional and private investors' confidence and interest in the 2G business model, the market and the management.

In the second year of the coronavirus pandemic, many equity market indices continued to rebound sharply from their coronavirus-related lows in March 2020, and in some cases closed well above their pre-coronavirus levels. The DAX30 was up by almost 15.7 % (previous year: 3.6 %). The TecDax climbed by 20.8 % (previous year: 6.6 %). The DAXsector All Industrial index, which is specific to 2G's sector, rose by 20.0 % (previous year: -2.2 %), while the DAXsubsector All Renewable Energies reported a slight increase of 4.7 % (previous year: 77.5 %), as did the Scale 30 index, which includes 2G shares, which closed 5.1 % higher in the year under review (previous year: 30.5 %). The 2G share performed well within its sector environment with a share price appreciation of 10.5 % of the year. This is particularly the case given the fact that the share had doubled in both of the two previous years.

The market capitalization of 2G Energy AG rose from EUR 397.8 million to EUR 475.0 million as of the end of 2021, with a weighted share capital of EUR 4,478,973.00. At the start of 2021, the share capital was increased by EUR 55,000.00, from EUR 4,430,000.00 to EUR 4,485,000.00, through the issue of 55,000 new bearer shares. Apart from this, 2G neither approved nor implemented any capital measures during the period under review.

2G Energy AG market capitalization EUR millions



* Weighted share capital 2021: EUR 4,478,973
** XETRA Closing Price 1 April 2022, share capital EUR 4,485,000

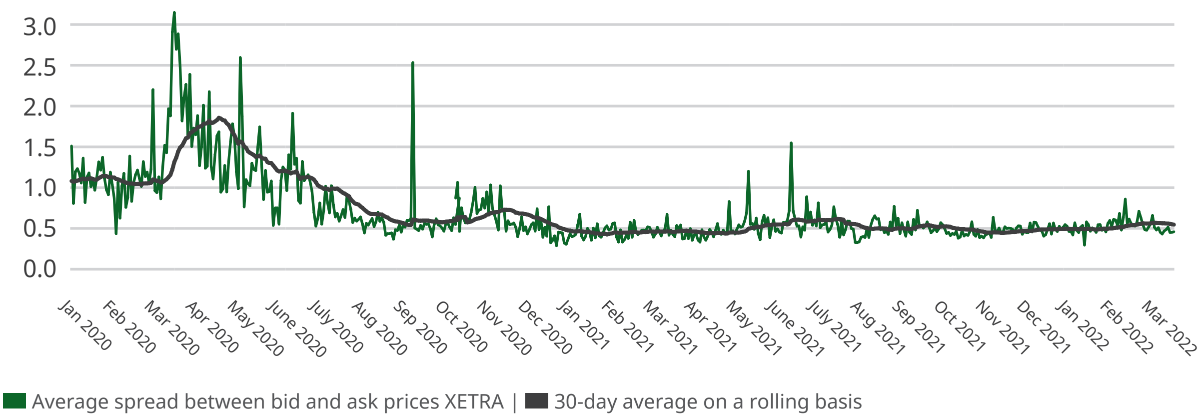
Market capitalization 2018 to 2021 as of December 31, 2022 as of April 1, XETRA closing prices

2G share liquidity stable at a high level

Trading liquidity in the 2G share improved further compared with the previous year. Among other things, this is reflected in a narrower average spread between bid and offer prices, as shown in diagram below for the 2020 to 2021 period. For example, the average spread halved compared with the previous year to set a new record of 0.48 %. This further positive trading performance continues to make the 2G share attractive for investors.

Average daily volumes on the XETRA and tradegate platforms as well as on the German regional stock exchanges amounted to a total of around 13,900 shares (previous year: around 20,650 shares). As a consequence, trading volumes stood around 20 % higher than in 2019 – if the first coronavirus year of 2020, which was characterized by high volatility, is disregarded as a special situation. In the trading volume ranking

Trend in average spreads between bid and ask prices in %



Trend in average spreads between bid and ask prices 2020 to March 2022.
Source: Pareto Securities, 2G calculations, April 2022

of the Scale 30 index, the 2G share has established itself within the top ranks. As of December 2021, it ranked fifth in trading volume in the selection index (previous year: third).

Intensive investor relations work

Dialog with the capital market and continuous transparent reporting on relevant corporate events and developments remained important guiding principles for the investor relations work of 2G Energy AG in 2021. The aim is not only to further strengthen trust and confidence in the company's financial and technological profile, but also to create the transparency required to enable analysts, shareholders and potential investors to appraise and evaluate the company on an understandable and adequate basis. 2G endeavors to explain to capital market participants in a comprehensible manner its business model, the international CHP market as well as the company's growth and earnings potentials within a changing energy market.

Continued high interest in 2G's business model and its shares has shifted to virtual investor conferences and one-on-one meetings in 2021 due to the pandemic conditions that continue to prevail. The Management Board presented the 2G business model, explaining the four lead projects as well as products and services, technological development services (such as hydrogen technology), relevant markets, and sales strategies for Germany and abroad.

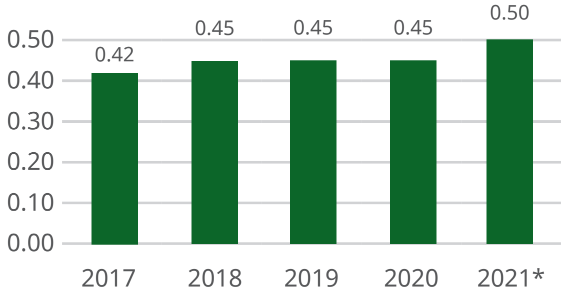
Bankhaus Metzler initiated coverage of the company in the year under review, with Metzler Capital Markets publishing its first research report on 2G at the end of January 2021 with a buy recommendation and a price target of EUR 122. First Berlin, SMC Research, Pareto Securities and Metzler are four institutes that continuously monitor and evaluate the company's development and performance. All of their analysts identify further upside potential for the 2G share on the basis of their valuation models, with all four institutes having issued "Buy" recommendations with price targets significantly above EUR 100.

Dividend increase to 50 cents per share proposed

2G Energy AG pursues the objective of its shareholders participating continuously and long-term in the company's success and profitability through a stable dividend. At the same time, the company's financial and innovative strength is to be maintained and strengthened for further growth. Value and growth-oriented investors are thereby set to benefit in the long term from the continuous appreciation in the company's value. Based on the unappropriated net profit generated in the 2021 financial year, the Management and Supervisory boards have authorized a proposal to the Ordinary AGM to be held on June 3, 2022 for it to approve a 11 % year-on-year higher dividend of 50 euro cents per share for the past financial year.

Based on the 2021 year-end closing price of EUR 103.20, this dividend would correspond to a yield of 0.48 % (previous year: 0.50 %) and a payout ratio of 17.7 % (previous year: 16.7 %).

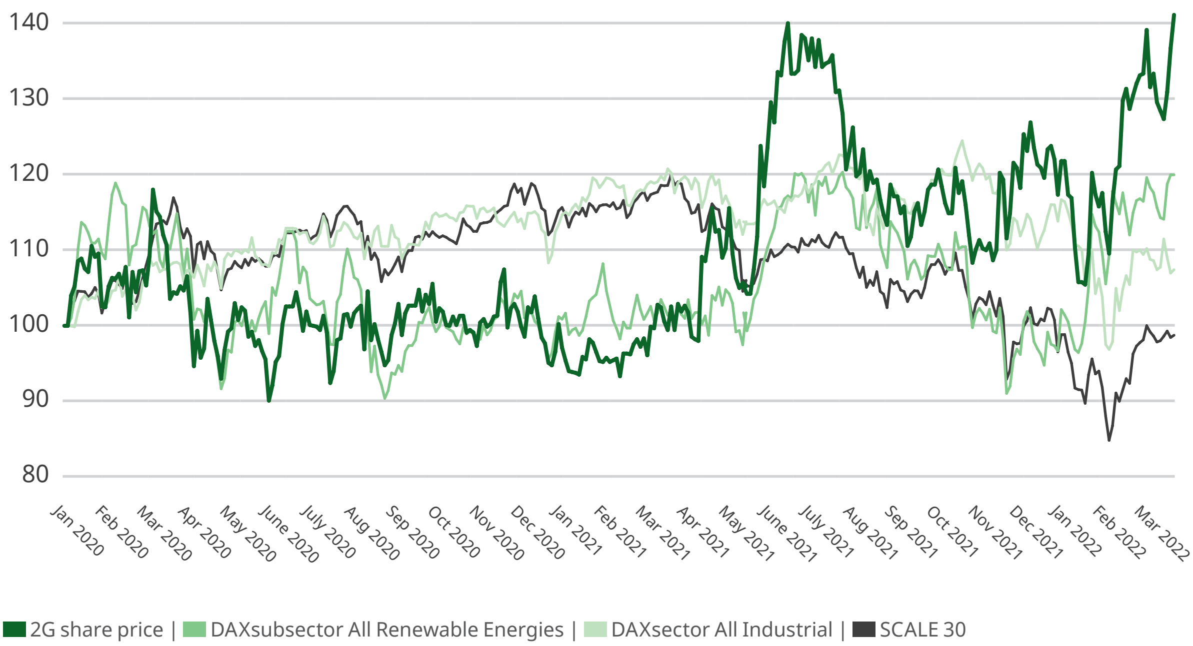
Dividends for the financial years 2017 to 2021 EUR



* Proposal to the Annual General Meeting

Dividends for the financial years 2017 to 2021 in EUR.

2G share price performance and comparative indexes Januar 1, 2020 to March 31, 2022 (indexed) in %



2G share price performance and comparative indexes Januar 1, 2020 to March 31, 2022 (indexed) in %.
Source: Pareto Securities, 2G calculations, March 2022

Sustainability report

At 2G, we regard sustainability as responsible corporate action encompassing a long-term perspective. This includes the dimensions of environment and climate, the principles of good corporate governance and social responsibility, as well as the interests of stakeholders, shareholders and customers. Our actions today should have a lasting positive impact in the future.

Sustainable action influences the economic value of our company, it shapes our commitment to technological innovations and product developments, impacts on the quality and reliability of our products, promotes the motivation of all employees and enables our customers to contribute more efficiently and sustainably to greater resource conservation and climate protection.

Our ambition is to harness such an approach in order to generate growing demand for our products, with potential customers being convinced of their quality and future viability in relation to other suppliers' products. This can translate into market share gains and rising profit margins for 2G. Consequently, we endeavor to incorporate sustainability into all our business decisions, while weighing up the related risks and opportunities. Sustainability forms as much a part of the 2G brand as our claim to be the global technology leader for gas-operated CHP systems and (energy) solutions. Therefore, 2G aims to be an industry leader in terms of sustainability and new technologies. We will not rest on our laurels simply because the technological standard of our products and services is already very high and our CHP units are highly efficient, achieving rates of up to 90 % and above.

2G recognizes the need for global climate action and is committed to the 2015 Paris Agreement target of limiting temperature increases to 1.5 °C in relation to pre-industrial levels as far as possible. As a company, we have a responsibility to further develop our products by enhancing efficiency, reducing greenhouse gas emissions and lowering the total cost of ownership in such a manner that our products can make an increasing contribution to such ambitions, and are also economically attractive for as many applications and customers as possible. Equally, in the production process and in administration, we strive to make our contribution as a company and as a social community to reducing greenhouse gas emissions through the utilization of renewable energies and resource conservation.

The imperative of sustainability motivates us to deploy our products in order to further develop energy generation and supplies, and to drive our profitable growth. As an internationally active, medium-sized manufacturer and developer of gas-driven combined heat and power systems, we are helping to continuously increase the share of climate compatible energy producers within the global energy mix, both directly and indirectly – both directly by way of the efficient generation of energy with climate compatible gases by means of CHP, and indirectly via the integration of fluctuating renewables into decentrally organized, secure supplies by means of residual and control energy provided by our CHP units. This is because decentralized CHP plants are dimensioned in such a manner that, in addition to supplying the site, they can maintain and supply system-compatible services for stable power grids and secure heat supplies for the general public.

UN Global Compact Progress Report 2021

		Principles	Statement
Human rights	1	Supporting and respecting the protection of human rights	Respect for and protection of human rights forms part of the values and principles that govern our corporate activities and social interaction. We have laid this down in a binding code of conduct for all employees within the Group, as well as at our selected sales and service partners. All 2G suppliers also have binding codes of conduct in place. 2G has its compliance with these standards confirmed; the standards are reviewed on both an ad hoc and a regular basis according to defined process steps. As ninety percent of 2G's suppliers are based in Europe, minimum standards are also specified at various levels by way of European legislation. Diversity and equality are overriding core values of our corporate culture and form an integral element of our personnel work. 2G does not tolerate discrimination against people, and is committed to their equal rights and social integration, regardless of their origin, color of skin, religion, gender, or sexual orientation. Compensation regulations within the 2G Group are transparent and gender neutral.
	2	Exclusion of human rights violations	
Labor	3	Upholding freedom of association and recognition of the right to collective bargaining	2G with its subsidiaries is active in countries whose governmental systems are democratic. When selecting our partners for our global partner network, we ensure compliance with minimum standards, for which our code of conduct for suppliers forms the basis. Compliance with labor standards and minimum standards forms an important foundation for the establishment, maintenance, and promotion of social justice as well as the company's involvement in society. 2G is committed to this both within its own group of companies as well as with its partners and suppliers. The company's own codes of conduct serve as binding guidelines and requirements. 2G pursues the principles of the International Labor Organization (ILO) on labor and social standards. Our management system is aligned with the standards of ISO 45001. Furthermore, 2G obligates its suppliers in its own code of conduct to respect fundamental rights, prohibit corruption and bribery, prohibit child labor, uphold freedom of association, and protect the health and safety of employees. Via a publicly accessible whistleblower system set up in 2021 in accordance with EU Whistleblower Directive 2019/1937, 2G offers all stakeholders the opportunity to contact 2G – including on an anonymous basis – concerning information about suspicious matters. We thereby strengthen the trust of 2G employees as well as customers and business partners in 2G's integrity and responsiveness.
	4	Elimination of all forms of forced and compulsory labor	
	5	Abolition of child labor	
	6	Elimination of discrimination	

Environment and climate	7	Precautionary environmental protection	Environmental and climate protection forms a central business area for 2G. 2G makes an important contribution to environmental and climate protection by developing and manufacturing low-emission cogeneration systems that enable decarbonized, secure energy supplies for our customers worldwide. We have anchored environmental protection as a long-term and sustainable task within our code of conduct and also demand it from our suppliers. Environmental protection is firmly implemented in our integrated management system and certified according to the ISO 14001 (environmental management) and ISO 50001 (energy management) standards. We thereby ensure the planning, control and monitoring of all measures relating to operational environmental protection, as well as environmentally oriented operational and employee management. With technical innovations and digital tools, we are succeeding in making complex cogeneration systems easier to operate and maintain, thereby making them accessible to a wider range of users. Via the Internet, we continuously integrate support functions such as augmented reality and predictive maintenance for efficient processes and high system availability, in order to thereby deliver economic benefit for operators.
	8	Promoting greater environmental responsibility	
	9	Development and diffusion of environmentally compatible technologies	
Anti-corruption	10	Working against corruption in all its forms	Compliance with prevailing legislation and regulations forms the highest principle for all business transacted in the purchasing area and in the signing of contracts as part of bidding processes. 2G does not tolerate any illegal and/or irregular behavior on the part of its employees or business partners. It also goes without saying that 2G complies with its business partners' regulations. 2G has set out its anti-corruption regulations in its codes of conduct for employees, managers, and suppliers. A whistleblower system in accordance with EU Whistleblower Directive 2019/1937 gives anyone the opportunity to anonymously report suspicious matters to the company.

2G is thereby contributing to significantly reducing greenhouse gas emissions, lowering resource consumption and increasing the share of renewable energies for power generation without jeopardizing supply security and the affordability of electricity and heating.

We have made our commitment externally visible and binding by joining the United Nations Global Compact. The UN Global Compact is the world's largest and most important initiative for responsible corporate governance. 2G recognizes its ten universal principles and the Sustainable Development Goals, and supports the vision "to create a sustainable and inclusive global economy that delivers lasting benefits to all people, communities and markets".

As a listed company, we are increasingly in the focus of institutional investors who base their investment decisions on ESG (environment, social, governance) criteria. In many cases, the data for such ESG criteria are obtained from service providers. Institutional Shareholder Services Inc. (ISS) is one of such service providers. 2G was again awarded Prime Status by ISS in the year under review, placing it among the top 20 % in the relevant "Industry" peer group.

Sustainability strategy embedded in CHP system development and service

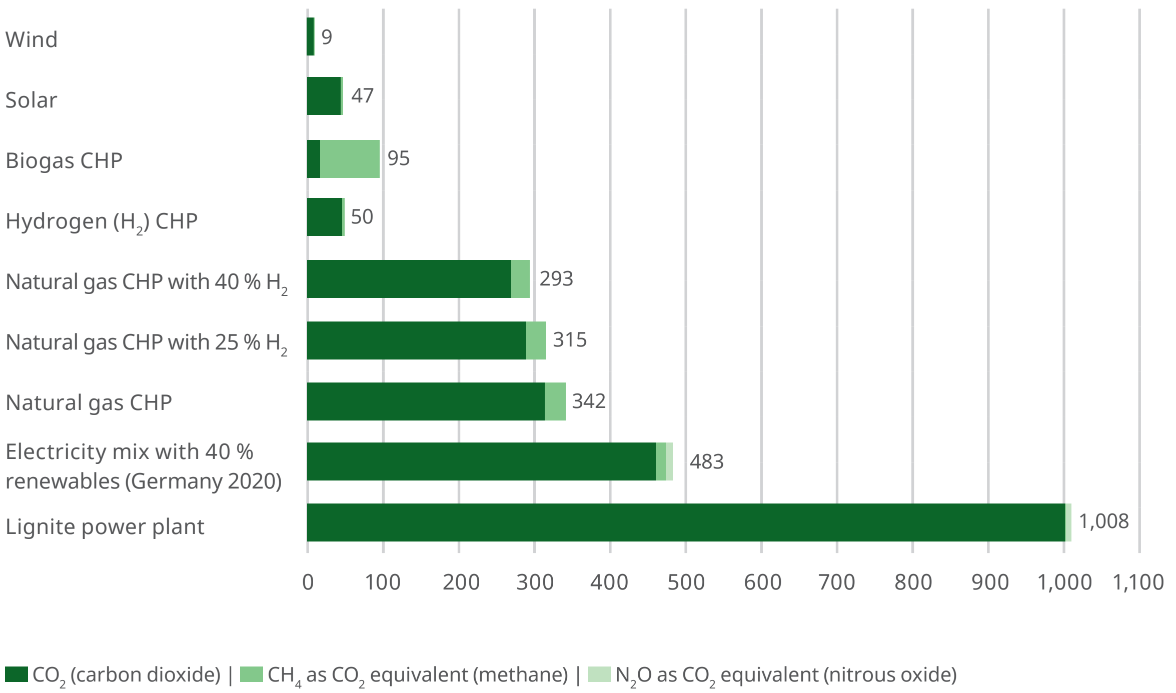
As one of the leading international manufacturers of gas-fired cogeneration systems, 2G aims to be a technology leader and thereby continuously reduce the environmental footprint of its systems and services. The cogeneration of electrical and thermal energy makes CHP technology more efficient and much more climate compatible than conventional energy production methods. Compared to conventional power and heat generation, CHP saves up to 40 % of primary energy in a resource-conserving manner. At the same time, around 95 % of greenhouse gas emissions are saved thanks to the use of hydrogen. CHP units fueled by natural gas already produce around two thirds less greenhouse gas emissions than conventional power generation from coal, while biogas-driven CHPs save up to 90 %.

As the backbone technology for the energy transition, natural gas CHP systems are indispensable for secure supplies as complementaries to fluctuating generators harnessing wind and solar. They provide highly flexible and demand-driven residual load when the wind is not blowing and the sun is not shining. In addition, decentralized CHP systems are rotating masses in the electrical system and secure grid frequency. This is particularly important for sensitive grid stability as the shutdown of nuclear and coal-fired power plants progresses. Modern CHP systems produce electricity and heat with efficiencies of up to 98 %, and reduce carbon emissions by 40 to 60 % compared with coal-fired power plants. Last but not least, all newly delivered 2G CHP systems in the 100 kW to 1 MW power range can be converted to operate with 100 % hydrogen as part of regular maintenance. For this reason, today they already represent a secure investment in climate-neutral energy supplies.

When our CHP series are still at the development stage, we factor economic, environmental and social criteria into our choice of materials, service and maintenance optimization, immissions and emissions, recyclability, and lifecycle management for our systems. This also includes the CHP systems' compact design and modular construction, the reduction of oil consumption and of noise and exhaust emissions, as well as software-based remote control. We are systematically advancing system service digitalization, including our I.R.I.S. online platform (including predictive maintenance, among other features), which we developed in-house, as well as augmented reality applications. This leads to more efficient service, a significant extension of intervals between maintenance units, and thereby an overall reduction in service

Greenhouse gas emissions of different types of electricity generation incl. upstream chain emissions

in g CO_2 eq/kWh_{el}



Greenhouse gas emissions of different types of electricity generation incl. upstream emissions in grams of CO_2 equivalent per kWh of electricity (g CO_2 eq per kWh_{el}); the bar "Electricity mix with 40 % renewables (Germany 2020)" shows the amount of emissions released for electricity generation in Germany with a share of 40 % renewables in 2020. Source: 2G Energy AG, 2021

and maintenance costs as well as enhanced CHP system availability.

Where product development and product equipment are concerned, 2G consistently relies on durable materials. The products used are reprocessed and redeployed in the same function at the end of their application cycle. Ideally, this occurs more than once. With this "long-life" approach, 2G has established resource-conserving reconditioning for central components such as motors and generators as well as for classic wearing parts such as filters, spark plugs and electronic components. We can offer our customers attractive prices with such refits and reduce raw material consumption.

R&D enhances system efficiency and reduces emissions

For many years, our own research and development department with thirty members of staff has been optimizing motor technology, peripheral equipment and the integration of software and hardware into CHP systems and service.

The development of the hydrogen CHP unit certainly represents an exceptional example of these activities. 2G has adapted a standard natural gas CHP system to produce electricity and heat highly efficiently and with comparable economics using 100 % hydrogen (H_2) and carbon emissions close to the detection limit. As the only manufacturer worldwide, 2G guarantees to convert its natural gas and biogas CHP systems to 100 % hydrogen operation upon customer request using a standard technical solution, including as part of regular maintenance. All CHP systems already delivered by 2G today are “hydrogen-ready” on request at any time, thereby forming part of a climate-neutral energy generation system.

In the year under review, we further developed our technical support facility for our customers with the aim of making complex CHP technology easier for technicians and partners to master in day-to-day service and maintenance. For example, we have integrated our I.R.I.S. (Intelligent Report Information System), a proprietary development, more deeply into our service processes. For example, we have activated spark plug failure detection – which is one way in which we identify unusual operating conditions in order to intervene before failures occur (so-called predictive maintenance). Digital service support with the I.R.I.S. system has enabled us to extend maintenance intervals for 2G CHP systems from 2,000 to 4,000 operating hours. For our part, this reduces service time and expense, while enhancing system availability and thereby economic benefits for our customers.

In the year under review, we commissioned 42 systems worldwide via augmented reality (AR) tools. On site, for example, a specialist from a 2G partner company uses AR glasses and is guided through the task on the PC desktop by an expert at our headquarters in Heek. We also leverage the potentials offered by AR as a support tool for troubleshooting in many regions worldwide. This has already led to a significant reduction in travel – whether by service vehicles or by air.

In 2021, we developed and launched our own motor concept with a rated electrical output of 1 MW. The avus 1000plus for operation with lean gases and natural gas is based on a Liebherr engine. It opens up international access for 2G to the higher power ranges up to 4.5 MW with modular design. With further improvements to the aura series, particularly in terms of emissions, 2G is also tapping into new customer groups in the medium performance range.

We are continuously improving our production processes as part of our “Lead to Lean” project. In the year under review, this included materials planning, order scheduling, intralogistics and material supply projects. The aim is to boost efficiency and eliminate idle time in production. We have converted the production of the g-boxes from the previously practiced stationary assembly to flow production. With assembly lines, we achieve higher capacitive flexibility while maintaining the same quality, while assembly time and expense per unit have been significantly reduced. As a consequence, we have already achieved an increase in potential output of around 200 %.

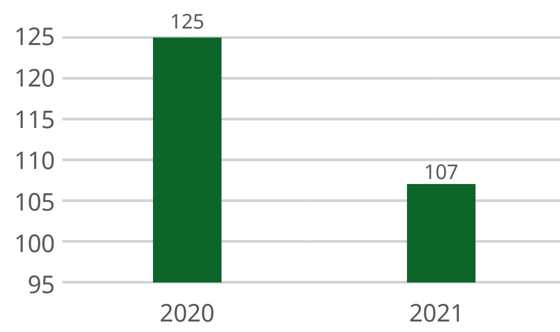
We reached a milestone for efficient sales work and structured acquisition success with the introduction of CPQ (Configure, Price, Quote). With the roll-out of this digital tool for online configuration, pricing and meaningful quotation for CHPs, a proprietary development, the company has taken an important step in digitalizing and simplifying its sales process.

Certified in accordance with quality, environmental and energy management standards

We review and improve our processes on a continuous basis as part of the integrated management system (IMS). The central companies are therefore certified according to the ISO 9001 (quality), ISO 14001 (environment) and ISO 50001 (energy) standards. The focus is on identifying environmental aspects, implementing measures to reduce environmental impacts, complying with legal obligations and raising environmental awareness among employees. With energy management, 2G is committed to continuous improvement of energy-related performance. In addition, 2G initiated an audit and certification of its data security with the ISO 27001 standard in the reporting year and successfully completed it in the current financial year.

Through more efficient use of the waste heat generated by the factory trial runs, the amount of natural gas used for heating (in relation to the area to be heated) was significantly reduced in 2021 (adjusted for weather conditions).

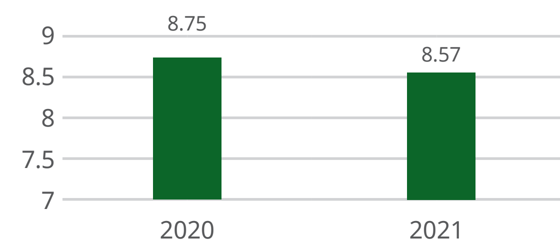
Natural gas heat demand in kWh/m²



Natural gas heat demand in kWh/m².

Fuel consumption was also reduced by raising awareness among employees:

Ø Fleet fuel consumption in l/100 km



Ø Fleet fuel consumption in l/100 km.

2G documents good corporate governance

Good corporate governance forms the basis of 2G's business activities. In the year under review, the Supervisory and Management boards issued, on a voluntary basis, a declaration of compliance with the German Corporate Governance Code (DCGK) pursuant to Section 161 of the German Stock Corporation Act (AktG). With this declaration, the Management and Supervisory boards underscore their commitment to working in accordance with the principles of the social

Key sustainability figures

	2021	2020
Self-generated electrical energy (kWh)	2,030,776	1,542,998
Electrical energy consumed (kWh)	998,512	1,122,855
based on total output (kWh per TEUR total output)	3.7	4.4
Natural gas (kWh)	5,050,743	5,757,847
based on total output (kWh per TEUR total output)	18.8	22.7
Water (m^3)	2,544	2,864
Fuel (kWh)	7,432,296	7,587,238
CO_2 emissions (metric tons)	4,673	3,838
based on total output (t CO_2 per million Euro output)	17.4	15.1
of which fleet (metric tons)	1,938	2,013

market economy for the continued existence of the company and its sustainable value creation in the interests of the company, its shareholders and the public. The Corporate Governance Report, together with several accompanying documents, is published on our website at www.2-g.com in the Investor Relations area.

Social commitment

2G perceives itself as a responsible member of society. Consequently, we play an active role regionally, and promote cultural and social projects. We support local sports associations and social facilities within the Münsterland region, for example. 2G made a significant donation to the International Peace Village in Dinslaken (Germany) on the occasion of the company's 25th anniversary. For Technisches Hilfswerk Ahaus, a civil and disaster relief organization, 2G provided a new sandbag filling system that increases hourly sandbag filling by a factor of 4.5 during flood incidents. 2G also supports employees in their social engagement, such as through flexible working time regulations. We also promote knowledge exchange in the academic and scientific community. For example, we offer students the opportunity to write their seminar papers or bachelor's or master's theses in the context of topics relating to 2G.

The 2G Group has had a code of conduct since 2015, setting out the values and principles for our business activity and our interaction with each other and with our customers. The code of conduct and the corporate guidelines contain binding compliance regulations that are valid across the entire Group. The code's contents include a ban on discrimination, protection against corruption, fair competition, the rights of all employees to fair treatment, and the handling of insider information. In 2020, the code was expanded to include a separate code for suppliers of 2G. This defines 2G's principles and requirements for its suppliers of goods and services relating to their responsibility for people and the environment, including respect for employees' fundamental rights, the prohibition of child labor, the freedom of association, the prohibition of corruption and bribery, the resource-conserving use of water and energy, and waste avoidance. A compliance officer supports the Group-wide implementation of the codes of conduct and develops them further.

2G as an attractive employer

As a medium-sized company, 2G is dependent on the commitment, knowledge and professional attitude of its more than 700 employees both in Germany and abroad. Motivated and successful employees are crucial to the company's long-term success and performance. The Group Human Resources department reports directly to the Chief Financial Officer and coordinates all human resources issues. These include a sustainable staffing policy, attractive and fair working conditions, the training of young technical staff, and internal and external further training for staff as well as intercultural and technical communication within the Group.

Our success as a global company is founded on a corporate culture that champions the self-motivation, satisfaction, continuing professional development, health and diversity of our workforce. The aim is to achieve a high level of employee identification with our products, after-sales services and corporate culture. We are committed to creating an atmosphere of respect and appreciation at work in which the tasks to be done have genuine meaning and purpose. Moreover, we are confident that 2G is an attractive employer. This was confirmed in the year under review when the company achieved third place in the ranking of the most attractive employers in Münsterland with up to 1,000 employees.

2G provides its employees with various voluntary social benefits and assistance such as special payments and days off for the birth of children, followed by subsidies of up to 50 % for childcare costs. The company also promotes health and fitness among its employees. For example, all employees at the German sites have the option of obtaining company bicycles through 2G via a salary conversion scheme, with 2G paying the related insurance installments. If employees wish to join a fitness studio forming part of the qualitrain association, 2G contributes part of the membership fee. 2G also contributes to the cost of visual display unit (VDU) spectacles as well as prescription personal protective equipment (PPE) safety glasses. Employees at the headquarters in Heek have the opportunity to recharge their cars at 18 e-charging stations at reduced rates.

Flexible working time models and part-time options are given high priority in order to offer flexible structuring options to employees. In the year under review, 80 employees made use of such options. This corresponded to a share of 10 % of all employees (2020: 80 (11.1 %)). The compatibility of work and family life is becoming increasingly important for many employees and is a key factor in employer attractiveness. We are confident that the fundamentally positive experience with working from home, as practiced during the coronavirus pandemic, will lead to further flexible work-life balance models for employees in the future. Already before the first pandemic-induced lockdown, 2G had created opportunities for almost all non-production employees to work from home with the respective technical equipment, software and IT support.

The training of young people in different production areas as well as administration is of great importance to 2G. We are thereby securing qualified and motivated employees and offering them attractive career prospects with further training and management qualifications. In 2021, ten young people started their apprenticeship at 2G, and a total of 43 young people (2020: 42) were in vocational training; this is equivalent to around 5 % (6 %) of all our employees. From the graduating class of 2021, we have taken on ten trainees on the basis of an employment contract.

Management training

Key to this atmosphere of respect and appreciation is our team of well-qualified, highly motivated managers working to achieve their common aims with dedication and empathy. Back in 2018, this lead us to formulate our management principles in an inclusive process and to devise a management development program on this basis, which we fully implemented in 2019. Already during the early stages of the coronavirus pandemic in the spring of 2020, it became clear that, also in difficult, challenging situations, our managers were equipped with the leadership tools required to keep our workforce informed about all significant developments, to get them involved in our fast-moving processes of change and to inspire them to the level of performance we have seen.

In the further course of the Corona pandemic, it was not possible to continue the leadership development in the tried and tested form while adhering to hygiene measures, so we sought to supplement the measures already in place. As a result, we launched an online leadership development format as a pilot project and are still in the evaluation phase here as to whether this form of staff development can be a long-term, meaningful addition to the measures already in place.

Since 2018, we have been regularly sending managers at different levels to a cross-mentoring programme. This special form of mentoring means that mentors and mentees from different organisations and sectors are brought together. We have maintained and further developed this form of staff development during the Corona pandemic. In this way, we encourage our managers to think „outside the box“ and learn from other companies and sectors, which leads to new impulses for our company, promotes the exchange of knowledge and can be ideally integrated into professional practice.

Key employee data (as of December 31, 2021)

	2021	2020
Employees	796	722
of which part-time	80	80
Trainee/work experience students	34	42
Employees at foreign subsidiaries	151	127
Proportion of female employees in %	17.0	16.9
Proportion of female senior executives in %	10.0	10.0
Age structure of employees in Germany	37.2	36.9
Employee turnover rate in %	6.5	5.2
Health ratio in %	96.8	96.3
Accidents per 100 employees	1.5	1.9

Number of employees per business division

	31/12/2021	31/12/2020
	Number of employees (of which part-time)	Number of employees (of which part-time)
Service	302 (3)	264 (3)
Purchasing, warehouse, production	193 (14)	182 (17)
Administration	106 (43)	99 (41)
Project management	72 (3)	63 (5)
Sales & marketing	74 (12)	70 (12)
Research & development	30 (3)	30 (1)
Quality management	19 (2)	14 (1)
Total	**796 (80)**	**722 (80)**

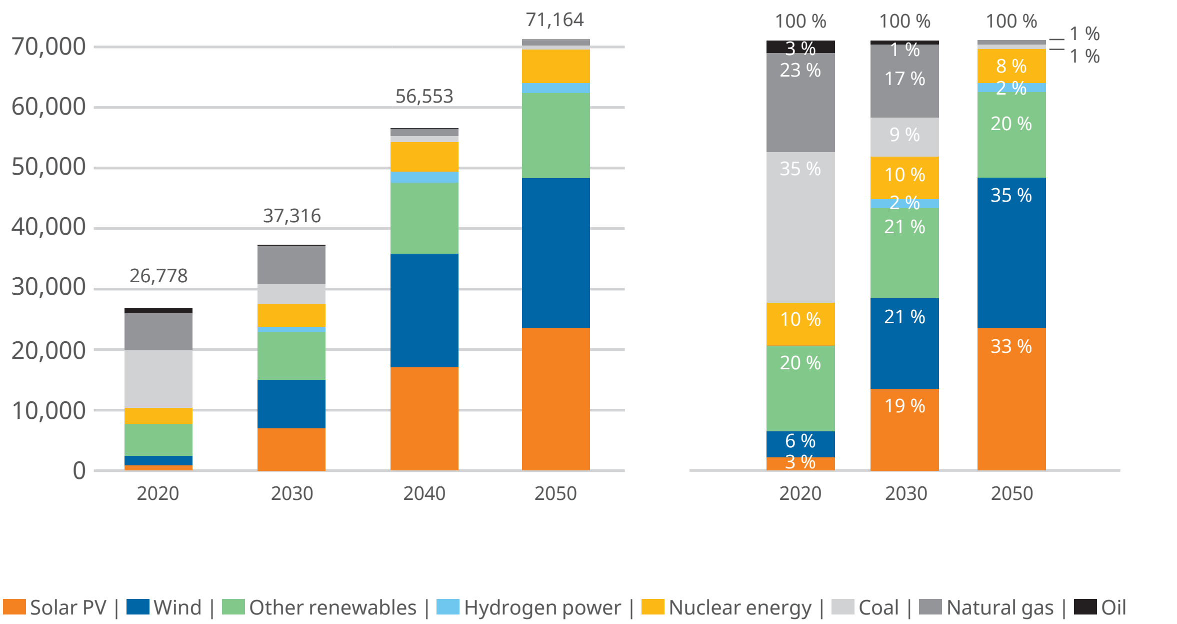
Backbone of the energy revolution

Hydrogen will be the backbone for a secure and emission-free energy supply

The key question for successful climate protection is how the existing energy system – which relies primarily on oil, coal and natural gas – can be transitioned to a foundation depending almost entirely on renewables and storage media such as hydrogen. At present, fossil fuels still meet more than 80 % of the world's energy requirements. In order to limit the increase in temperatures to 1.5 °C in accordance with the international Paris Agreement on climate protection, their use would have to be reduced to almost zero by 2050 at the latest.

Development of the shares of primary energy sources on the way to a globally decarbonized electricity supply by 2050

in TWh



Development of the shares of primary energy sources on the way to a globally decarbonized electricity supply by 2050 in TWh.
Source: IEA, Net Zero by 2050 – A Roadmap for the Global Energy Sector, October 2021

Renewables, especially wind and solar, are the energy sources of choice if the world is to have a chance of decarbonizing electricity and heat supplies as far as possible by 2050. This is illustrated by diagram above. At the same time, the expansion of a suitable grid and heating infrastructure and complementary storage technologies is indispensable.

The expansion of capacities of renewables must be complemented by electricity and heat capacities that deliver power on a fast and reliable basis, which is the only way to maintain the delicate balance between supply and demand and grid stability (50 Hz in Europe) at all times. With the dismantling of the coal-fired power plants, new capacities are required for heat generation, combined with large-scale buffer storage.

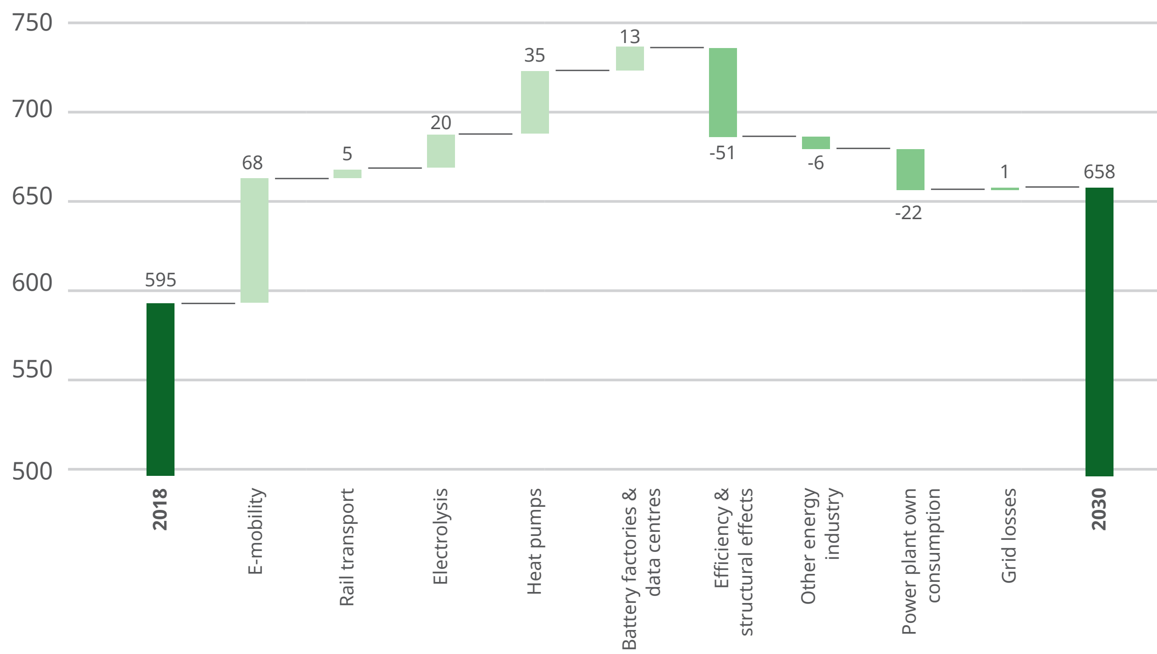
Security of supply is a high good

Only with this outlined backbone can consumers be supplied reliably and economically including during days of so-called "Dunkelflauten", periods of dark or overcast weather. A functioning energy system not only keeps the lights on and the home comfortably warm, but also forms the basis of a stable economy. Supply security is highly beneficial, but can no longer be taken for granted.

This factor becomes all the more important given the significant growth in demand for electricity that is foreseeable – including for heat generation and storage capacities.

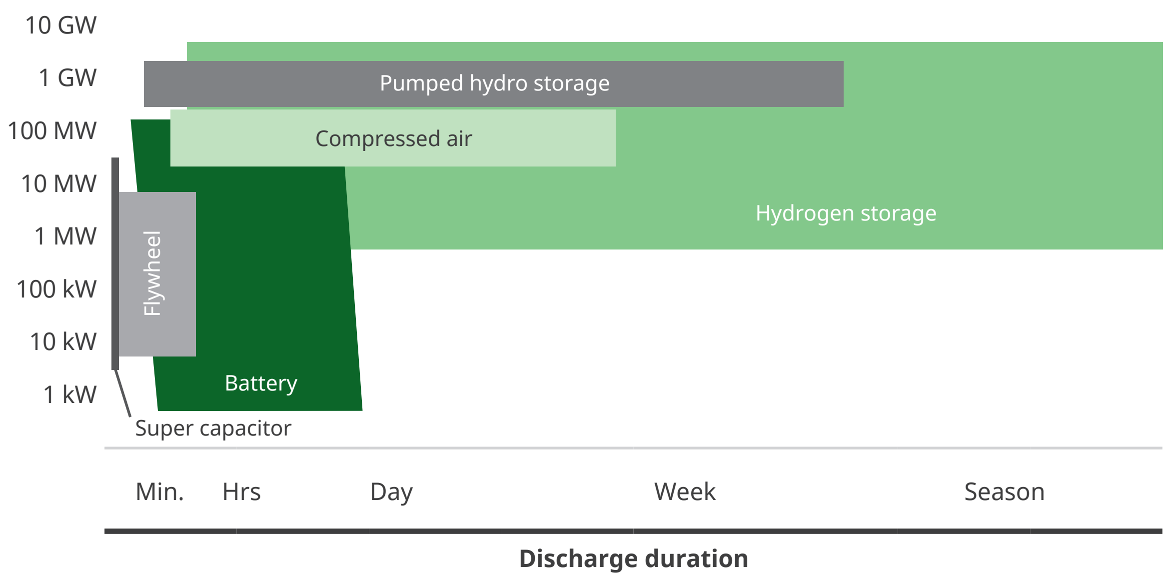
Forecasted development of gross electricity consumption and its influencing factors in Germany until 2030

in TWh



Forecasted development of gross electricity consumption and its influencing factors in Germany until 2030 in TWh.
Source: Prognos AG, Development of gross electricity consumption until 2030, commissioned by the BMWi, October 2021

Technology overview in power and time



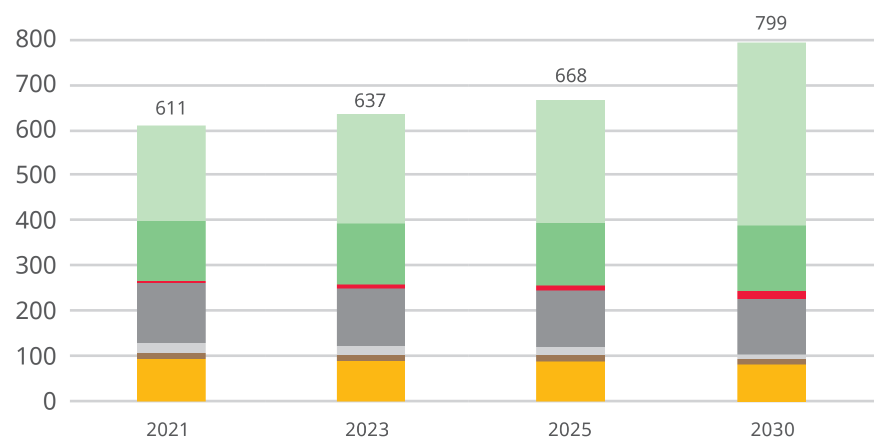
Technology overview in power and time.
Source: The Fuel Cells and Hydrogen Joint Undertaking (FCH JU), Hydrogen Roadmap Europe: A sustainable pathway for the European Energy Transition, February 2019

However, is it not possible for storage technologies and electricity imports from abroad to provide the energy for residual load and ensure supply security during dunkelflauten?

Storage facilities comprising the necessary dimensions and designed for periods exceeding several hours will certainly not be available for the next few years. Diagram above illustrates this point very clearly. Hydrogen storage is a viable solution that offers very long energy storage capability – as soon as hydrogen is produced or imported in sufficient volumes, such storage facilities can be utilized. Germany enjoys an additional advantage with its existing gas infrastructure with over 500,000 kilometers of pipelines for distribution. With the help of CHP systems, hydrogen is then converted into electricity and heat in line with demand. This technology is already common practice today for 2G’s hydrogen CHP systems.

Importing electricity from Germany’s neighboring countries as and when required sounds straightforward, but for various reasons it is not. Germany is Europe's largest electricity consumer, and even supplies from neighboring countries would be unable to offset any shortfalls in electricity, whether via their conventional power plant parks or their renewables. Why is this the case? Firstly, because the change in the structure of energy production in Europe is similar to that in Germany. This is illustrated in the following diagram. Secondly, the output from renewable generators is weather-dependent. Weather is usually a supra-regional phenomenon. In other words, when hazy autumn and winter weather occurs over Germany, it also affects large parts of northwestern Europe at the same time. And thirdly, grid transmission capability limits long-range electricity delivery. Cross-border electricity exchange requires numerous grid expansion projects and so-called interconnectors, which necessitate a lot of time for approvals procedures and millions of euros of investments. As a consequence, electricity imports do not play a significant role in securing supplies.

Development of power plant parks in 14 European countries (without Germany) in GW



Nuclear energy | Lignite | Hard coal | Natural gas and other fossil fuels
Flexibility options | Controllable renewable energies* | Volatile renewable energies**

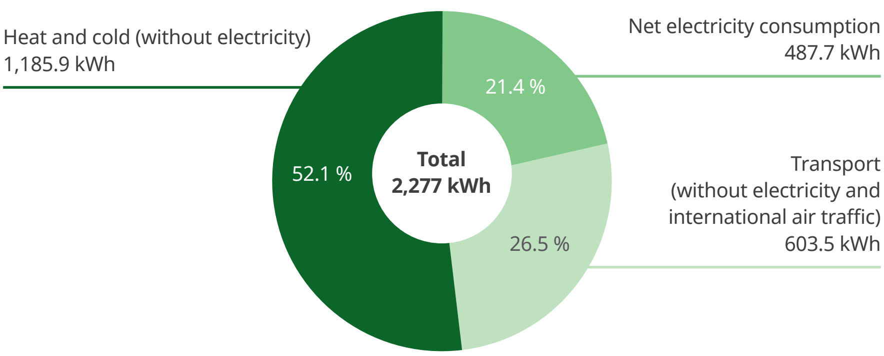
* Wind on land and sea, solar, run-of-river
** Storage and pumped storage, bioenergy (incl. share of biogenic waste) and other Renewables

Development of power plant parks in 14 European countries (excluding Germany): Austria, Switzerland, France, Great Britain, Italy, Luxembourg, Belgium, Denmark, Netherlands, Poland, Czech Republic, Finland, Sweden and Norway in GW.
Source: Fraunhofer ISI, TEP consentec, r2b, Monitoring the adequacy of resources in the European electricity markets, commissioned by the BMWi, April 26, 2021

No climate-neutral energy supply without a heat transition

To date, the energy transition has largely been advanced as an electricity transition. However, electricity accounts for only around 21 % of energy consumption. A total of 52 % of energy is consumed for heating generation – and to date this has still been produced predominantly with fossil fuels. Consequently, huge tasks still lie ahead for the gradual decarbonization of heat generation. After all, it makes no sense to implement a singular solution for the process of the electricity transition without shaping the heat transition at the same time. 2G regards the cogeneration of electricity and heat in medium-sized CHP units as the crucial response. The new German government has set the target of generating 50 % of Germany's heating requirements from renewable sources by 2030 (2020: 15 %). Our CHP technology can make a significant contribution to meeting this target with biogases, natural gas and green hydrogen.

Final energy consumption of electricity, heat, transport in Germany in 2020 in billion kWh



Final energy consumption of electricity, heat, transport in Germany in 2020 in billion kWh.
Source: Agentur für Erneuerbare Energien, March 2021

Furthermore, given higher energy prices long-term, the value of heat is increasing, which is creating additional incentives to invest in CHP systems, as they are financed both via the supply of heat and via the electricity market. They are also smart, fast and flexibly controllable at any time, and can provide additional system services, which enable operators to generate further revenue streams from the availability of flexible services.

Overall, the future energy supply system should secure access to carbon-neutral energy at competitive prices in order to support Europe's industrial productivity as well as public wellbeing, thereby also promoting acceptance of the energy transition, as well as innovation.

2G CHP units generate system-supporting heat and electricity

Technologically, our systems are already configured today for greater operational flexibility, as also promoted by the German Cogeneration Act (KWKG) and the German Renewable Energies Act (EEG). Thanks to their novel dimensioning and the addition of large buffer storage tanks for staggered heat utilization, heat can also be delivered to local and district heating networks as well as to the consumer at the site of the CHP system. The principle is similar for electricity generation – in addition to site supply, electricity is fed into the grid on demand when wind and solar power is insufficient to meet electricity demand. A further and very important consideration is that CHP systems provide inexpensive so-called "rotating masses", which are indispensable for maintaining power grid frequency and thereby system stability. Technically, 2G systems are equipped so that their services can be requested digitally via telecontrol. As a consequence, CHP units operate in an integrated manner that is both system-compatible and efficient for overall supply security.

For this reason, it is easy to understand how CHP forms a natural partner for renewables, especially photovoltaics – when the sun is high in the sky, demand for heat is often subdued, and vice versa. In the interaction of photovoltaics, wind power and CHP, highly efficient and climate-neutral energy supply concepts can be created regionally if CHP systems harness biogases and/or green hydrogen as fuel, positioning them as exciting supply concepts for municipal utilities. The example of Stadtwerke Hassfurt shows how very well such an approach works in practice, and on an almost climate-neutral basis. For the first time, the CHP unit installed by 2G allows regeneratively produced hydrogen to be converted back into electricity and the use of heat for consumers in the vicinity of the site.

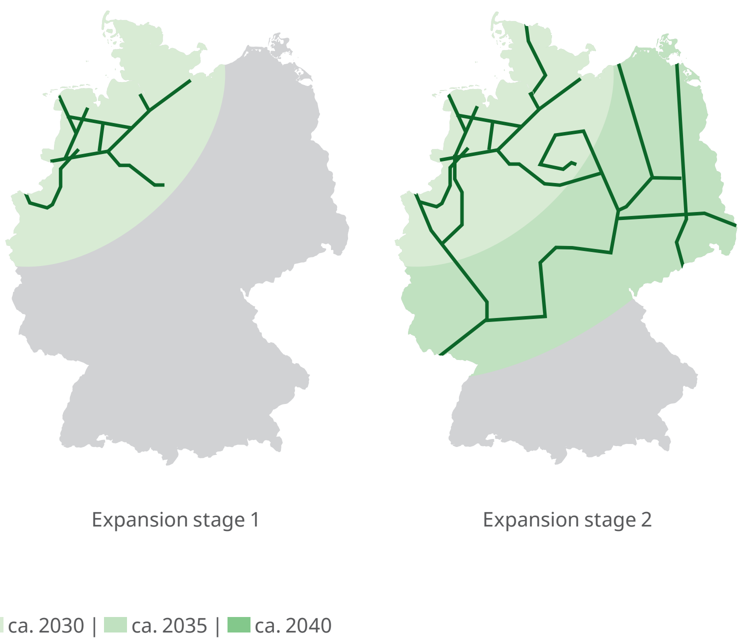
As already mentioned, delayed energy utilization (storage) currently forms the bottleneck impeding the path to fully decarbonized energy generation. Only large storage capacities that can be accessed seasonally can harmonize regenerative energy production with its utilization – including during dunkelflauten lasting days or weeks. Batteries do not offer this capability. This is where hydrogen comes into play. Hydrogen can form the working medium that stores renewable energy, such as in the existing gas infrastructure and in underground caverns. This green hydrogen can then be highly efficiently converted back into electricity and heat via CHP systems as needed.

2G is part of the national hydrogen strategy

The expansion of the hydrogen strategy has recently assumed greater urgency due to high fossil fuel prices. A shift is occurring in the industrial use of hydrogen, as the following example shows. 2G is participating in a regional project to build a hydrogen infrastructure as part of Germany's national hydrogen strategy. The aim is to test low-threshold technical network requirements for consumers and generators and to create conditions for widespread availability for mass applications. A grid interconnection point will connect 2G to the long-distance pipeline from Lingen to the Ruhr area as well as to a cavern storage facility in the immediate vicinity of Heek. The planning envisages that this will be implemented as early as 2024/25.

With regard to the roll-out across Germany, the German Gas and Water Association (DVGW) has presented a three-pillar model as shown in the following diagram. In addition to expanding the H_2 backbone, it envisages decentralized generation of H_2 in the first local hydrogen networks, with an ascribed potential of 140 TWh via power-to-gas and pyro/plasma plants. Biomethane and renewable methane will also play relevant roles in decarbonization in the long term with a potential of 169 TWh.

Expansion stages for a national H_2 pipeline network for supraregional supply



The H_2 backbone of the transmission system operators ensures the supraregional supply of H_2. It delivers centrally generated and imported H_2 to the distribution grids. As things stand at present, three expansion stages are foreseeable. The area supply of hydrogen via the gas distribution networks is growing analogously to the three expansion stages of the prospective H_2 backbone.
Source: DVGW, H_2 in natural gas, June 8, 2021

From a CHP manufacturer's perspective, 2G currently identifies three main lines of hydrogen expansion and utilization. We take these into consideration in the technical development of our natural gas and hydrogen CHP systems.

1. Admixing H_2 into existing natural gas networks

2G systems can already use up to 40 % H_2 content in the standard natural gas variant without having to make any significant modifications to hardware. This technical flexibility makes it possible to adjust the hydrogen content during operation. If the hydrogen content is expected to exceed 40 %, the motor is delivered as a complete hydrogen version that can also be operated with natural gas with only minor efficiency losses.

Existing natural gas and biogas-driven systems can also be retrofitted, which is the case for almost every CHP unit installed today. For this reason, 2G advises the installation of a natural gas CHP system today, with conversion to hydrogen tomorrow.

2. Decentralized hydrogen applications

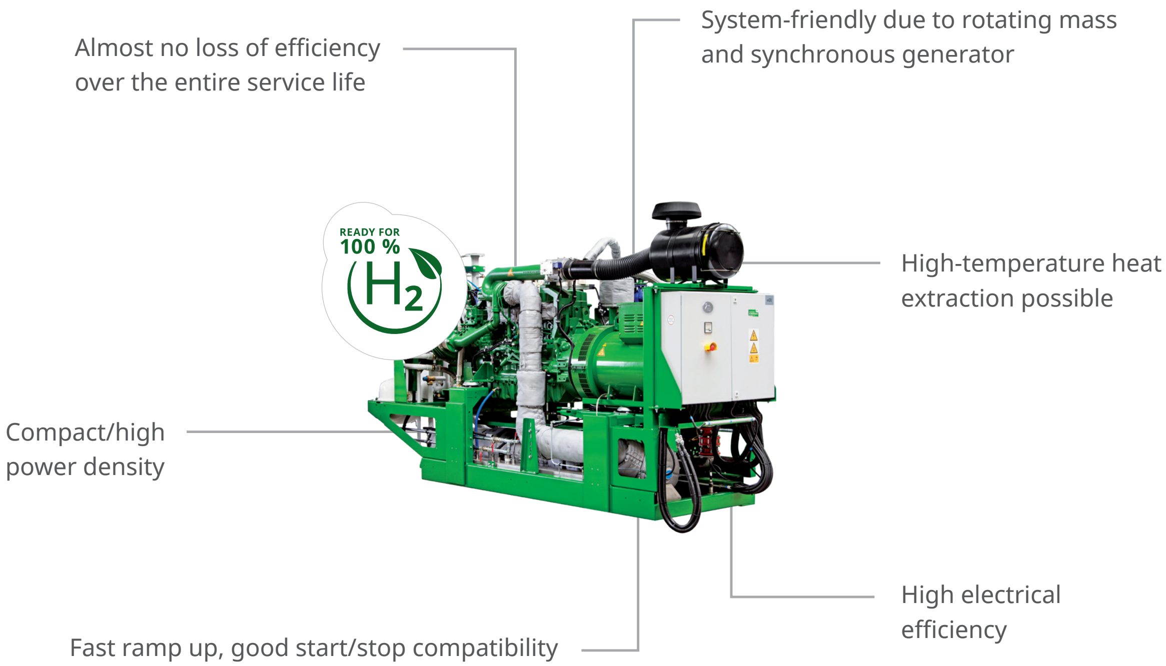
These are (still) pioneering projects for energy suppliers or industrial companies that produce green hydrogen themselves. From these projects they develop business models. Examples include Stadtwerke Hassfurt, Germany, and the climate-neutral residential district in Esslingen, Germany, both of which operate 2G hydrogen CHP systems. Electrolyser manufacturers and wind farm and solar plant operators are joining together with CHP manufacturers to develop exciting pilot projects that demonstrate cost degression potentials, assess applications for efficiency and practicality, and highlight system efficiency and cross-sector opportunities, especially for heat and electricity.

3. Building a new H_2 infrastructure

The development of an EU-wide hydrogen distribution network forms a good framework to incentivize and secure hydrogen projects for decarbonized energy supplies. 2G is seeking to connect its headquarters in Heek as outlined above. We are members of the European Hydrogen Clean Alliance and the Energy and Building Round Tables, which enables us to lobby for the rapid expansion of infrastructure and cross-sector applications.

Overall, 2G expects to establish all three of these building blocks, which together form the much-needed backbone for carbon-free, secure, and economical energy supplies. With its hydrogen CHP systems, 2G is well positioned for all scenarios, and is continuing to invest in the development of hydrogen-based energy solutions and improved motor power output.

Clean energy with German engineering for a secure supply



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Highlights 2021

Prize for internationalization strategy

The Ministry of Economics of the State of North Rhine Westphalia honours 2G with the NRW.Global Business Award for its successful and sustainable internationalization strategy. 2G supplies CHP units to over 60 countries.

Experiencing the energy transition – from Münsterland to Berlin

2G employees, representatives of associations and regional companies in the energy industry are travelling from Münsterland across the country to Berlin in the run-up to the Bundestag elections to show how successfully Münsterland companies are supporting the energy transition in Germany. In doing so, we are demonstrating that a successful energy transition is only possible if all technologies work hand in hand. We presented this central message of the energy transition to the political players in Berlin.

MÜNSTERLAND MANAGER STARKER PARTNER 2021
DIE ATTRAKTIVSTEN ARBEITGEBER

Attractive employer: 2G awarded 3rd place

Münsterlandmanager magazine awards 2G 3rd place as an attractive employer among companies with less than 1,000 employees. The 2G brand and our team spirit are convincing – and obviously exert a strong pull.

Solar power for customer and employee vehicles

Photovoltaics is not only the ideal partner for CHP for the year-round supply of electricity and heat, at the Heek site, it is also a clean energy source for the electric cars of employees and customers. There are now 18 charging stations available.

Simply configure a CHP unit online

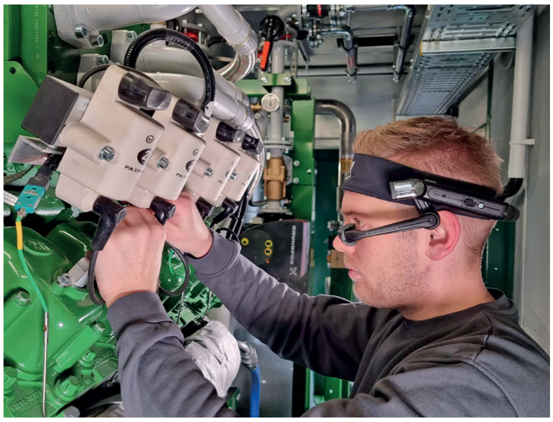
Developing a product configurator sounds banal, but it's not. Since October, our sales department and sales partners have been technically supported by our newly introduced digital platform CPQ (Configure, Price, Quotation). This product configurator supports project engineering, simplifies the preparation of quotations, and ensures that primarily standardised solutions are combined to meet customer-specific requirements to be able to produce the system more efficiently in Heek.

Lead to Lean: 200 % output increase

We have converted the production of g-boxes to industrial line production and thus increased production output by 200 % (Q4 2021 compared to Q4 2020). This production process is accompanied by new order scheduling, optimised intralogistics and material supply 2.0. We are continuing to roll out the model.

Digitalization overcomes borders

The limitations during the Corona pandemic show that digital tools and online platforms can take over many activities and functions of service and operation. With augmented reality tools, we even managed to commission already 29 CHP systems from Heek. This saved 770 working hours of travel time and more than 60 t of CO_2. That is our aspiration: to make the complex CHP technology easier to control and manage.



Spearheading development: hydrogen CHP from 2G

The continuing worldwide interest in our hydrogen CHP units and the increasing sales figures confirm our hydrogen strategy: 2G is investing in a more compact design and in power output, which should be comparable to that of natural gas CHP systems in the future.

2G. Group management report.

Group management report

Reservation in relation to forward-looking statements

This 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 these 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

Operating activities and corporate structure

The 2G Energy AG Group is an internationally leading manufacturer and provider of decentralized energy supply systems. With the development, production and technical installation as well as digital grid integration of cogeneration systems, the company offers comprehensive solutions in the internationally growing market for highly efficient combined heat and power (CHP) systems. After-sales and maintenance services comprise an important additional performance criterion. The product range includes CHP systems from 20 kW to 4,500 kW electrical output for operation with hydrogen, natural gas, biogas, as well as other lean gases. All systems operate highly efficiently, conserve resources, and reduce or neutralize emissions of climate-damaging carbon dioxide or NO_x through combined power generation, a variety of digital and mechanical innovations in the power generation process, and advanced exhaust gas purification systems. Worldwide, more than 7,000 installed 2G systems in various applications supply electrical and thermal energy to a wide range of customers from commercial and industrial companies, utilities, municipal utilities and communities, and companies in the housing and agricultural sectors.

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

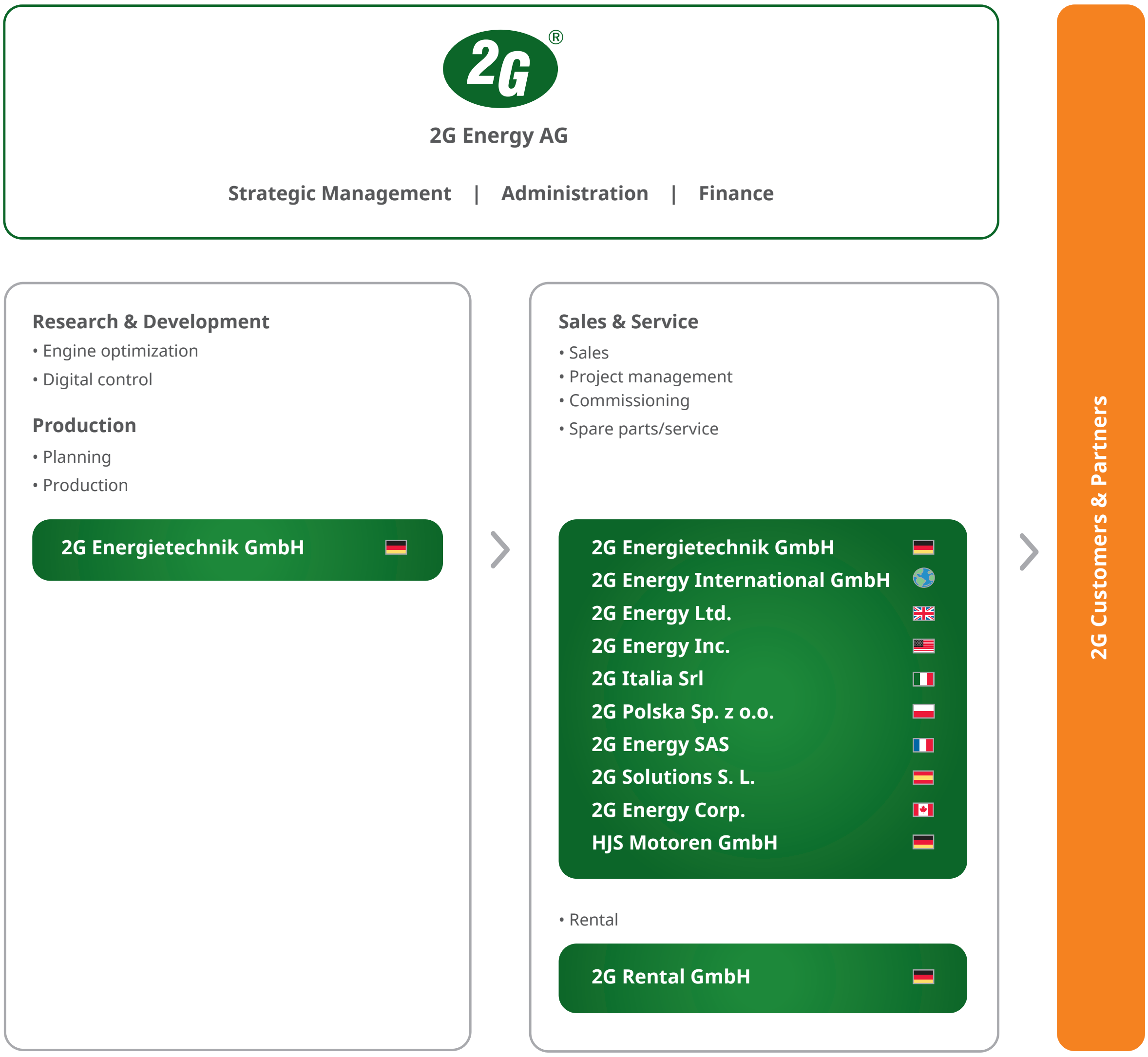


Diagram 1: 2G Energy AG corporate structure, subsidiaries' business purposes and value chain (as of December 31, 2021).

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

2G Energy International GmbH, Heek – newly founded in 2021 – is responsible for international sales.

In the past financial year, 2G acquired the entirety of HJS Motoren GmbH, headquartered in Amtzell, Germany. Previously, 2G held a 50 % interest in the company, which specializes in the maintenance and repair of combined heat and power systems with gas engines.

Outside Germany, 2G is represented by independent sales and service companies in the USA, Canada, France, the UK, Italy and Poland, among other countries. In addition, important conurbation areas and industrial markets are secured through sales partnerships in countries and regions such as Japan, Southeast Asia and Australia.

B. Economic and business environment

Macroeconomic situation

Coronavirus pandemic still noticeably influencing economic activity

In its Kiel Institute Economic Outlook published in mid-December 2021, the Kiel Institute for the World Economy (IfW) assumes that economic growth was restrained in the year under review due to the coronavirus pandemic (SARS-CoV-2). The recovery of the global economy lost momentum after the middle of the year. In the second half of the year, renewed increases in coronavirus infections and the newly emerged coronavirus mutant omicron slowed economic activity, while supply bottlenecks hampered the recovery in industrial production, and the Chinese economy appeared to have been derailed by policy-driven changes. Overall, according to the economists, the recovery of the global economy from the coronavirus-induced slump is proving to be halting and uneven. Although global production continued to trend upwards significantly over the course of 2021, the overall momentum was only moderate. With regard to 2021, IfW Kiel consequently estimates that global production expanded by 5.7 % (2020: -3.1 %; in the text below, the previous year's figures are shown in brackets). In its September forecast, IfW Kiel had still assumed 5.9 %. The economists estimate that gross domestic product (GDP) growth in the Eurozone amounted to 5.0 % in 2021 (-6.4 %), and in Germany to 2.6 % (-4.6 %).

According to the German Engineering Federation (VDMA), the mechanical engineering sector in Germany recorded strong year-on-year order growth of 32 % in real terms in 2021. Domestic orders grew by 18 % and foreign orders by 39 %. The year was characterized by an extraordinarily dynamic trend, according to the VDMA. Companies have thereby started the current year with an above-average high order book position of 10.9 months. The VDMA formulates its assessment for the further trend in 2022 as follows: "The order book position provides security, even though existing supply bottlenecks will continue for quite some time and make it difficult to process orders."

Overall global conditions and sector trends

CHP as an important building block in the future energy generation market

With its products and expertise, the 2G Group perceives itself as part of the global energy revolution. 2G contributes to resource conservation, emission avoidance and, as a consequence, climate protection with its highly efficient gas driven CHP systems which produce electrical and thermal energy in a combined process on an economical basis. The aim is to successively increase the contribution to climate protection per delivered system in the medium and long term by enhancing efficiency, reducing emissions and making the greatest possible use of digital applications and connections.

The very ambitious goals of the energy revolution – which have been reformulated by states and federations of states at increasingly shorter intervals in recent years – are leading to enormous challenges for energy producers and the energy infrastructure worldwide. A coherent overall concept for secure future energy supplies predominantly from renewables is not yet identifiable on either a national or an international level in many cases. The key question is how the existing energy system, which is based primarily on oil, coal and natural gas, can be transferred to renewables and hydrogen as a (primary) energy carrier and storage medium. At present, fossil fuels still cover around 83 % of the world's energy demand, as illustrated by diagram 2. In order to limit the temperature increase to 1.5 °C in accordance with the international Paris Agreement on climate protection, their use would have to be reduced to near zero by 2050 at the latest. In order to achieve this goal, the IEA's "Net Zero by 2050" scenario analysis calculates that an additional 630 GW of solar and 390 GW of wind capacity will be required annually by 2030. By 2050, wind and solar should then account for 70 % of electricity generation, with a further 20 % realized with other renewable generators.

Consequently, wind and solar energy rank among the pillars of future global energy supplies, although this power is naturally only available on a fluctuating basis. Therefore, they can only be included to a limited extent as a calculation factor for network operators to ensure secure supplies. In parallel, the dynamic build-up of wind and

World consumption by primary energy 2010 to 2020 in EJ

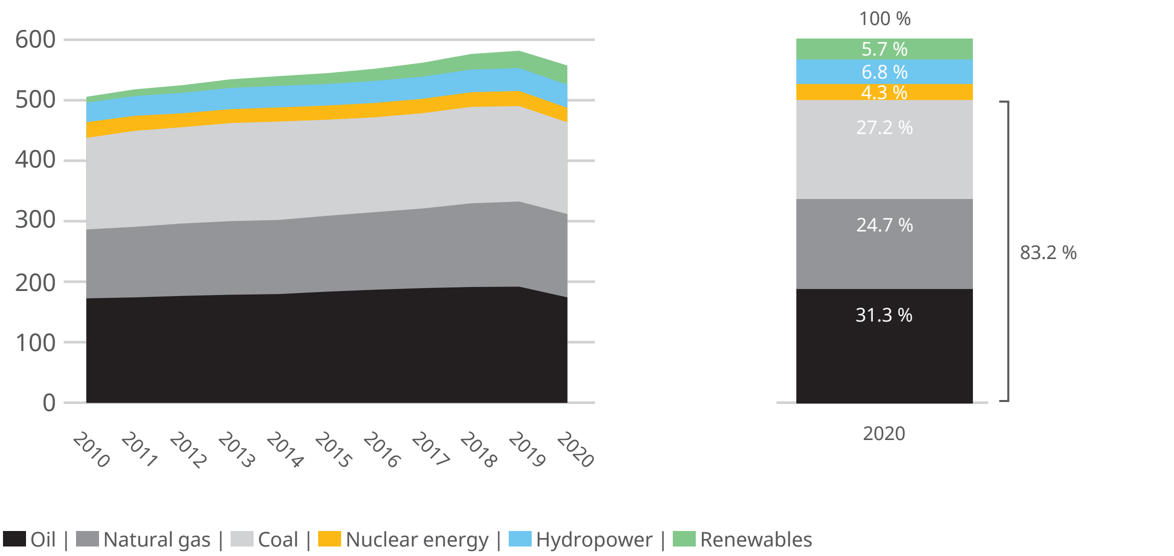


Diagram 2: World consumption by primary energy 2010 to 2020 in Exajoules. Percentage shares of energy consumption for the year 2020.
Source: bp, Statistical Review of World Energy 2021, July 2021

solar energy is accompanied by the reduction of fossil and nuclear generation capacities. The loss of conventional power plant capacity has a negative impact on grid stability and supply security. At the same time, demand for electricity will increase significantly in the future due to e-mobility, heat pumps, digitalization and electrolyzers for hydrogen production.

In consequence, the overriding challenge is to shape the transition to low-carbon generation under the primacy of economic efficiency and supply security. For example, the IEA report highlights that investment in electricity system flexibility will need to quadruple by 2050. Accordingly, an expansion of technical solutions and capacities that integrate renewables into secure, controllable supplies – and that can completely and securely assume residual load in the case of hazy fall and winter weather – is required. Technologies are in demand that produce electricity and heating flexibly and on an economically viable basis with natural gas and biogenic primary energy sources such as biogas, landfill gases and gases from purification plants, or hydrogen. Decentralized structures and intelligent networking of both generation and consumption units are required. Only in this manner can especially coal, which has base load capability, be replaced as one of the fossil primary energy sources emitting the most carbon dioxide.

As a fuel-independent, highly efficient technology, CHP plays a crucial role in this context as a highly flexible and decentralized backup system for the power grid and heat supply. CHP solutions for energy supply are not only suitable for processes with a high basic demand for electricity or heating, but they also meet very high performance and availability requirements as system-compatible and demand-driven generation units. At the same time, the systems operate at the lowest possible emission levels. Gas engines can be utilized in a wide range of applications thanks to their compact design and innovative combustion technologies, which achieve maximum efficiency in the most compact of spaces. Operation with biogas, gas from purification plants, landfill gas and hydrogen is already virtually climate-neutral today. Operation with natural gas reduces carbon dioxide emissions by around a half compared to coal-fired power plants, and can technically be converted to hydrogen – as already guaranteed by 2G for its systems today.

A CHP system is the natural partner of photovoltaic (PV) systems. Unlike, for example, heat pumps, which rely on the availability of (renewable) electricity at times when PV systems are often not producing, a gas-fired CHP system reliably supplies electricity and heat precisely when the sun is not shining. Diagram 3 shows the interaction of different energy sources, energy producers and energy users. To equate the energy revolution with the electricity transition would be short-sighted. After all, electricity accounts for only around one fifth of primary energy demand in Germany. The energy revolution must be implemented in integrated manner, including in the areas of heating and mobility, in order to achieve climate neutrality.

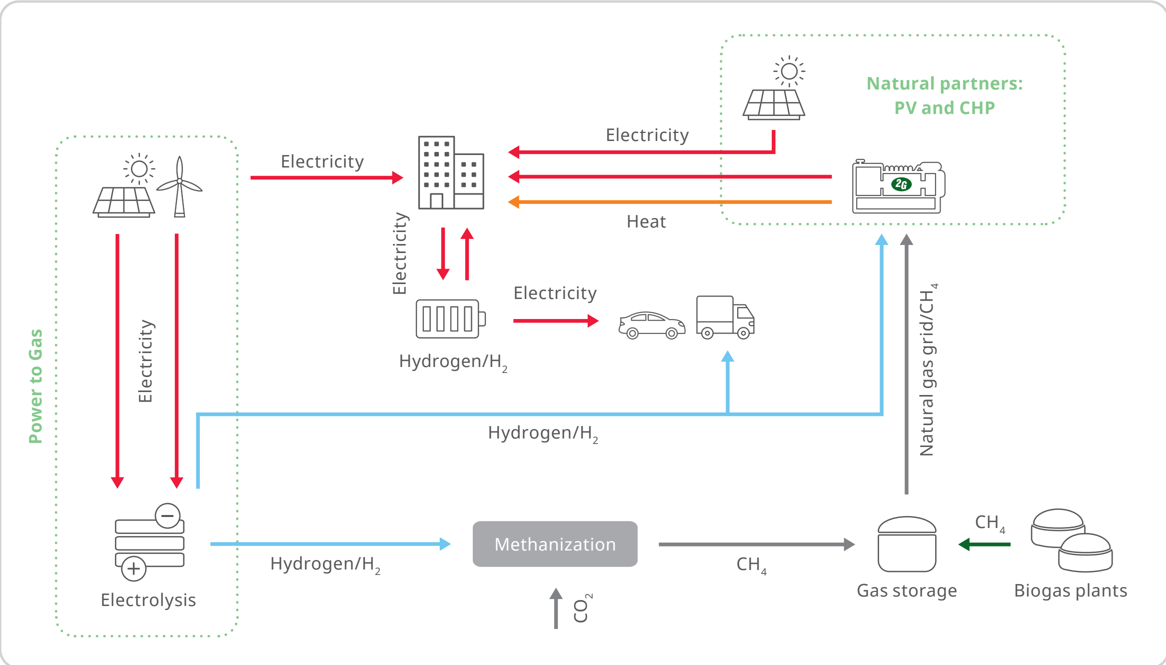


Diagram 3: A functioning energy system of the future requires efficient sector coupling of different systems.
Source: 2G Energy AG, 2021

Sector trends in Germany

2G enjoys robust new order intake from a high basis level

Germany remains a core market for 2G. Overall, 2G increased its new order intake for new systems by 1.6 % year-on-year to EUR 96.8 million, in relation to an already high level. Significant rises in energy costs (fuel, carbon dioxide certificate price, electricity) are causing companies to realign their energy management strategies. With CHP systems powered by natural gas, companies secure part of their energy requirements, they gain additional flexibility in generation and, thanks to the high efficiency level of CHP systems, they can reduce their energy costs and budget them better. With the amendment of the German Cogeneration Act (KWKG) at the beginning of the second half of the year, a regulatory framework is once again in place that establishes planning security for investors and operators at least until 2026. In the 20 kW to 50 kW power class, 2G sold 439 CHP units with improved regulatory conditions, more than doubling compared to the previous year. As 2G is also a solution provider for more complex power supply requirements, it has acquired some major projects with up to 4 MW of electrical power.

As expected, momentum in the biogas market slowed, with little change arising from the extension until July 2021 of subsidies for increasing the output of existing CHP systems. The replacement system business and the sale of CHP systems for small-scale waste management systems continued to grow. Biogas systems with flexibly designed CHP systems are a system-relevant component for supply security in the context of the energy revolution. This is also being gradually recognized by politicians in Germany's new coalition government.

Foreign markets report positive trend despite coronavirus restrictions

2G taps markets outside Germany not only through its own subsidiaries but also through its own global network of certified partners. 2G Energy International GmbH, which was founded in the year under review with the particular aim of working more intensively on export markets that have not yet been served by a separate national company. The focus is generally on

1. Markets with existing or emerging natural gas infrastructure,

2. Markets where economic conditions exist for different applications for biogas and other lean gases,

3. Markets where energy supply security represents a critical determinant for companies and public institutions, as well as

4. Markets where governments create favorable conditions for the use of climate-compatible energy generation.

Overall, 2G has expanded its sales activities internationally in a structured manner. New

Power generation by fuel and region 2020 in %

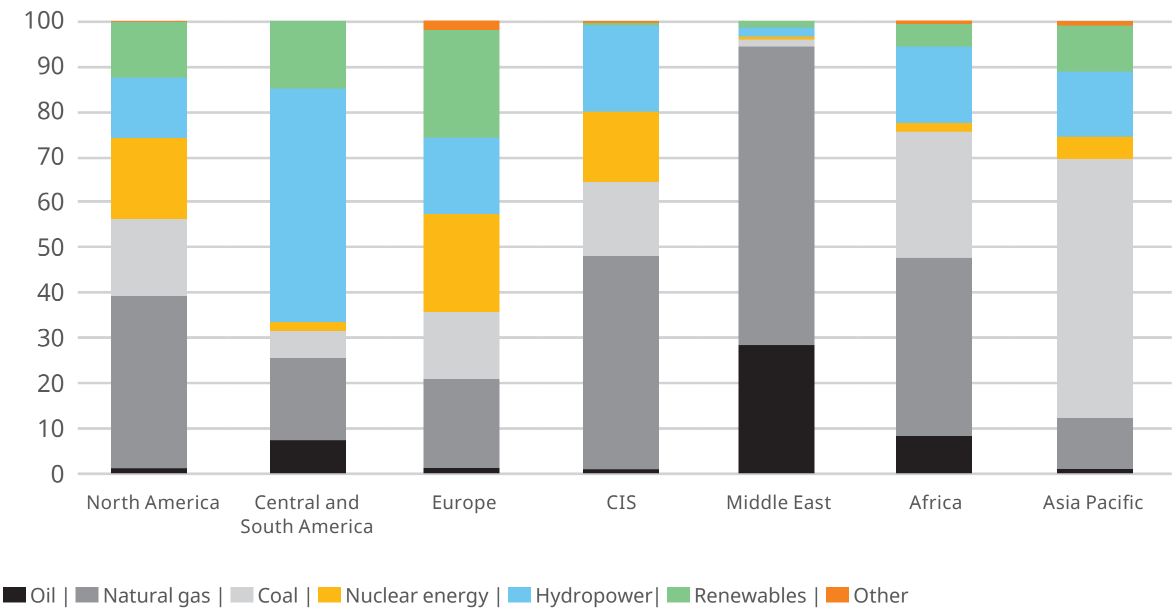


Diagram 4: Power generation by fuel and region 2020 in %.
Source: bp, Statistical Review of World Energy 2021, July 2021

order intake from abroad reflected this dynamic performance with a very high share of 48.8 % (35.7 %). Compared to the previous year, this corresponds to an increase of almost 75 % to EUR 92.2 million. With the exception of Asia, all sales regions contributed to this growth with a strong recovery in demand. 2G thereby successfully further advanced its diversification strategy in the year under review.

Europe recording strong growth

In Europe, sales of 2G CHP systems picked up significantly compared with the previous year, which was considerably affected by measures to curb the coronavirus pandemic, particularly in the second half of the year. In the most important and already more established sales markets of the UK and France, 2G again lifted new order intake to EUR 16.2 million (EUR 13.4 million) and EUR 11.4 million (EUR 9.9 million) respectively – in relation to the previous year's high level. In the year under review, for example, 2G implemented two outstanding projects in the UK: a natural gas CHP system with electrical output of 5 MW with steam generation for a dairy company operating throughout Europe and, to our knowledge, the first ever 100 % hydrogen-powered CHP system in the UK on the Orkney Islands. In France, sales of biogas CHP systems dominated. The natural gas business decreased significantly as a major subsidy program was discontinued.

In the rest of Europe, 2G achieved extraordinary sales success: new order intake was up by 3.5 times to reach EUR 29.3 million. In Poland, the Czech Republic and Slovenia, in particular, 2G has successfully acquired projects with predominantly natural gas-fired CHP systems. In Poland, utilities are beginning to convert their heating systems from coal to natural gas. In the Czech Republic, CHP systems are increasingly deployed to cover peak loads. In Slovenia, 2G equipped several greenhouse projects. The new order intake trend in the Benelux countries was also very encouraging.

North American market reports further dynamic new order intake growth

The North American market recovered significantly compared to the previous year. New order intake expanded dynamically – almost threefold – to EUR 20.2 million, which is just below pre-coronavirus levels (2019: EUR 22.3 million). Continued restrictions due to the COVID-19 pandemic (postponed permits and start-ups, investment restraint) have delayed more dynamic growth. In addition to coronavirus-related catch-up effects and an improved investment climate towards climate-compatible technologies due to the new US administration, three main drivers contributed to the solid trend:

1. The market for microgrids has performed steadily and positively in the USA. Repeated area-wide blackouts, such as those caused by Hurricane Ida and the winter blizzard in Texas, are driving demand for alternative, secure energy supply options.

2. CHP systems currently participate in subsidies for biomethane systems in the USA. The use of CHP systems with high efficiencies and low emissions improves subsidy-dependent key figures for operators. The utilization of CHP increases the value of the biomethane produced, as it is less carbon intensive.

3. The growing availability of LNG and the construction of LNG terminals are opening up new sales markets in the Caribbean region and Central America.

In this context, a special 40 MW program ("Biomat") exists in the state of California, which requires major utilities to purchase electricity from syngas systems. By means of a CHP system, electricity is efficiently generated from syngas from waste wood combustion. 2G is able to draw on a wealth of technical experience in this context. In the year under review, for example, a 2G CHP system with electrical output of 400 kW and thermal output of 600 kW located in an energy center that produces wood gas and vegetable charcoal from forest wood chips was named "CHP System of the Year" by a German-language trade journal.

Also in the year under review, the US subsidiary succeeded in having 2G CHP modules sold in the US market being certified by the Environmental Protection Agency (EPA). This officially confirms that the 2G systems comply with the applicable emission limits. In addition to proof of climate and environmentally compatible properties, obligatory annual emission measurements become obsolete on the customer side, leading to not insignificant cost savings for customers.

Asian business only slowly gaining traction

The Asian market presented a heterogeneous picture in the year under review due to the impact of the ongoing coronavirus pandemic and the varying degrees of pandemic containment measures in the respective countries. A noticeable reluctance to make investment decisions continued to prevail, which only began to ease at the end of the second half of the year. Sluggish approval procedures or delays in start-ups first became apparent in countries such as Australia, Japan and Korea. Overall, new order intake in 2021 was recorded around 50 % lower than in the previous year at EUR 5.4 million. In Japan, the government extended the subsidy facility for energy recovery systems for biogas, landfill gas and gas from purification plants by three years, thereby providing planning security once again. The sales partnership concluded with Yanmar Energy System Co., Ltd. in spring 2021 has already led to two orders for hydrogen CHP systems in the reporting year.

Spark spread remains at an attractive level

In principle, potential 2G customers are faced with the economic decision either to remain with a conventional energy supply or to invest in a gas-fired CHP system and thereby become to a good extent more independent of public supplies, enjoy a better planning basis, save energy costs and reduce greenhouse gas emissions. Whether a CHP system offers value for money depends on the so-called spark spread, the ratio between the price of natural gas and the price of electricity. For this reason, special attention is paid to this ratio in markets where CHPs are predominantly operated as base load generators.

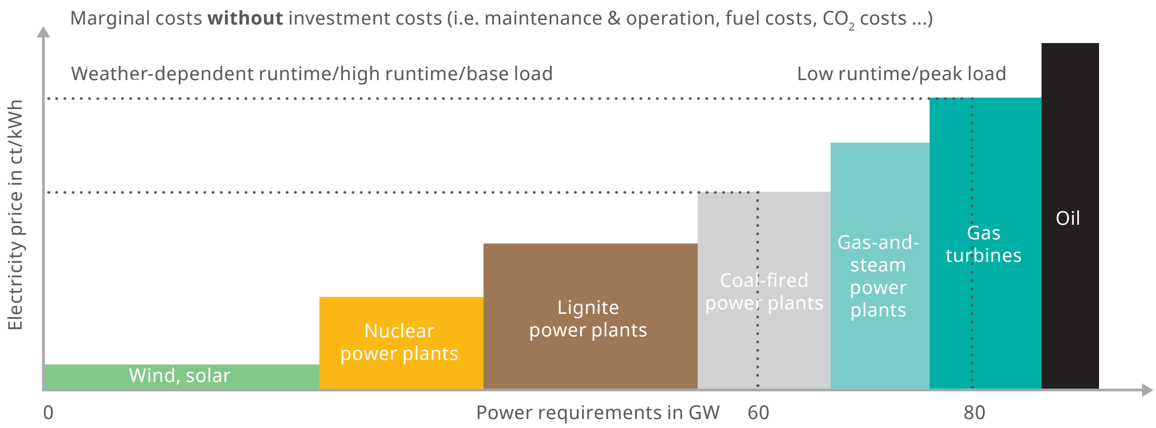
Electricity price determinants change in line with flexibilization requirements

Under the assumptions of the merit order model, gas and electricity prices correlate in the electricity market. In other words, if the price of gas rises/falls, the price of electricity rises/falls to a similar extent, albeit with a time lag. This is understandable in principle, as electricity is (to date) predominantly a product of processing a fossil primary energy source. The merit order ranks the deployment order of power plants. According to the model, these are determined by the marginal costs of the respective electricity generation, as shown in diagram 5. Starting with the lowest marginal costs, power plants with higher marginal costs are switched on until demand is met. On the electricity exchange, the last bid to win determines the electricity price. The price of electrical energy is consequently determined by the most expensive power plant that is still needed to meet demand for electricity.

Schematic representation of the marginal cost development of electricity generation

in ct/kWh

Scenario 1: Low wind and solar generation with existing power plant park



Scenario 2: Relatively high wind and solar generation with lower coal-fired power plant capacity and without nuclear power plants

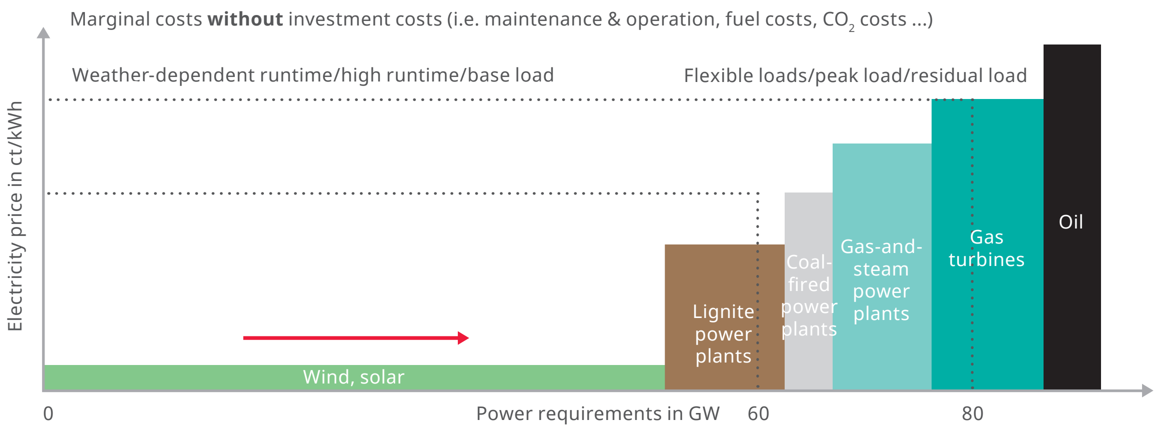


Diagram 5: Schematic illustration of the marginal cost development of electricity generation.
Source: 2G Energy AG, own illustration

If wind energy and photovoltaics cover the entire electricity demand of a day, electricity prices on the stock exchange are low as the marginal costs of generation are very low. On days with hazy fall and winter weather with very little production from wind energy and photovoltaics, exchange prices are significantly higher as coal and gas-fired power plants, which have higher marginal costs, assume most of the generation. However, if no nuclear power plants and increasingly fewer coal-fired power plants are available, gas-fired power plants with their typically quite high marginal costs will move into the price-setting role in the latter case. Apart from these two extreme scenarios, fluctuating renewables always require controllable power plants at their side – including on days with a light breeze and clear skies – so that area-wide supply can be ensured within the network. For the functioning of gas-fired CHP systems in the system, this means that their mode of operation – away from base-load operation – will be more closely aligned with the demand situation on the electricity market. Flexibility requirements and merit order price signals enable more lucrative operation. In the future, the profitability calculation for an investment in CHP systems will comprise additional components such as a price for flexibility. Initial incentives for increasingly flexible operation have already been created in Germany through the German Cogeneration Act (KWKG) by setting subsidy hours per year and through the German Renewable Energies Act (EEG) by setting maximum rated outputs and flexibility premiums.

On the basis of the correlation between gas and electricity prices described, and especially given the further reduction in nuclear and coal generation capacities, an investment in a CHP system is consequently economically viable also if gas prices rise.

Overview of the year

2G records dynamic growth in the 2021 financial year, increasing profitability and further expanding its activities outside Germany – including under coronavirus restrictions

2G started the 2021 financial year with well-filled order books (EUR 111.2 million). Thanks to continuously high new order intake both in Germany and abroad, which only slowed slightly in some regions due to the effects of the COVID-19 pandemic, 2G further expanded this high level throughout the reporting year. This shows the stability of the 2G business model. In 2021, new order intake increased by around 27 % year-on-year to reach a total of EUR 189.1 million (EUR 148.3 million). The distribution between foreign and domestic markets is almost balanced.

2G continuously increases foreign sales

Strong demand from abroad, with the exception of Asia, especially in the second half of the year, led to a further increase in the export ratio of 2G CHP systems to 45.9 % (43.4 %). In the past financial year, the company once again succeeded in substantially increasing foreign sales by around EUR 9.4 million, or 10.0 %, to reach EUR 103.8 million (EUR 94.4 million). On the basis of consolidated sales, the foreign share stood at 39.0 % (previous year: 38.3 %). It is encouraging to see that growing demand for highly innovative solutions that are also H_2-ready is broadly supported across almost all regions internationally. The strategy of operating primarily through our own subsidiaries in established markets and setting up a network of certified partners in emerging markets, including with 2G stations, is proving the right approach from a business perspective.

In addition to diversification in terms of gas types and sales markets, the service business, with a share of sales of 43.4 % (37.8 %), makes a significant contribution to sales growth. This is due both to the rising number of CHP systems sold with service contracts in Germany and abroad, as well as to the consistent digitalization of many service processes and connection of network partners and customers to the my.2-g.com portal. These include the I.R.I.S. ("Intelligent Report Information System") platform developed by 2G itself, and the use of augmented reality tools. For our customers, the optimized availability of CHP systems results in a more efficient electricity and heat yield of their systems. In addition, customers receive real added value via performance optimization and a reduction in their total costs of ownership.

2G Group turnover, order intake, EBIT margin

EUR million
in %

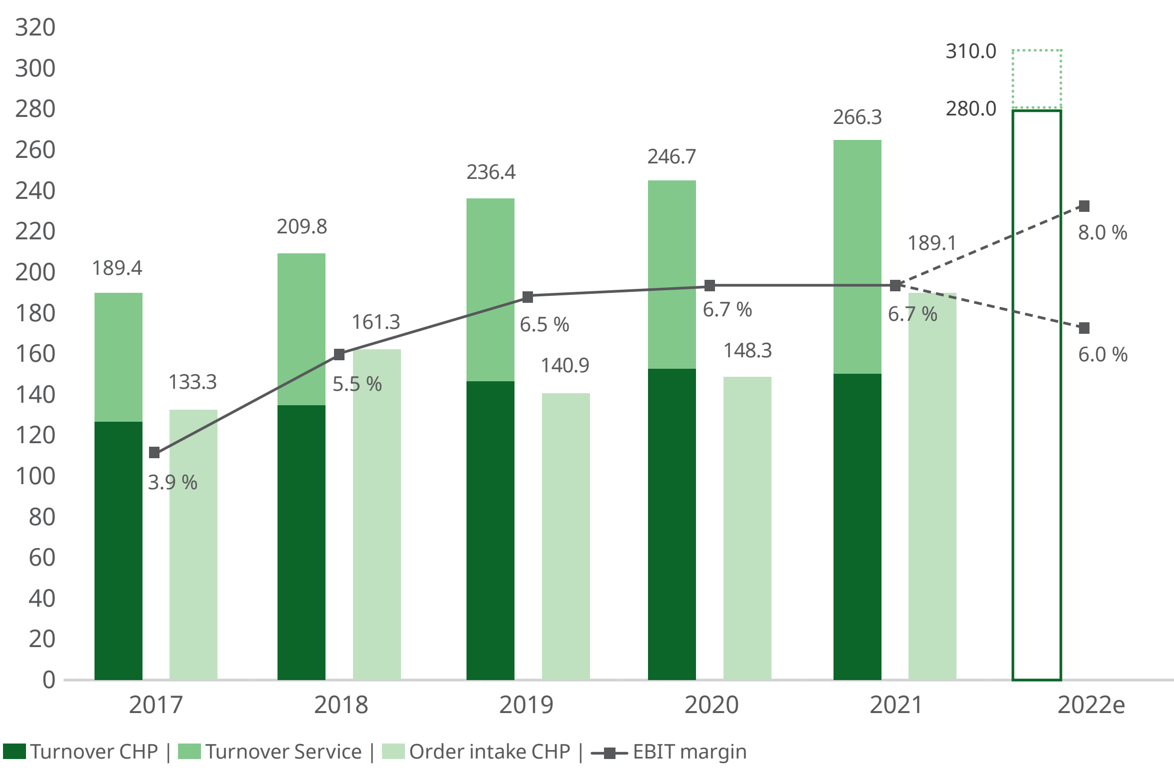


Diagram 6: Trends in sales, order intake and EBIT margin of 2G Energy AG 2017 to 2021 and the 2022 forecast.

In light of the good order book position and the dynamic order growth both in Germany and abroad, at the beginning of June the Management Board of 2G Energy AG had specified the consolidated net sales guidance at between EUR 250 million and EUR 260 million, in the upper half of the previous range between EUR 245 million and EUR 260 million. Given the deliberate and cautious expansion of capacities and structures in preparation for further sales growth over the coming years, the EBIT margin guidance was specified in October at between 6.0 % and 6.75 % (previously between 6.0 % and 7.5 %).

Ultimately, despite a variety of bottleneck situations, often caused by coronavirus restrictions, net sales of EUR 266.3 million (EUR 246.7 million) lay above the net sales guidance of EUR 250 million to EUR 260 million. December, usually a strong month for sales, was particularly affected by the renewed intensification of the COVID-19 situation, thereby raising the prospect of a renewed, comprehensive lock-down. Numerous customers were keen to bring forward service work that was already due or to commission newly supplied equipment without delay. In line with sales, the EBIT margin of 6.7 % (6.7 %) was also recorded well within the upper range of the updated guidance range.

C. Results of operations

The main key financial reporting figures are sales revenue and earnings before interest and tax (EBIT).

Net sales

2G grows net sales by 8 %

In the past financial year, 2G achieved consolidated net sales of EUR 266.3 million (EUR 246.7 million, +8 %). The company thereby continued its growth of around 10 % per year on average, which has been ongoing since 2013. Taking into consideration an increase in inventories of EUR 2.6 million (EUR 7.4 million), total operating revenue increased to EUR 268.9 million (EUR 254.2 million; including own work capitalized of EUR 0.1 million).

Composition of net sales

The following table shows the composition of net sales in both absolute and relative figures:

Composition of sales revenues and year-on-year change

	2021				2020			
	CHP systems	Service	Total	As a %	CHP systems	Service	Total	As a %
Net sales (million EUR)	**150.7**	**115.6**	**266.3**	**100.0**	**153.4**	**93.3**	**246.7**	**100.0**
Germany	81.6	80.9	162.6	61.1	86.8	65.5	152.3	61.7
Rest of Europe	37.7	20.7	58.4	21.9	34.8	20.2	55.0	12.9
North/Central America	18.0	7.9	25.9	9.7	25.7	6.2	31.9	22.3
Asia/Australia	7.5	1.9	9.3	3.5	4.6	1.2	5.8	2.4
Rest of the world	5.9	4.3	10.2	3.8	1.5	0.2	1.6	0.7

* Rounding differences may occur.

	Absolute (million EUR)			in %		
	CHP systems	Service	Total	CHP systems	Service	Total
Net sales (EUR)	**-2.7**	**22.3**	**19.6**	**-2**	**24**	**8**
Germany	-5.2	15.4	10.3	-6	24	7
Rest of Europe	2.9	0.5	3.4	8	2	6
North/Central America	-7.7	1.7	-6	-30	27	-19
Asia/Australia	2.9	0.7	3.5	63	58	60
Rest of the world	4.4	4.1	8.6	> 100	> 100	> 100

* Rounding differences may occur.

The trends in net sales in 2021 were characterized by the following factors:

1. Net sales generated abroad reported year-on-year increase of 10.0 %, thereby expanding at a faster rate than the rate of growth in total operating revenue. Overall, around 46 % of net sales were generated from sale of CHP systems abroad. Both foreign sales partners and the 2G subsidiaries contributed to this sales growth. The branch operations generating the highest sales again included

2G Energy Ltd. (UK) with EUR 26.2 million (previous year: EUR 22.2 million) and 2G Energy Inc. (USA) with EUR 21.0 million (previous year: EUR 27.2 million).

2. Net sales from services and the sale of replacement parts rose by around 24 % year-on-year to EUR 115.6 million (EUR 93.3 million), thereby significantly outpacing the rate of growth in total net sales. The sales growth in this business area was largely generated in Germany (EUR +15.4 million). HJS Motoren GmbH, which has been fully consolidated since the complete takeover in May 2021, contributed EUR 4.7 million to this amount.

3. Sales from the distribution of CHP systems were down slightly on the previous year at EUR 150.7 million (EUR 153.4 million). The growth in sales abroad (EUR +2.5 million) failed to fully offset the decrease in Germany (EUR -5.2 million). The electrical output sold in the past financial year amounted to 174.9 MW (191.8 MW) with a total of 652 turbines (573 turbines).

Group results

2G lifted its earnings before interest and tax from EUR 16.4 million to EUR 17.9 million in the reporting year (+9.0 %), corresponding to a 6.7 % EBIT margin (6.7 %). The EBIT margin is thereby recorded at the upper end of the 6.0 % to 6.75 % target range specified in October 2021.

Despite an increasingly tense situation in procurement markets, including significant price increases in some cases, 2G succeeded in reducing its cost of materials ratio from 65.8 % to 63.7 % in the past financial year. In addition to extensive cost-cutting measures both in engine procurement and in the production process, the higher service share of total sales had a positive effect on the cost of materials ratio.

By contrast, personnel expenses recorded a marked increase of EUR 5.1 million to EUR 49.4 million, representing a 18.4 % personnel expense ratio (17.4 %). HJS Motoren GmbH, which was consolidated for the first time, contributed EUR 1.2 million to the rise in absolute terms. In addition to a general wage adjustment at the beginning of the financial year under review, further capacities were added, particularly in the service and international business, which is set to grow further. Moreover, the higher share of wages and salaries in the expanded service business led to a tangible increase in the personnel expense ratio.

Other operating income was up year-on-year from EUR 1.2 million to EUR 3.4 million. The sale of the operating property in St. Augustine, Florida, which generated a capital gain of EUR 1.1 million, played a major role here.

Sales and marketing, operating, administrative and other expenses rose compared with the previous year, from EUR 24.6 million to EUR 29.7 million, particularly reflecting higher costs for hardware and software maintenance (EUR 1.5 million, +44 %), sales commissions (EUR 2.0 million, +117 %), and legal and consulting fees (EUR 1.6 million, +41 %). Travel expenses also reported a further moderate increase in 2020 (EUR 1.9 million, +17 %) following a coronavirus-related decrease. After a net financial result of TEUR 206 (previous year: TEUR -184), mainly deriving from EUR 5.1 million of interest on loans and commissions for guarantees of bills, as well as income taxes (previous year: EUR 4.3 million), the Group reports a consolidated net profit of EUR 12.6 million (previous year: EUR 12.0 million).

D. Financial position

The following condensed cash flow statement presents the Group's financial position:

Consolidated cash flow statement

		31/12/2021	31/12/2020
		TEUR	TEUR
	EBIT	**17,927**	**16,446**
+	Depreciation, amortization and extraordinary write-downs on fixed assets	3,941	3,664
=	**EBITDA**	**21,868**	**20,110**
+/-	Cash flow from net change in working capital	-6,424	-5,561
+/-	Change in other provisions	3,490	-1,953
+/-	Change in other assets as well as miscellaneous assets that are not allocable to investing or financing activities	-3,982	-1,781
+/-	Change in other liabilities as well as miscellaneous liabilities that are not allocable to investing or financing activities	-529	3,011
+/-	Loss/gain on fixed asset disposals	-1,143	-167
-	Result from associated companies	0	-15
+/-	Income tax payments	-4,419	-3,858
=	**Cash flow from operating activities**	**8,863**	**9,785**
	Cash flow from investing activities	**-1,856**	**-2,104**
	Cash flow from financing activities	**1,617**	**-7,372**
	Liquid funds on December 31	**19,677**	**10,992**

In the past financial year, cash flow from operating activities decreased slightly to EUR 8.9 million (previous year: EUR 9.8 million). As part of investing activities, a total of EUR 4.9 million was invested in tangible and intangible fixed assets (previous year: EUR 2.7 million), which consisted of the following items:

- EUR 0.8 million in new (service) vehicles by 2G Energietechnik GmbH
- EUR 0.7 million in new software by 2G Energy AG
- EUR 0.4 million for various (re)construction measures by 2G Energietechnik GmbH
- EUR 0.4 million in new (service) vehicles by 2G Energy Ltd.
- EUR 0.2 million in new tools by 2G Energietechnik GmbH

These investments were mainly financed from current cash flow.

In addition, a net amount of EUR 1.2 million was disbursed for the acquisition of the remaining shares (50 %) in HJS Motoren GmbH. The sale of investment property (particularly the sale of the operating property in St. Augustine, Florida) led to a cash inflow of EUR 3.3 million (EUR 0.4 million). Furthermore, dividends of EUR 0.8 million were received from HJS Motoren GmbH prior to its first-time inclusion in the consolidated group. Overall, cash flow from investing activities in the past financial year amounted to EUR -1.9 million (previous year: EUR -2.1 million).

Liquid funds of EUR 5.3 million were received in connection with the capital increase realized in the first quarter of 2021. A total of EUR 1.3 million was disbursed for the scheduled repayment of financial liabilities. In addition, a dividend of EUR 2.0 million was paid out in June. Overall, cash flow from financing activities amounted to EUR 1.6 million (EUR -7.4 million).

Finally, liquidity in the form of bank deposits amounted to EUR 19.7 million as of the balance sheet date. Free credit lines with banks were, and are, available as required for guarantees, sureties, letters of credit and as a potential liquidity reserve. Free lines of around EUR 19.0 million were available as of December 31. No significant changes occurred to lending conditions.

E. Net assets

Overview of the 2G Group's net asset position:

Assets

	31/12/2021	31/12/2020
	TEUR	TEUR
A. Fixed assets	27,118	26,718
B. Current assets	139,620	117,256
C. Prepayments and accrued income	1,377	610
D. Deferred tax assets	1,587	1,975
Total assets	**169,702**	**146,559**

Equity and liabilities

	31/12/2021	31/12/2020
	TEUR	TEUR
A. Equity	94,540	78,312
B. Provisions	17,661	13,387
C. Liabilities		
I. Bank borrowings	5,316	5,465
II. Other liabilities	52,185	49,396
Total equity and liabilities	**169,702**	**146,559**

Total assets expanded by around 15.8 % to reach EUR 169.7 million as of the December 31, 2021 reporting date. The following factors, in particular, contributed to this increase in total assets.

- Inventories were up from EUR 60.8 million to EUR 72.2 million as of the balance sheet date. This was mainly due to the increase of EUR 10.3 million in raw materials and supplies (EUR 52.2 million, previous year: EUR 41.9 million). Here. the increase of EUR 3.5 million is attributable to the first-time inclusion of HJS Motoren GmbH in the consolidated group. With its generous stockpiling of production materials, 2G has responded or continues to respond to the more difficult availability of materials in procurement markets; corresponding price rises have also led to an increase in inventories of raw materials and supplies.

- Liquid funds rose by EUR 8.9 million compared with the previous year's reporting date.

Net working capital increased to EUR 72.3 million as of the reporting date (previous year: EUR 62.9 million).

Equity was up to EUR 94.5 million as of December 31, 2021 (previous year: EUR 78.3 million). The main changes relate to the consolidated net profit for the year under review (EUR 12.6 million), the EUR 0.1 million increase in the share capital, and the addition to the capital reserve (EUR 5.2 million). At the same time, a dividend of EUR 2.0 million was paid out. The equity ratio rose from 53.4 % to 55.7 %.

The EUR 4.3 million increase in provisions to EUR 17.7 million is attributable to a higher level of personnel provisions (EUR +1.2 million) and warranty obligations (EUR +0.8 million), and particularly to greater provisioning requirements for remaining work on completed systems and outstanding purchase invoices (EUR +1.8 million).

Overall statement on the business situation

Business performance in the past financial year was again satisfactory. 2G has come through a second financial year that was marked by the COVID-19 pandemic in good shape. Both sales and earnings were up on the previous year, enabling 2G to continue its average growth of around 10 % per year on a profitable basis since 2013. In parallel, 2G recorded high new order intake for new machines throughout the financial year under review, exceeding the previous year's figure in almost every quarter and expanding by around 27 % year-on-year for the year as a whole. Together with the structurally growing service business, this leads to a further stable rise in capacity utilization. The equity ratio, which is recorded at well above 50 %, and the high level of liquidity secure further growth. The Management Board is convinced that by consistently pursuing the company's four lead projects, the Group will be able to achieve net sales of around EUR 330 million and an EBIT margin of around 10 % by 2024.

F. Corporate responsibility

Business activities are inseparably connected with risks. Corporate success is characterized by the fact that – after giving due in-depth consideration to all important decisions – the respective opportunities outweigh the risks entailed. 2G interprets risk in the broadest sense as the risk of failing to achieve technological, financial and operational targets as planned, and within the narrowest bounds as the risk of jeopardizing the company as a going concern. In this sense, risk management forms an element of all decisions and business processes.

Management of risk and opportunities

The Management Board, the managing directors of all 2G companies, and relevant department heads are all defined as risk managers in the company-wide risk management process. These risk managers reappraise the areas that they manage and their risk situations at regular intervals, reporting identified risks to the next highest level in the hierarchy, or as part of regular Group-wide reporting duties. Significant changes in the assessment of known risks as well as new significant risks are reported immediately.

The deliberate and controlled handling of opportunities and risks thereby forms a central management element in the 2G Group. The Supervisory Board receives important key data for business trends and risk evaluation as part of quarterly reporting.

2G continuously records and evaluates new challenges and opportunities due to internationalization, the securing of supply chains, the EU Taxonomy, digitalization, optimization of the depth of vertical manufacturing, as well as services, such as the rental of 2G power systems. The continuous endeavor to consistently conserve resources, avoid waste and emissions, and increase the efficiency of the 2G power systems forms part of the identity of all business units. Continuous optimization of the power systems and the service lead to improved economic efficiency, reduce the total cost of ownership, and increase customer benefit. The identification of opportunities and new business possibilities in terms of products, sales and service is equally important for the further development and growth of the 2G Group. At regular meetings, the Management Board and divisional heads develop strategic options, new products and business models for the 2G Group's medium and long-term prospects.

For the business activities of the 2G Group, the management has assessed the risks listed below as relevant for the company's further development, and measured them as to their importance. This mainly entails listing risks whose materialization would have a significantly negative effect on the company's financial position and performance. 2G is potentially exposed to further risks, although these are not yet known, or are currently not yet gaged as significant. The following risks were identified as of the reporting date and as of the date of the preparation of this management report, taking existing management and controlling measures into account. The risks are presented in decreasing order of importance. This order also includes the assessment of the risks arising from the war in Ukraine and the ongoing COVID-19 pandemic, which are described separately. At the time of producing this report, the management was not aware of any risks that might jeopardize the 2G Group as a going concern.

Sector-related risks/sales risks

The 2G Group's total sales and earnings are based on the various 2G products and services in different performance classes, application areas and operating gas types as well as a large number of global markets. This diversification is designed to help minimize risks, as international markets are different in terms of their structure, their legislative conditions for the energy market, and economic cycles. It also lends expression to 2G's strategy of becoming an internationally operating company that is independent of national legislation or economic cycles. In this context, 2G integrates its risk management into the processes involved in sustainable business planning. Potential negative developments, such as changes in customer demand or changes in policy and legislative conditions, are described and assessed in the risk report. Such an approach allows countermeasures or supportive measures to be launched at an early stage where actual events differ from planning. This analysis also influences investment and expansion projects.

IT risks

IT risks with an impact on operating results occur if data and information or processes are unavailable or incorrect, unintentionally disclosed, or when processes have been programmed in IT systems in a form that is too inflexible, too complex, or illegal. Security gaps and insufficient emergency planning measures can quickly become incidents affecting the entire company.

Violations of data protection due to incorrect allocation of authorizations or the EU General Data Protection Regulation (GDPR) can have negative external effects or lead to fines. The growing importance of IT and the increasing networking of IT structures, both for the Group and for its products and services, require high expenses for further development and maintenance. As the complexity of the IT landscape increases, so do the potential risks, despite efficient processing and programming. Significant risk scenarios for 2G include the failure of central IT systems, the publication of confidential research and development and business development data, as well as the manipulation of IT systems and cyber attacks on the CHP itself or the my.2-g.com platform.

The redundant design of technical components, networks and locations, as well as appropriate emergency preparedness and IT security architecture ensure that 2G has the requisite availability of its business-critical systems and control over the CHPs in the field with access to all relevant data at all times. Appropriate organizational and technical precautions as well as security measures for access control, access rights, virus protection and data protection further limit such risks. Employees are subject to rules of conduct in relation to IT security and receive regular online training to raise their awareness and to keep them mindful of the importance of IT security in day-to-day business. A dedicated process ensures that IT risks are evaluated, and appropriate measures taken. In March 2022, after an audit, 2G obtained certification of its IT with the ISO 27001 standard. It is the leading international standard for information security management systems, making it a key cyber security certification. To secure and protect personal data, 2G cooperates with an external data protection officer and follows the recommendations for implementing the EU GDPR.

Risks of corporate growth

2G aims to continue its growth both in Germany and abroad particularly through organic growth and, where appropriate, through strategic alliances and acquisitions of companies or parts of companies. The appointment of suitable managers and employees, the selection of strategic partners, and the raising of the necessary financial resources are required in order to leverage such opportunities. The meaningful expansion of appropriate organizational structures is also required, especially in the areas of financial accounting, controlling, personnel, and sales and marketing. Strong growth, acquisitions and strategic alliances harbor integration and execution risks by their very nature. 2G has developed and rolled out an extensive partner concept to minimize the company's own risks in the internationally growing CHP market as well as its level of capital employed. Partnerships both in Germany and abroad thereby form a central sales and service model, keeping market entry and market establishment risks as low as possible for the 2G Group.

Legal risks

2G is also exposed to litigation risks. These may include, in particular, risks from the areas of product liability, competition and antitrust law, capital market law, patent law, labor law, international tax law and environmental law. As a research-based technology company, 2G owns a portfolio of industrial property rights, such as patents and brand names. These may become the target of attacks and infringements. 2G strives to minimize and manage all legal risks across the board. Wherever possible and practical, 2G limits liability and loss risks in the countries where it operates through contractual agreements and insurance cover, whose type and scope are constantly adjusted in accordance with current requirements. Here, 2G can already rely on experience gained in numerous countries outside Europe. The company can also call upon a country-specific advisory network consisting of auditors, tax consultants and lawyers who attend to the Group's cross-border affairs.

Latent tax and liability risks exist in the case of cross-border transactions (purchasing and selling), which can arise with formal offenses. Thanks to the requisite specialist knowledge in the relevant divisions, early and correct tax and legal allocation can be implemented, including involving external experts. Despite process-based precautions, erroneous assessments and processing errors cannot be excluded entirely.

Cover and liability gaps are closed within an integrated worldwide insurance program for all 2G companies. Insurance premiums are adjusted through appropriate and manageable deductibles.

Product quality, price and availability risks

As a manufacturer of complex technical systems, 2G is exposed to heightened product liability risks. Ongoing quality controls and documentation along the entire value chain minimize such risks. This starts with the definition of processes in production, service and administration, and with the qualification of suppliers, and continues with comprehensive quality requirements for materials and semi-finished products used, as well as with long-term strategic cooperation in relation to preliminary products, as well as a personnel policy that is very strongly geared towards qualification and quality awareness. The capability to make deliveries and supplies delivered to deadline are an important competitive factor.

On the purchasing side, risks arise from potential increases in raw material prices, the availability of intermediate products, and supplier defaults. The aim is to avoid dependencies and to ensure parts availability and delivery capability through order quantity optimization and inventory management. In the year under review, for example, 2G proactively increased its stock of engines for the most common CHP modules, expanded its storage capacity at the Heek site and stockpiled inventories. Moreover, 2G can rely on alternative suppliers for almost all components and is geographically focused on the Germany, Austria and Switzerland region, so that logistics risks would also appear to be manageable.

2G does not regard the processing of the order book position with the existing products and components as being at risk in the foreseeable future. In the second half of 2021, however, projects were increasingly postponed by several weeks or months. In many cases, project delays occurred as a consequence of bottlenecks in materials, labor or regulatory approvals. 2G expects this situation to be temporary in nature and to be resolved as coronavirus restrictions are rolled back during the first half of 2022.

Political risks

The destabilization of political systems and the potential imposition of trade barriers or changes with regard to legal certainty, as well as fluctuations in currency exchange rates, may lead to sales problems in certain countries and regions. It should be possible to reduce the potential negative impact by diversifying regional sales markets. Entry into developing markets and a withdrawal from saturated submarkets are considered in the process.

Research and development risks

Right from the outset, innovation has formed a key element of 2G's corporate strategy, with a view to setting the company apart from its competitors through digital, technological and electrical engineering expertise. This is associated with the latent risk that research and development projects will be delayed, anticipated budgets exceeded, or targets not met. Ongoing research and development projects are monitored for this very reason and are discussed regularly and reorganized where appropriate. Decisions regarding investments in new technologies, for example, are made with the aim of minimizing risks as far as possible.

Financial risks

As an internationally active company, 2G is exposed to various financial risks. Such risks primarily include liquidity risks, default risks, tax risks, currency risks, customs risks, and market price risks. In order to secure itself as a going concern, a company must be able to fulfill its commitments arising from operational and financial activities at all times. 2G manages its liquidity across the entire Group centrally through its parent company 2G Energy AG in Heek in order to minimize any liquidity risks.

Default risks can arise both in connection with financial investments, loans taken out, financing commitments, or through the rental transfer for utilization of 2G power systems, and in the case of operating receivables. Inherent credit and default risks are hedged as far as possible through a credit insurance policy that is in place. This also ensures professional ongoing credit monitoring and debt collection.

Overall, 2G minimizes these risks through its stringent prepayment policy. Only a few significant financial transactions entailing credit risk are concluded, and only with banks with good credit ratings. Moreover, the 2G Group has extremely good liquidity, which significantly reduces its dependency on lenders. As a matter of principle, however, it cannot be excluded that, in markets that are at times changing extremely rapidly, specific trading partners or customers with CHP rental agreements default, even if such counterparties have positive credit ratings.

As a result of its global group structure, 2G will naturally be exposed to currency and interest rate risks, even if only to a limited degree. 2G has minimized currency risks due to exchange rate and interest rate fluctuations, especially through forward currency transactions. Financial transactions, outstanding operating receivables, and obligations are to be exchange-rate hedged mainly through forward currency transactions.

Risks in the personnel area

The future performance and growth of all 2G companies is highly dependent on their employees and their know-how. Consequently, the expertise and commitment of employees in all the areas of the company are crucial to its success. The regional talent markets relevant to 2G are characterized by intense competition. Competition is additionally intensified by the scarcity of qualified specialists in the areas in which 2G operates and by demographic challenges in global markets. As a consequence, recruiting and retaining qualified specialists and talents at 2G represents one of the key priorities for the company. 2G promotes the further training of its own employees and specialists and endeavors to recruit staff at an early stage, i.e. while they are still training. Potential improvements are identified through employee surveys, which are then implemented through specific measures. In addition, 2G offers its employees a catalog of voluntary social benefits, further training opportunities and certain flexibility options for the provision of services in order to make the Group even more attractive as an employer.

Environmental and safety risks

As a company with production operations, 2G is exposed to risks of possible personal injury as well as damage to the environment, its property and its reputation. We minimize these risks by auditing, advising and training in matters of environmental protection as well as occupational health and safety. Safety and occupational safety officers manage these risks both at individual sites and on our customers' building sites to protect the company's interests. 2G ensures the preservation of its goods and assets by adhering to high technical standards, strict codes of conduct, and all legal requirements for environmental protection and occupational health and safety. In addition, 2G itself is interested in conserving resources and maintains a certified energy management system according to ISO 50001:2011, and an environmental management system according to ISO 14001.

Repercussions of Russia's war against Ukraine

On February 24, 2022, Russia attacked Ukraine and has since been waging a war of conquest. On the Ukrainian side, this has led to a total mobilization of the male population, is driving millions of people to flee the country, and is progressively leading to large-scale destruction of cities and infrastructure. Ukraine will not be a production location and supplier of raw materials for the foreseeable future. The Western community of states has imposed a wide range of extensive sanctions on Russia, both on individuals and on the movement of goods and money. With regard to Europe, Russia is the largest exporter of primary fossil fuels (coal, oil and natural gas) and a major supplier of further industrial and agricultural raw materials to the world economy. The insecurity triggered by the war, emerging shortages due to the sanctioned movement of goods and money, and significant increases in the prices of fossil primary energy sources and agricultural goods are very likely to incur serious economic repercussions worldwide.

Following the recent signs of containment of the COVID-19 pandemic and the emergence of an endemic situation – at least in the Western world – the war may once again dampen economic performance in almost all of the world's economies. Contributing factors may include significantly higher price levels for raw materials and fossil primary energy sources, a decrease in production in parts of industry, a lack of precursors and/or key components in production, disruption of supply and logistics chains, and a partial lack of demand. Uncertainty and profitability considerations can lead to a sustained slowdown in the propensity to invest, as well as to postponements of investments, and to the temporary or permanent discontinuation of production lines and branches.

2G identifies risks from Russia's war against Ukraine primarily in the areas of "sales risks", "product availability risks", "political risks", "IT risks" and "environmental and security risks" discussed in the risk and opportunity report, and assesses these – on the basis of information available as of the end of March 2022 – as follows:

Sales risks

The Management Board assumes that the uncertainty triggered by the war will only pose temporary sales risks. Russia and Ukraine play a very minor role in 2G's sales. From a rational perspective, demand continues to exist worldwide for decentralized, base-load capable and carbon-saving power generation capacities. The significant rise in prices for fossil primary energy sources has also highlighted the importance of efficient and resource-conserving energy generation. The combined generation of heat and power at the same time offers precisely these sought-after features. War and its effects do not stop climate change, nor do they make it less of a presence. A temporary shift in the priorities of fiscal resources towards spending on humanitarian purposes and on military equipment for defense is likely, but will not call into fundamental question legislative plans to expand climate protection in Germany and the G7 countries. On the contrary, given the EU's efforts to break away from its dependence on Russia for fossil primary energy sources as rapidly as possible, renewable energies and particularly efficient technologies will receive greater political attention and very likely further investment incentives in order to accelerate and complete the transformation towards energy generation that is as carbon-free as possible. Furthermore, 2G has well diversified potential sales risk thanks to its broad international presence as well as a certain degree of planning security due to its high current order book position. Moreover, service contributes to approximately 43 % of the Group's sales, thereby generating predictable, continuous cash flows beyond 2023.

Product availability risks

2G considers the availability of components and parts for production and service to be secured, as a matter of principle. 2G stockpiled engines and supplies at an early stage and expanded capacity at the Heek site. Suppliers are continuing to operate reliably and have demonstrated their ability to deliver, including after the war started, indicating no restrictions to date. In addition, 2G can rely on alternative suppliers for almost all components. Geographically, 2G is focused on the Germany, Austria and Switzerland region, so logistical risks should also be manageable. The company's solid balance sheet position and, in particular, healthy liquidity give it the necessary scope to exploit procurement opportunities on a countercyclical basis. With the products and components available, 2G does not perceive any risks with regard to the aforementioned order book position. However, delays on the part of customers due to delivery bottlenecks or logistics problems at construction sites for CHP projects may lead to delays in commissioning, and thereby in some cases to delays in final invoicing.

Political risks

Due to the subordinate role that the states of Russia and Ukraine have long played in 2G's CHP sales, the economic sanctions imposed by the Western community of states and the restrictions on Russia in terms of monetary transactions do not affect us directly. The same applies to Russia's economic and legal responses to such measures. We regularly assess the risk arising from the sanctions threatened by the USA against companies actively doing business with Russia. Abandoning the Russian sales market would not have a significant impact on 2G. With a look to the foreseeable future, neither country is likely to develop into a significant sales market for the reasons mentioned in the next paragraph.

IT risks

In recent years, Russia has increasingly been mentioned as a potential source of cyberattacks on the IT systems of public institutions and companies in connection with extortion and destruction, including in Germany. It cannot be ruled out that Russia will deploy cyberattacks as part of its warfare and in response to Western sanctions in order to disable and weaken critical infrastructure, public institutions and businesses.

As 2G products represent critical infrastructure for the generation of heat and power at our customers' facilities, they may also form the focus of such actions. In this context, 2G's IT infrastructure, with its central platform functions, can also form the target of such attacks. For this reason, we have further refined the IT security structure's preventive processes, as described in the general risk report, and subjected them to close monitoring over time. Employees are informed concerning particular hazards. In March 2022, 2G successfully implemented auditing of its IT with ISO 27001 certification, and is continuing to push ahead with the optimization of its processes and structure on this basis.

Environmental and safety risks

As sales of CHPs to Russia and Ukraine are not likely at this point in time, most of the environmental and security risks identified above do not apply. With regard to equipment installed in these two countries, 2G can rely on digital operation and remote maintenance capabilities through its own online platform my.2-g.com and the use of augmented reality tools. Within its sphere of influence, 2G can ensure operation and maintenance as well as the shutdown of facilities in inaccessible or militarily endangered regions, at least for a certain period of time. This leads to the preventive avoidance of potential environmental and safety risks or unauthorized use.

Risks and opportunities in connection with the COVID-19 pandemic

For over two years, businesses and populations worldwide have been directly and indirectly affected in their economic and working lives by significant restrictions imposed due to the COVID-19 pandemic. The persistently subdued economic performance in almost all the world's economies can be attributed to the occasionally drastic measures taken to contain the COVID-19 pandemic and the uncertainty this triggered, a partial shortfall in demand, lower production in areas of industry, the disruption of supply chains, the shutdown of service operations and a continued subdued propensity to invest. Only the vaccination of a high proportion of the world's population or an endemic situation is likely to force the pandemic back to the point where the economy will benefit successively from a normalization of demand and supply. However, regional pandemic situations cannot be ruled out. These can still lead to radical isolation measures as well as (partial) lockdowns that affect supply chains and the supply situation.

2G sees the COVID-19 pandemic as posing risks primarily in the areas of "sales risks," "product availability risks" and "personnel risks", which are discussed in the risks and opportunities report, and assesses these risks – as of end of March 2022 – as follows:

Sales risks

The Management Board is of the opinion that any sales risks will only be temporary in nature. Global demand continues to exist for decentralized, base-load-capable energy production capacities that reduce carbon dioxide. COVID-19 does not stop climate change, nor does it make it less of a presence. The pandemic does not relieve us of the urgency to act. A temporary shift in the priorities of legislative resources to combat the pandemic remains likely, but will not call into fundamental question legislative plans to expand climate protection in Germany and the G7 countries. 2G has well diversified risk in this regard thanks to its broad international presence. Moreover, 2G has a certain degree of planning security thanks to its high current order book position. In addition, service contributes to approximately 40 % of the Group's sales, which also generates predictable, continuous cash flows beyond 2023.

Product availability risks

2G considers the availability of components and parts for production and service to be assured, as a matter of principle. 2G stockpiled engines and supplies at an early stage and expanded capacity at the Heek site. Suppliers continue to operate reliably and have not exhibited any weaknesses during the pandemic waves to date. In addition, 2G can rely on alternative suppliers for almost all components. Geographically, 2G is focused on the Germany, Austria and Switzerland region, so logistical risks should also be manageable. The company's solid balance sheet situation and, in particular, healthy liquidity give it the necessary scope to exploit procurement opportunities on a countercyclical basis. With the products and components available, 2G does not perceive any risks with regard to the aforementioned order book position. However, delays in CHP projects may arise – as increasingly happened in the third and fourth quarters of 2021. Bottleneck situations with regard to essential components, materials, labor and official permits led to shutdowns at construction sites, which in some cases resulted in delays in the final billing of projects.

Risks in the personnel area

As early as February 2020, 2G provided its employees with recommendations for action and communication in relation to COVID-19 and day-to-day work. These were continuously adjusted in line with current regulations and laws, adapted to the situation within the company with recommendations and requirements for action, and regularly communicated to employees. As well as protecting the workforce, the Management Board focuses on maintaining business operations as best it can, and on continuing to ensure that our customers benefit through fully functional CHPs. Our approach is forward looking, including in consideration of the fact that the situation could escalate further if new restrictions are imposed.

In accordance with its duty of care and concern for the health of all employees, the Management Board made it possible to work from a home office – including beyond statutory requirements – for as long as the existing coronavirus pandemic requires. To this end, investments in corresponding additional IT equipment were made back in February 2020. Only the relevant employees are now authorized to enter the production area and the warehouse. Production and logistics staff are divided into small groups that have as little contact with one another as possible.

Within these groups, teams of two and three have been set up that work more closely together if required, ensuring that the social distancing recommendations are largely implemented in production and the warehouse, and fully observed in administration and service. Preventive hygiene products and measures have been made available in the production, administration and service areas. Meetings with persons outside the company are largely held online. We have issued stringent rules of conduct for service technicians in the field, and equipped them with equipment for their protection when engaging in customer contacts.

Employees and managers have repeatedly been approached directly through various channels. All managers have received long-term training in how to monitor and, if necessary, enforce compliance with the rules of conduct. The Management Board is holding regular discussions at frequent intervals and evaluating the protective measures enacted and the changing situation so as to enable rapid and flexible response. 2G has made ongoing, easily accessible offers to all employees at the Heek site both to be vaccinated and to talk about vaccination. The foreign subsidiaries' managing directors have been asked to provide similar offerings and information at their locations as far as possible. The 2G Group's goal is to protect and maintain the health of all employees, customers and suppliers, to safeguard the competitiveness of the company, its subsidiaries and network partners, and to ensure the operation of all facilities worldwide.

Opportunities for the Group to develop in terms of growth and earnings

2G has implemented a number of measures to create the basis for the Group's further growth and earnings-based development, to identify and evaluate business opportunities, and to put them into practice on a controlled basis. Some of these measures are medium to long-term in orientation and consequently extend over several reporting years, while other measures described here were new ones launched in the year under review.

1. 2G is forging ahead with the expansion of its business activities in the core foreign markets of North America, the United Kingdom, France, Italy and Japan, and is further developing the 2G partner concept worldwide. With the introduction of a digital tool for online configuration, pricing and quoting (CPQ) of CHPs, the company has taken a decisive step in digitalizing and simplifying the sales process.

2G is also further advancing the digitalization of CHP systems in terms of control, maintenance and operational availability through creating interfaces to energy utilities, contractors and investors, as well as in-house developments such as the I.R.I.S. (the "Intelligent Report Information System") for service.

2. The "Lead-to-Lean" flagship project is gradually resulting in a sustainable improvement in production processes. Among other measures, 2G has converted the previous stationary assembly to flow production in the areas of small power system assembly and control cabinet construction. With the help of rule-based assembly lines, higher capacitive flexibility is achieved while maintaining quality. At the same time, assembly work per unit can be significantly reduced.

3. The Service division is well placed for profitability following the organizational optimization of its office services and field sales force, the continuous expansion of the staff base in direct local customer service, as well as the digitalization of the control, maintenance and operational reliability of 2G power systems. Moreover, foreign markets are exhibiting growing demand for our services. Service expertise and availability are important performance criteria in customers' investment decisions.

4. 2G is consistently advancing the technical further development of CHP modules. This also includes the CHP system that runs on pure hydrogen (H_2), which 2G developed itself. In technical terms, 2G's research and development team successfully adapted the technology of a standard natural gas CHP so that H_2 can be harnessed to generate electricity and heat on a comparatively feasible basis, as well as being highly efficient in operational terms and generating almost no carbon dioxide emissions. 2G offers H_2 CHP systems in the output range

from 80 kW to 280 kW at similar prices to those for natural gas systems. Furthermore, to our knowledge, 2G is the only manufacturer worldwide that guarantees conversion to 100 % H_2 operation for its natural gas CHP systems, for example, as part of regular maintenance. In the Management Board's view, this is a strategic key that makes investments in natural gas CHP systems climate-compatible and future-viable for operators.

5. The further expansion of rental and lease possibilities for customers of 2G power systems leverages additional sales potentials. With the pay-per-use solution, 2G offers the specific utilization of a CHP system as a rental solution. This enables customers to exploit the benefits of CHP technology without necessitating their own investment and without long-term commitment. From the customer's perspective, this addresses the important question as to how their investments can be secured financially after legally stipulated subsidy periods expire – depending on the performance class.

6. The international climate debate is increasingly supporting 2G's business model in general. The global community agreed on a joint climate protection target in December 2015 in Paris. With its "Fit for 55" program, the EU aims to ensure that member countries significantly reduce greenhouse gas emissions by 2030. The EU is aiming for climate neutrality by 2050. The energy generation measures to be taken at national level (such as the decision to phase out coal in Germany by 2030/2038), and at international level support technologies and forms of generation that deliver efficiency gains, considerably reduce resource consumption, significantly reduce greenhouse gas emissions, and enable the integration of volatile renewable energies for reliable supplies. In other words, the establishment of energy production capacities from renewable energies and system-compatible technologies is being encouraged. The phase-out of coal as a primary energy source and the greatest source of greenhouse gases will also increasingly require technologies that ensure energy supplies in accordance with fluctuating renewables in terms of flexibility, supply reliability, and economic efficiency. This represents one of the strengths of CHP technology from which great international potential demand can grow in the future.

7. The development outlined in section 6 also implies a fundamental change in generation type for heating supplies. This is because some 70 % of Germany's coal-fired power plants are integrated by some means into a CHP system; in other words, as less coal is used to generate electricity, huge quantities of heat will no longer be available. Although heat pumps can make up some of the shortfall, they – like the growing number of electric vehicles on the road – will lead to an increase in power consumption. Most scientific studies are suggesting that this will rise by around a quarter in Germany by 2030. In other words, new markets and sales opportunities are opening up for CHP for both heating and power supplies in the future.

8. The listing of 2G Energy AG in the "Scale" segment of the Frankfurt Stock Exchange creates transparency. Being listed on the stock market gives the company access to growth and investment capital where required. The transparency requirements that are made contribute to tangible confidence among

customers in deciding to invest in 2G CHP power systems, and help the company to set itself apart from its competitors through reliability and transparency. This goes hand in hand with 2G's commitment to sustainability standards such as the UN Global Compact, which 2G joined in the year under review. For the capital market, 2G regularly undergoes a sustainability rating by ISS, which awards 2G an above-average "Prime" rating. The declaration of compliance with the German Corporate Governance Code (DCGK), which the Supervisory and Management boards of 2G Energy AG voluntarily submit each year, also represents a clear commitment to transparency and confidence-building in relation to stakeholders and shareholders.

Overall, the Management Board identifies attractive opportunities for 2G on both the German and foreign markets. This assessment is based on, among other factors, the trend in the spark spread, which is important for the economic viability of CHP systems: despite the upward trends observed for electricity and gas prices in the year under review, spreads remain attractive. The value of the heating and savings potential for the carbon credits, which have risen in price, are playing an increasingly important role in economic efficiency. For operators, the attractiveness of an investment in CHP systems is further enhanced by a certain independence from volatile markets for primary energy sources, a secure basis for planning energy costs, and, last but not least, the future viability of the 2G systems with the H_2 conversion guarantee. The fact that they can be operated with flexible control makes CHP systems an ideal and – for supply reliability – essential partner for fluctuating energy sources, such as solar and wind. Combined heat and power generation thereby represents an important building block in a global energy revolution to guarantee value for money, and supply security for electricity and heat consumers.

Overall statement on the risk situation

The risk strategy has a medium-sized character and is deliberately opportunity-oriented.

Taking into account the management and control measures in place, neither one of the individual risks is classified as a threat to the company as a going concern, nor is a group effect seen that could endanger the company as a going concern if several individual risks occur simultaneously. From today's perspective, no such risks are discernible for the future. However, the risks listed may have a negative impact on the net assets, financial position and results of operations. Significant changes in the risk situation result in particular from the increasing internationalization of business activities.

As outlined, the Executive Board does not believe that the COVID-19 pandemic and Russia's war against Ukraine will have a significant negative impact on the Group's risk situation as of the end of March 2022. The effects of the COVID-19 pandemic appear to be manageable – even after two years of practiced health prevention in the company and partner network and on the customer side – thanks to the commercial and organizational measures taken and now established. Group sales to Russia and Ukraine account for only around 1 %. The low level of sales activity in the two countries is reflected at most in a very small, non-recurring write-down requirement on receivables.

The high prices for fossil primary energy sources and electricity in the wake of the war have shone a spotlight on Europe‘s geopolitical and economic dependencies on Russian oil, gas and coal supplies. To reduce these quickly, renewable energies, efficient technologies such as CHP and storage media are moving to the top of the urgency list of politicians and industry. CHP units offer an attractive solution profile thanks to the traditionally short delivery times in the medium output range and the low social and regulatory hurdles for installation and operation. In addition, CHP units from 2G can be converted to run on hydrogen at any time, even if they are already in operation. This eliminates stranded investments and guarantees the investment in a climate-friendly, future-proof CHP technology. According to the Executive Board, demand for highly efficient, climate-friendly technology for generating electricity and heat will remain high internationally against the backdrop of climate change and will continue to gain momentum. For 2G, new opportunities on the global market may well arise from its continued ability to supply, its solid financial position, the many years of transparency provided by its stock market listing, and its established brand.

The risk-bearing capacity is always given in view of the existing and potential financial reserves, the solid balance sheet situation and a mature insurance concept. Compared to the potential risks, we believe that the business opportunities outweigh the risks.

G. Forecast report

The 2G Group outlook takes account of relevant facts and events that were known on the date when the consolidated financial statements were prepared, and which can influence future business development and growth.

Group focus over the next two financial years

2G, as one of the leading international manufacturers of gas-fired CHP systems, continues to vigorously pursue its goal of strengthening sales in existing markets, tapping selected new markets with advanced CHP technologies and applications, and expanding its global market shares on a profitable basis. We are pursuing four overarching projects for the Group’s development, which we are systematically pursuing: internationalization as part of the partner concept, digitalization, our “Lead-to-Lean” project, and innovations for our products and services. The following strategic guiding principles for growth and earnings can be derived from these projects:

- tapping additional potential by stepping up the internationalization of sales of CHP systems and services with the involvement of sales and service partners,

- consistent digitalization of CHP motor control as well as service and maintenance services, and thereby creation of own digital products as additional sales potential,

- cost reductions in connection with simultaneous quality improvement and capacity expansion through the introduction of industrial processes at the Heek production site covering the entire value chain,

- structured advancement of product and software innovations in order to implement our high claim of technology leadership for the benefit of our customers and for the lowest emission levels in power generation.

These guidelines will continue to determine our business activities in the coming years. Organic growth will continue to be driven forward in all targeted markets. In this context, 2G is focusing on the regions of North America, Asia, and Central Europe. In addition to its positioning as a technologically leading developer and manufacturer of CHP systems, 2G intends to increasingly establish itself as a supplier of integrable, digitally controllable CHP systems for demanding control energy operations. Demand-driven, system-compatible, flexible and digital are the product and system characteristics that we believe will point the way forward for the future. The company is addressing growing demand for very low emissions with its own developments, such as a combustion concept with low turbocharging and 2G SCR catalyst technology. With the launch of series production of our self-developed CHP system mobile with pure hydrogen, we have taken a crucial step further and can offer our customers almost carbon dioxide-free energy supplies. To our knowledge, 2G is the only manufacturer in the world to have CHP systems in its product list that run on 100 % hydrogen in regular operation. We define only this demanding technical standard as "H_2 ready". We have extended this standard to include a guarantee that natural gas CHP systems can be converted to run on 100 % hydrogen if required as part of regular maintenance. As a consequence, a large proportion of 2G products are already "H_2 ready" for virtually emission-free energy generation. Naturally, an admixture of up to 40 % hydrogen is also technically possible. Additionally, 2G regards itself as a service provider and product partner in the context of customers' energy management concepts. With these strengths, 2G is positioning itself in the dynamically developing international energy market as a provider of highly efficient, climate-compatible CHP systems and energy generation solutions.

Future macroeconomic situation

Signs of economic recovery worldwide

In its Kiel Economic Report for 2022 published in mid-December 2021, the IfW assumes that the global economy will recover. The IfW's economists anticipate that global production will expand by 4.5 %, followed by a further increase of 4.0 % in 2023. While the momentum of the global economic recovery slowed significantly in 2021 as a consequence of new waves of COVID-19 and supply chain issues, the IfW in its report nevertheless assumes that the effects of the pandemic and supply bottlenecks will abate in the current year. In addition, infection waves are increasingly less synchronous, and vary from region to region. Especially in countries with high vaccination rates, higher incidences are now tolerated without containment measures being imposed.

In advanced economies – and to a lesser extent in many emerging markets – fiscal stimulus continues to support economic activity. Extensive additional spending, stimulus programs and tax deferrals enacted to mitigate the economic impact of the pandemic will decrease significantly as economic activity continues to normalize. However, the IfW notes that, in parallel, public investments and programs are now being launched with the aim of meeting structural challenges such as climate change. Overall, the fiscal braking effects deriving from the expiry of support programs arranged in connection with the pandemic are thereby moderate, with the IfW believing that policymakers are likely to act cautiously with regard to possible consolidation steps so as not to jeopardize the economic recovery.

Major central banks in advanced economies will foreseeably tighten their monetary policy gradually in response to the sharp rise in inflation. For example, the US Federal Reserve and the Bank of England have already prepared markets for the prospect of policy tightening sooner than previously intended, provided that the pandemic does not destabilize the economy again. Smaller central banks – for example in Australia, New Zealand, Korea and Eastern Europe – have also already responded to the economic recovery and higher inflation, in some cases even raising their interest rates several times. In the Eurozone, by contrast, no sign has yet emerged of a key interest rate hike, and monetary policy remains expansionary.

Under the impact of the war in Ukraine, the IfW halved its already subdued growth forecast for 2022 in its spring forecast (as of mid-March 2022). The economists now expect the German economy to grow by only 2.1 % in the current year 2022 (3.5 % in 2023). In December 2021, the institute had already reduced its expectations from 5.1 % to 4.0 % in view of the ongoing Corona pandemic and persistent supply bottlenecks. The economists also expect an inflation rate of 5.8 %, the highest since reunification. In 2023, growth rates will ease only gradually, and inflation is expected to be 3.4 % for the year as a whole, according to the IfW.

According to the IfW, GDP in the euro zone is expected to rise by 2.8 % (2022) and 3.1 % (2023). The global economy is expanding at a much slower pace than it would have been expected without the war. In the first half of 2022 in particular, economic activity is also likely to be impacted by disrupted supply chains, less trade activity and the sharp rise in uncertainty. The IfW expects the economy to pick up again in the second half of 2022 and in 2023.

EU taxonomy recognizes gas-fired power systems as backbone for energy revolution

The EU Commission's recently approved so-called taxonomy classifies investments in gas and nuclear power plants as climate-compatible under certain conditions, thereby making it easier to invest in sustainable technologies and businesses and making it more attractive for private investors and operators to invest in new gas-fired power systems. The new rules are scheduled to take effect in early 2023. In principle, 2G welcomes the fact that gas-fired power systems – for good reason, we believe – are classified in the taxonomy as a backbone technology on the path to Europe's climate neutrality by 2050. The EU Commission's "Green Deal" project is thereby not reserved exclusively for renewable energies such as wind and solar. After all, an energy revolution in Europe with the ambitious goals of reducing greenhouse gas emissions by 55 % by 2030 and of achieving climate neutrality by 2050 will not succeed without base-load capable generators and without flexibility options in generation. Gas power is needed to secure the conversion of the power supply to renewables (periods of overcast weather are the key factor here). This is the only way to avoid shortages, or worse, blackouts for electricity and heat supplies.

We have made our position clear to German policymakers and underlined the need to press ahead swiftly with the construction of new natural gas systems to ensure supply security. This is because gas-fired CHP systems in the medium power range (80 kW to 10 MW) offer precisely the properties required for this purpose (H_2-ready, resource-saving, maximally system-compatible).

Switch from coal to natural gas together with technical improvements reduces GHG emissions

CHP is not limited to its stabilizing function in the power supply system. It makes a significant contribution to reducing greenhouse gas (GHG) emissions with the fuels and technology that can

Greenhouse gas emissions of different types of electricity generation incl. upstream chain emissions in g CO_2 eq/kWh_{el}

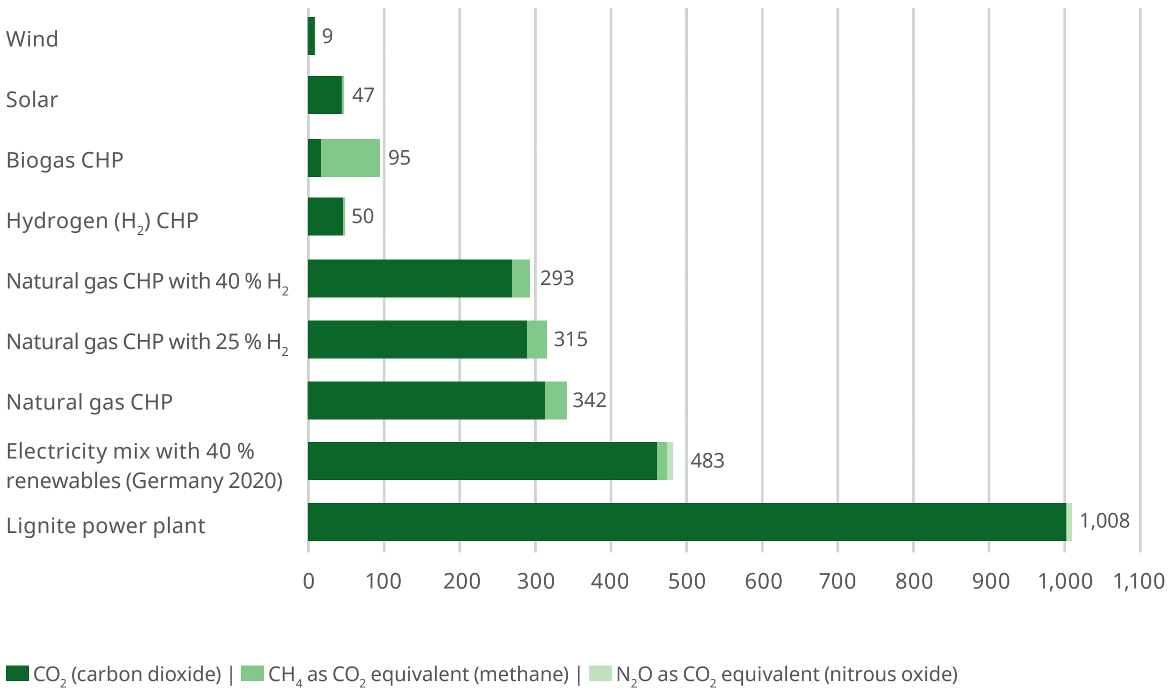


Diagram 7: Greenhouse gas emissions of different types of electricity generation incl. upstream emissions in grams of CO_2 equivalent per kWh of electricity (g CO_2 eq per kWh_{el}); the bar “Electricity mix with 40 % renewables (Germany 2020)” shows the amount of emissions released for electricity generation in Germany with a share of 40 % renewables in 2020. Source: 2G Energy AG, 2021

be used. CHP systems decarbonize electricity and heat generation. Given the ambitious climate targets already set for the year 2030, this can be achieved in two steps with the technology available today: the “fuel switch”, in other words, switching from coal to gas, as a first step to significantly reduce GHG emissions.

Diagram 7 illustrates GHG savings potentials with different fuels and hydrogen-natural gas mixtures up to 100 % hydrogen use. Moreover, additional emission reduction potential resides in further technical developments, which 2G will advance in the coming years, including by optimizing the combustion chamber. The focus is on mitigating methane emissions from CHP systems.

The second step is the so-called “content switch”, which entails the gas network being fed increasingly with renewably generated gases such as biogas and hydrogen so as to successively displace the fossil share. The benefits from boosting the hydrogen admixture up to 100 % operation are clearly evident in the diagram. If CHP systems are operated with purely regeneratively produced gases (biogases, hydrogen), they represent the most efficient form of energetic use of such gases, and are almost climate-neutral in comparison to photovoltaics. Base-load and peak-load capable CHP systems thereby become a 100 % renewable partner to volatile wind and solar energy.

More dynamic market activity and rising new order intake foreseeable in America

For the current financial year, it is foreseeable that the economic recovery in North and Central America will consolidate. In the fourth quarter of 2021, end customers and partners ordered EUR 7.8 million worth of 2G CHPs, three quarters of which was placed in December. This signals a clear trend of a further revival in demand in America. For 2022, 2G expects an increase in new order intake, as negative impacts on sales activities due to the coronavirus pandemic have decreased significantly. This is supported in part by some government initiatives such as the Biden administration’s Build Back Better Act. This act entails both higher tax credits for investments and an extension of the eligibility period for CHP projects, as well as broadening the scope to include, for example, biogas RNG systems and green hydrogen production. 2G’s US subsidiaries are confident that they will be able to acquire orders for the first hydrogen CHP systems.

Moreover, particularly in the USA, awareness is growing of the need for secure and independent energy supplies – triggered by more frequent extreme weather situations and events, whose effects are becoming more severe. Supplies in the USA are to be increasingly secured by setting up microgrids, which can also be integrated into existing networks. CHP systems form an important component of microgrids due to their islanding capability and flexible operation along with photovoltaics, wind energy, and storage.

The growing availability of LNG and of corresponding infrastructure and port logistics is opening up new sales markets for 2G in America. Existing fuel sources such as diesel are gradually being displaced by the sound supply of LNG. Funding such infrastructure measures is beneficial for many governments as natural-gas-operated systems enable them to reduce carbon emissions per MWh from their energy sectors by 40 to 50 %. In Central America and the Caribbean region, in particular, further sales opportunities arise through reference projects already implemented by 2G.

Restrained recovery of Asian business expected

Following the coronavirus-related restrictions, 2G and its partners expect demand in Asia to pick up gradually. However, the zero-COVID strategy applied in many countries within the region may lead to repeated regional lockdowns, which may affect economic activities on the partner and customer side.

In Japan, the willingness to invest primarily in biogas and lean gas CHPs should increase again after the government approved a favorable regulatory framework for the next three years. The planning certainty that has been regained as well as catch-up effects from the past two years will in all likelihood boost demand again. The climate-compatible transformation of Japan's energy production is to be based on three pillars – one-third each on renewables, nuclear power and synthetic gases, including hydrogen – by 2050.

In Australia, too, 2G partners believe a good chance exists that CHP orders will again be generated primarily for waste-to-energy, food production and processing applications. In Korea, we are registering growing interest in biogas and sewage gas projects. Here, local 2G partners can draw on many projects that have already been prepared and are scheduled for implementation in the coming quarters. The policy discussion in South Korea on the future direction of the country's energy supply is focused on renewables, green gases and hydrogen – with potentially encouraging prospects for highly innovative CHPs from 2G in a technology-savvy country. In Taiwan, Malaysia and Thailand, we expect only a hesitant awakening of demand, as coronavirus-related lockdowns and policy uncertainties continue to inhibit investment on a sustained basis.

In China, 2G recently started working with a new distributor to gain access to this huge market and acquire initial experience. This is due to the fact that the potential for CHP systems inherent in the conversion of the Chinese energy industry, 68 % of whose power generation is still based on coal, is immense compared with European dimensions. The energy targets of the Chinese government's 14th Five-Year Plan (2021-2025) call for an 18 % reduction in carbon intensity and a 13.5 % decrease in energy intensity. Orders have already been received via the sales partner for five CHP systems for operation with mine gas, which are scheduled to go into operation in the summer. A market is also opening up for CHP systems for biogas and gas from purification plants. A government directive requires each city to recycle biowaste for energy rather than dispose of it in landfills.

Israel is developing into an interesting market with the start of natural gas production off its own coast. Currently, energy supplies are being decentralized in a first step with a capacity of 460 MW by 2025. Our local partner has secured around 10-15 % of this market volume. The projects must be implemented by 2025, as a consequence of which we expect the first orders for plant sizes sizes between 1 MW and 10 MW within the next few months.

Strategically, 2G identifies exciting prospects in the Middle East. The development of a hydrogen industry as a substitute for oil is of outstanding importance for many states on the Arabian Peninsula. Our intention is to start building structures there within the next two years and to sign up partners to participate in this market. Low-gas CHP systems also have a sales market for the utilization of gas from purification plants, energy recovery from food waste, or in landfills.

Dynamic growth anticipated in Europe

For many Eastern European countries, 2G expects brisk demand growth over the coming years. In particular, the incipient conversion of coal-fired power plants primarily to natural gas-fired power plants and incentives for energy efficiency measures are likely to count among the market drivers.

In the Benelux countries, we are optimistic that the dynamic growth seen in 2021 will continue. This applies both to natural gas-fueled systems for greenhouse operators, for example, and to biogas-fueled CHP systems for wastewater treatment systems and the food industry. Switzerland faces the challenge that, with a lack of an electricity agreement with the EU and the restructuring of the energy industry in surrounding European countries, it may no longer be possible to import sufficient electricity. Energy industry experts consequently aim to build a centrally controlled system with up to 2,000 decentrally placed, small gas-fired power systems. 2G has strengthened its position in Switzerland with a new distribution partner.

The French market will continue to be dominated by CHP sales for biogas systems. Especially farmers are benefiting from subsidy programs and a guaranteed feed-in tariff for 15 years. Nuclear power's dominance of electricity generation in France places tight limits on the economic use of natural gas CHPs. According to our calculations, new sales opportunities may only open up for our subsidiary 2G Energy SAS in Nantes if the electricity price were to rise from around 9 ct/kWh today to over 15 ct/kWh.

In the UK, 2G expects good growth prospects for the next two years. As part of the energy revolution, the country has consistently relied on natural gas as a climate-compatible primary energy source. Consequently, no plans exist at present to promote the use of hydrogen and associated technologies. A large hydrogen cluster (HyNET) is being built around the site of the subsidiary 2G Energy Ltd. in the northwest of the country. The domestic chemical industry will have access to hydrogen produced from natural gas with carbon capture. 2G is well positioned to participate in this emerging market with the first ever H_2 CHP installed in the UK. The hydrogen enrichment of natural gas distributed across the nationwide natural gas grid is also planned. In other words, the quality of the gas mixture is unlikely to be sufficient for existing old systems in terms of knock resistance. Consequently, replacement investments or conversions are pending, for which 2G has the appropriate products in its portfolio. In the UK, this is generally true for the high installed base of older CHP systems. Overall, growth is well underpinned by a growing portfolio of (full) maintenance contracts.

Positive market environment in Germany

With regard to the German market, we anticipate accelerated growth in the coming years. The imminent final phase-out of nuclear power and the likely accelerated shutdown of further coal-fired power plants by 2030 are focusing the attention of almost all customer groups on supply security. A significant capacity gap exists of base-load capable power that needs to be filled. More gas-fired power systems are required. As long as seasonal storage facilities are not available, gas will be the only energy source that reliably supplies electricity and heat regardless of the weather, or time of day. Initial projections clearly show the challenges confronting the energy industry – as well as the avalanche of costs it is facing. The Institute of Energy Economics (EWI) at the University of Cologne estimates additional demand by 2030 at around 23 GW of gas-fired power system capacity – as much as the output of nearly two dozen nuclear power plants. By comparison, the currently planned expansion by 2024 will deliver 3.6 GW, according to the German Federal Network Agency. Output would consequently have to increase to 3.2 GW per year within the remaining six years. A study by BDI even assumes additional power plant capacities of 43 GW by 2030 to maintain supply security while complying with the emissions budget. The big question is how to handle the huge investments. Moreover, as a backbone technology, new power systems must already be technically capable of using hydrogen.

The significant rise in energy prices since mid-2021 has increased the need for many companies to invest in a resource-efficient and climate-compatible form of generation – firstly, in order to escape the pricing power of energy suppliers and, secondly, in order to utilize their own supply units in order to generate at least a good part of their base load requirements independently. With state-of-the-art gas-fired CHP systems, companies would gain additional flexibility in terms of generation, a high level of efficiency through the combined generation of electricity and heating/cooling, as well as various options for climate-compatible generation, and thereby relief in terms of (expensive) carbon emissions. This can be demonstrated very well and implemented rapidly with CHP power systems.

The German government is beginning to recognize CHP systems' importance in terms of supply security. We consequently assume that the regulatory framework will continue to evolve in a positive direction, enabling CHP's economic attractiveness to trigger investments quickly and in sufficient volumes. For biogas CHP systems, a need exists for further flexibility in order to be able to fulfill these domestic energy sources' role in the energy revolution, and to make the use of heating more attractive. Highly flexible biomethane systems can also be operated in a very grid-compatible manner. For natural gas-fired CHP systems, we expect higher demand from trade and industry in the current financial year. The driving forces include the systems' short payback periods and the safeguarding of the supplies. These factors will open up new sales opportunities for 2G in 2023 when nuclear power is phased out and further coal-fired power plants are shut down – the urgency to protect against impending power shortages is raising pressure on companies to act.

2G expects sales and earnings trend to remain positive

From today's perspective, the 2G Management Board believes that the coronavirus pandemic will continue to have an impact on global economic growth. However, signs of relief are emerging insofar as, with the omicron coronavirus variant, an increasingly endemic situation can prevail. In addition, high vaccination rates of developed industrialized countries' populations have been achieved. This will gradually allow the economy to benefit from a normalization of demand and supply situations. However, regional pandemic situations must still be expected. These may lead to radical isolation measures as well as (partial) lockdowns, and affect supply chains and the supply situation. Global effects in some areas cannot be ruled out. The Management Board of 2G Energy AG is aware of this.

As we now know, the pandemic has not led to a reduction or suspension of global efforts to reduce carbon emissions. New order intake trends for our CHP solutions in Germany and abroad shows this very clearly. Furthermore, numerous energy policy decisions have been made, and targets set, at both national and supranational levels. For this reason, we assume that, in addition to generally greater demand for climate and environmentally compatible production capacities, demand will rise sharply for technologies that are capable of efficiently integrating the fluctuating renewable energy sources into capacity that can be regulated, thereby benefiting the system as a whole and ensuring reliable and cost-efficient consumer supplies. This applies all the more to CHP systems that are already being delivered H_2-ready today, as this technological feature strengthens the willingness of investors and utilities to invest in climate-compatible energy generation with future-viable CHP systems.

2G well prepared for dynamic growth

As part of our lead projects, we are pursuing numerous initiatives within the company that will enable us to further improve our products, services and processes and drive innovation over the next two years. This should help us to gain market share in Germany and in the sales regions abroad, to enhance efficiency and quality in our production processes, to be perceived as an attractive employer and partner, and to strengthen our profitability and increase our profit margin.

Our broad CHP portfolio between 20 kW and 4,500 kW forms a good basis internationally to offer individual solutions to all customer segments, whether electricity- or heat-led, with heat storage / gas storage, etc. We are closely monitoring trends on global markets in order to technically adapt the portfolio at any time, and to expand it if necessary. A good example is our own engine concept that we recently launched on the market. This avus 1000 plus is based on the Liebherr engine with a rated output of 1 MW electric, and for operation with lean gases and natural gas. This opens the door internationally to the higher performance range for 2G. At present, we see the dimensioning of CHP projects with a maximum capacity of 4.5 MW from our product portfolio as suitable. This size range can be very well equipped modularly with several engines and operated according to demand. Hardly any efficiency losses in part-load operation and better maintenance options represent further advantages. With further improvements to the aura series in the upper performance range, particularly in terms of emissions, we expect sales to grow significantly. The general conversion of the 2G series to the so-called genset concept enables us to offer a lower scope of supply, provide partners in international business with greater flexibility and added value and, above all, realize the latest possible customer connection date. This significantly more modular design of the CHP systems goes hand in hand with changes in production such as intralogistics and material supply, as well as the extension of flow production to other production areas. Further developments to our hydrogen CHP systems are aimed at performance enhancements and a more compact design. The goal is to be able to offer a performance comparable to that of our natural gas systems in the future.

For the further development of services, the focus is on making the complex CHP system easier to manage (for qualified third parties). For example, we will further integrate I.R.I.S. into service processes in order to identify unusual operating conditions at an early stage, and to be able to intervene before malfunctions occur. In a first step, we have installed a spark plug failure detection system via I.R.I.S. In parallel, we will expand the use of augmented reality tools in order to very effectively support service and commissioning engineers on site around the globe. In a further step, we offer to take over 24/7 nightshift and weekend services of our subsidiaries and partners worldwide. This completes the benefits and system availability for our customers worldwide.

2G is also prepared for strong new order intake short-term from Germany and abroad. We expect that the company will be able to double its annual capacity for energy generation from its current level of around 200 MW quickly and without any major investment in new production facilities. The construction of a new multipurpose hall is planned for 2022. In addition, investments in various IT projects are planned. The investing activities are to be financed mainly from operating cash flow. The Management Board and staff have been working for many years on the introduction of work-sharing, quality-oriented and scalable processes. To this end, numerous improvements were implemented as part of the Lead-to-Lean lead project, such as parts supply in assembly, which has been order-based since mid-2021, depending on the progress of assembly. Engine assembly, where quality assurance measures and controls have been raised to industry standards, is a further example. In the fourth quarter of 2021, assembly processes for small CHP systems, as previously for control cabinets, have now been reorganized in such a way that true flow production takes place. This is characterized by its pronounced capacitive flexibility, making it possible to significantly increase production without compromising efficiency or quality. With this in mind, we are analyzing further production areas in order to convert them to flow production as well, if necessary.

Based on this analysis and the initiatives outlined, we are entering the next few years with confidence in our business. At the end of the first half of 2021, we already took this confidence as an opportunity to increase our medium-term net sales guidance for 2024 by 10 % to EUR 330 million. For the first time, we have also prepared longer-term guidance for 2026, when we anticipate net sales of around EUR 400 million. We expect to increase the Group's profitability to a level of a 10 % EBIT margin in 2024 through efficiency gains from the lead projects, margin contributions from the service business, and cost degression in production. For 2026, we are planning an EBIT margin of 8.5 to 10 %. The lower earnings level compared with the forecast for 2024 is expected to derive from a diminishing share of the higher-margin service business.

With regard to the current financial year, the order book is well filled at the beginning of 2022 at more than EUR 150 million. In light of this order book position and additional new orders expected from the new equipment business in Germany and abroad, as well as the service business, the Management Board anticipates consolidated net sales in a range between EUR 280 million and EUR 310 million for the 2022 financial year. This sales forecast, but in particular the earnings forecast for 2022, is made under the impact of the war in Ukraine and the mutual political and economic sanctions imposed in this connection. In principle, the budget envisages a slight increase in the cost of materials ratio and a constant personnel expense ratio. Subject to all reservations and with due commercial caution, the Executive Board is aiming for an EBIT margin of between 6 % and 8 %. This forecast range, which is wider than in previous years, reflects on the one hand the current geopolitical situation, the specific impact of which cannot yet be assessed at the time of preparing this report. What is certain is that Russian energy supplies to Europe will be significantly reduced. It remains to be seen whether there will be a complete supply freeze. Prices for numerous raw materials have risen significantly compared with the previous year, which in view of 2G's business model entails risks as well as opportunities. On the other hand, the upper edge of this forecast expresses the expectation that further efficiency gains can be realized through the four flagship projects. However, the forecast remains subject to the provison that the effects of the Corona pandemic do not again have a negative impact on the global economy in the current year. Both the geopolitical situation and the COVID-19 pandemic may have a negative impact on sales and earnings planning.

Heek, March 28, 2022

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

	31/12/2021 EUR	31/12/2020 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	982,766.29	508,268.68
Goodwill	3,284,295.41	2,324,979.96
Prepayments rendered	209,412.11	115,099.25
	4,476,473.81	**2,948,347.89**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-party land	11,117,338.62	12,610,674.47
Plants and machinery	942,339.97	1,116,262.35
Other factory and office equipments	10,081,238.37	9,093,207.11
Prepayments rendered and plants under construction	490,542.66	56,856.84
	22,631,459.62	**22,877,000.77**
III. Financial fixed assets		
Participating interests in associated companies	0.00	883,123.60
Other participating interests	10,000.00	10,000.00
	10,000.00	**893,123.60**
	27,117,933.43	**26,718,472.26**
B. Current assets		
I. Inventories		
Raw materials and supplies	52,172,530.37	41,849,024.33
Work in progress	41,020,309.66	38,192,006.51
Prepayments rendered	6,140,266.35	2,542,622.76
Prepayments received for orders	-27,112,391.50	-21,789,979.78
	72,220,714.88	**60,793,673.82**
II. Receivables and other assets		
Trade receivables	43,355,342.71	42,155,589.43
Receivables due from participating interests	0.00	379,386.46
Other assets	4,116,898.42	2,897,782.86
	47,472,241.13	**45,432,758.75**

Assets

	31/12/2021 EUR	31/12/2020 EUR
III. Cash in hand, bank balances	**19,926,679.83**	**11,029,909.57**
	139,619,635.84	**117,256,342.14**
C. Prepayments and accrued income	**1,377,079.67**	**609,520.32**
D. Deferred tax assets	**1,587,192.14**	**1,975,148.78**
Total	**169,701,841.08**	**146,559,483.50**

Equity and liabilities

	31/12/2021 EUR	31/12/2020 EUR
A. Equity		
I. Subscribed share capital	4,485,000.00	4,430,000.00
II. Capital reserve	16,438,300.00	11,235,300.00
III. Other retained earnings	62,501,574.95	57,899,375.82
IV. Consolidated net income	11,823,969.13	5,838,728.47
V. Minority interests	-22,442.31	-57,109.05
VI. Equity difference from currency translation	-686,105.05	-1,034,308.46
	94,540,296.72	**78,311,986.78**
B. Provisions		
Tax provisions	1,877,857.03	1,250,570.64
Other provisions	15,782,755.22	12,136,424.75
	17,660,612.25	**13,386,995.39**
C. Liabilities		
Bank borrowings	5,315,740.12	5,464,901.93
Prepayments received for orders	31,808,891.15	30,058,923.23
Trade payables	11,469,998.51	10,007,755.22
Other liabilities	8,906,302.33	9,328,920.95
	57,500,932.11	**54,860,501.33**
Total	**169,701,841.08**	**146,559,483.50**

Consolidated profit and loss account of 2G Energy AG

	01/01/ to 31/12/2021	01/01/ to 31/12/2020
	EUR	EUR
Net sales	**266,347,910.98**	**246,728,599.29**
Decrease in work in progress and finished goods	2,577,714.88	7,364,008.90
Other own work capitalized	0.00	113,121.69
	268,925,625.86	**254,205,729.88**
Other operating income	3,425,178.26	2,262,453.48
	272,350,804.12	**256,468,183.36**
Costs of materials		
a) Costs of raw materials and supplies, and for purchased merchandise	136,534,258.49	134,026,996.04
b) Costs of purchased services	34,730,800.35	33,227,682.17
	171,265,058.84	**167,254,678.21**
Personnel costs		
a) Wages and salaries	41,113,007.27	36,937,200.50
b) Social security, pensions and other benefits	8,243,925.41	7,339,925.38
	49,356,932.68	**44,277,125.88**
Depreciation and amortization applied to tangible and intangible fixed assets	3,941,268.46	3,663,984.91
Other operating expenses	29,737,744.17	24,626,671.81
Income from associated companies	0.00	14,654.02
Income from other participating interests	300.00	500.00
Other interest and similar income	99,817.31	214,280.79
Interest and similar expenses	306,534.73	397,966.21
Taxes on income	5,079,663.74	4,305,210.03
Profit after tax	**12,763,718.81**	**12,171,981.12**
Other taxes	123,362.28	214,879.22
Consolidated profit for the year	**12,640,356.53**	**11,957,101.90**
Share of profit attributable to other shareholders	-34,666.74	14,417.44
Consolidated net profit	**12,605,689.79**	**11,971,519.34**
Retained earnings	5,838,728.47	630,403.04
Dividend payment	-2,018,250.00	-1,993,500.00
Allocation to other retained earnings	-4,602,199.13	-4,769,693.91
Consolidated net income	**11,823,969.13**	**5,838,728.47**

Derivation of EBIT

		01/01/ to 31/12/2021	01/01/ to 31/12/2020
		EUR	EUR
	Consolidated profit for the year	**12,640,356.53**	**11,957,101.90**
+	Taxes on income	5,079,663.74	4,305,210.03
+	Interest and similar expenses	306,534.73	397,966.21
−	Other interest and similar income	99,817.31	214,280.79
=	**Earnings before interest and tax (EBIT)**	**17,926,737.69**	**16,445,997.35**

Notes to the consolidated financial statements

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.

2G Energy AG prepares the consolidated financial statements for the largest as well as the smallest group of companies.

2. Line of business

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

3. Accounting policies

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

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

The Group's functional currency is the euro. All amounts are consequently presented in euros or thousands of euros (TEUR). Foreign companies' balance sheet items 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	7,528	0	30/06/2007
2G Rental GmbH, Heek, Germany	100	50	536	265	31/12/2014
2G Energy International GmbH, Heek, Germany	100	25	-284	-309	01/04/2021
HJS Motoren GmbH, Amtzell, Germany	100	25	1,126	970	01/06/2021
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90	3	-322	496	31/01/2008
2G Energie SAS, Sainte-Luce-sur-Loire (Nantes), France	100	200	2,504	1,159	24/08/2016
2G Italia Srl, Vago di Lavagno (Verona), Italy	100	10	617	-288	15/03/2011
2G Energy Ltd., Cheshire, United Kingdom**	100	1	2,562	1,575	19/09/2011
2G Polska Sp. z o.o., Bielsko-Biała, Poland**	100	1	-65	29	07/11/2011
2G Energy Inc., St. Augustine (FL), USA**	100	1	2,033	-154	27/02/2012
2G Energy Corp., Fergus (ON), Canada**	100	205	238	378	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
*** Equity and profit / loss for the year are taken from the annual financial statements prepared for consolidation purposes (so-called HB-II)

The purpose of the subsidiaries 2G Energietechnik 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.

In addition, the purpose of the subsidiary company 2G Energietechnik GmbH is the optimization of core engines for the use as 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 the subsidiary 2G Energy International GmbH is the international market development and support as well as the distribution of combined heat and power plants.

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

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

Effective January 1, 2021 (merger date), 2G Home GmbH, Heek, transferred its assets to 2G Energietechnik GmbH, Heek, (acquiring company) by way of merger by absorption. As the sole shareholder of 2G Energietechnik GmbH and 2G Home GmbH, the Management Board of 2G Energy AG, Heek, passed the resolution to merge these companies on November 9, 2020. The Supervisory Board of 2G Energy AG approved the resolution on November 11, 2020. The entry in the commercial register took place on March 16, 2021.

In the fiscal year, 2G Energy AG acquired the remaining 50 % of the shares in HJS Motoren GmbH. HJS Motoren GmbH will be fully consolidated in the consolidated financial statements for the first time in fiscal year 2021; previously, the company was included in the consolidated financial statements at equity in exercise of the option for joint ventures. Without changes in the scope of consolidation, the consolidated income statement would have been as follows:

	2021 after change in scope of consolidation	2021 before change in scope of consolidation	2020
1. Net sales	266,348	261,626	246,729
2. Decrease in work in progress and finished goods	2,578	2,578	7,364
3. Other own work capitalized	0	0	113
4. Other operating income	3,425	3,377	2,262
5. Cost of materials	171,265	169,875	167,255
6. Personnel costs	49,357	48,114	44,277
7. Depreciation	3,941	3,722	3,664
8. Other operating expenses	29,738	29,283	24,627
9. Other taxes	123	121	215
Earnings before interest and taxes (EBIT)	**17,927**	**16,466**	**16,431***

* Excluding income from associated companies (TEUR 15)

The changes in the balance sheet attributable to the consolidation of HJS Motoren GmbH mainly relate to non-current assets (TEUR 733), inventories (TEUR 3,531), other current assets (TEUR 691), provisions (TEUR 351) and liabilities (TEUR 1,260) at the balance sheet date.

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 December 31, 2021 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 remaining difference from capital consolidation (goodwill) is capitalized.

As it relates to the sustainable core business activities of 2G Energy AG, the goodwill on the shares in 2G Energietechnik GmbH is amortized on a straight-line basis over an expected useful life of 20 years in accordance with Section 309 (1) of the German Commercial Code.

The goodwill resulting from the consolidation of the shares in HJS Motoren GmbH is amortized on a straight-line basis over an expected useful life of 8 years. The amortization period is based on the life cycle of the products.

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 without impact on the profit and loss accounts directly in equity as equity differences from currency translation.

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.

Currency translation differences arising from the consolidation of income and expenses are recognized in profit or loss under other operating income or expenses.

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 years

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
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 amount.

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 amount.

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). At the time of initial recognition, transactions in foreign currencies are generally recorded at the exchange rate prevailing on the transaction date.

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 1,991 (previous year: TEUR 2,531) of rental plants from the operating activities of 2G Rental GmbH.

2. Receivables and other assets

Specific and general valuation allowances of TEUR 5,298 (previous year: TEUR 4,215) were applied to trade receivables.

Receivables due from participating interests in the previous year relate to loans (TEUR 250) and trade accounts receivable (TEUR 129).

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 1,587 (previous year: TEUR 1,975) arise from tax loss carryforwards (TEUR 167) at 2G Italia Srl, 2G Polska Sp. z o.o. and 2G Energy International GmbH. No deferred tax assets were formed in relation to the loss carryforwards of 2G Solutions S.L. 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 consider positive expectations arising from current structural changes. In addition, deferred taxes were formed in relation to eliminated intragroup gains on fixed assets (TEUR 418) and inventories (TEUR 703) deriving from intragroup deliveries and services as of the balance sheet date, and on temporary differences (TEUR 299). 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 that the tax benefits associated with the capitalized loss carryforwards can be realized with sufficient probability in the next five financial years. Deferred taxes on unutilized tax loss carryforwards were not recognized in the amount of TEUR 880.

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

4. Consolidated equity

The share capital amounts to TEUR 4,485 (previous year: 4,430) and is divided into 4,485,000 (previous year: 4,430,000) ordinary bearer shares each with a nominal value of EUR 1.

Capital reserves of TEUR 16,438 (previous year: TEUR 11,235) arise mainly from share premiums from capital increases at 2G Energy AG.

In a resolution passed at the Annual General Meeting on 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).

On January 27, 2021, the authorization to increase the share capital once or several times (Authorized Capital 2020) was exercised by issuing 55,000 no-par value shares and the Company's share capital was increased from TEUR 4,430 to TEUR 4,485. The capital reserve subsequently increased by TEUR 5,203 to TEUR 16,438. The remaining authorized capital amounts to TEUR 2,160.

Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 1,587.

An amount of TEUR 72,353 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

	31/12/2021	31/12/2020
Residual work on completed plants / outstanding invoices	5,261	3,489
Warranty commitments	4,921	4,143
Amounts owed to staff	3,860	2,703
Taxable fringe benefits	872	872
Professional cooperative contributions	318	350
Costs of preparing and auditing financial statements	202	183
AGM and annual report	67	67
Litigation costs	45	47
Archiving of business documents	20	20
Misc. other provisions	217	262
Total	**15,783**	**12,136**

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	1,916 (1,297)	3,400 (4,168)	249 (821)	5,316 (5,465)
Prepayments received for orders	31,809 (30,059)	0 (0)	0 (0)	31,809 (30,059)
Trade payables	11,470 (10,008)	0 (0)	0 (0)	11,470 (10,008)
Other liabilities	8,906 (9,329)	0 (0)	0 (0)	8,906 (9,329)
Total	**54,101** **(50,693)**	**3,400** **(4,168)**	**249** **(821)**	**57,501** **(54,861)**

The following collateral instruments relate to bank borrowings:

- EUR 2.2 million land charge,
  Siemensstraße 20, Heek

- EUR 2.0 million land charge,
  Benzstrasse 3, Heek

- Collateral assignment of a lease claims

Other liabilities comprise tax liabilities of TEUR 4,406 (previous year: TEUR 5,356), and social security liabilities of TEUR 148 (previous year: TEUR 124).

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 systems/ After Sales	81,626 (86,807)	69,116 (66,626)	150,742 (153,433)
Service	80,925 (65,505)	34,681 (27,791)	115,606 (93,296)
Total	**162,551 (152,312)**	**103,797 (94,417)**	**266,348 (246,729)**

2. Other operating income

Other operating income comprises TEUR 2,225 (previous year: TEUR 953) of income related to other accounting period that consists mainly of insurance compensation payments and loss compensation payments (TEUR 685), the decrease of bad debt allowances (TEUR 260) and of the release of provisions (TEUR 67).

In addition, other operating income includes income relating to other periods from the disposal of non-current assets of TEUR 1,168, mainly resulting from the sale of the property in the USA by 2G Energy Inc.

Other operating income includes income of TEUR 401 (previous year: TEUR 594) from currency translation.

3. Personnel costs

Social security contributions and pension and benefit expenses include TEUR 521 (previous year: TEUR 519) of pension expenses.

4. Depreciation and amortization

Depreciation and amortization applied to tangible and intangible assets includes amortization of goodwill in the amount of TEUR 461 (previous year: TEUR 389).

5. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	2021	2020
Operating expenses	9,685	8,298
Administration expenses	3,514	3,107
Sales and marketing expenses	8,964	7,181
Miscellaneous	7,575	6,040
Total	**29,738**	**24,627**

Other operating expenses comprise TEUR 1,809 (previous year: TEUR 834) of expenses related to other accounting periods that consist mainly resulting from credit notes and losses on receivables relating to other periods, as well as expenses from the allocation to specific and general bad debt allowances.

Other operating expenses include expenses of TEUR 349 (previous year: TEUR 824) from currency translation.

6. Other interest and similar income

Other interest and similar income include income from the discounting of provisions in the amount of TEUR 6 (previous year: TEUR 7).

7. Taxes on income

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

Income from deferred taxes, in TEUR

	2021	2020
Deferred tax income	0	122
Deferred tax expenses	-388	-625
of which attributable to loss carryforwards (net balance)	-14	58
Income from deferred taxes	**-388**	**-503**

Taxes on income include net tax income of TEUR 79 relating to other periods (previous year: tax expense of TEUR 158).

F. Additional information

1. Consolidated cash flow statement

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

Additional subtotals have been voluntarily included within cash flows from operating activities.

Cash and cash equivalents shown in the cash flow statement include cash at banks and in hand, less short-term liabilities of TEUR 250 (previous year: TEUR 38).

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 they each own more than one quarter of the shares in 2G Energy AG as of the balance sheet date. Both notifications were submitted to the electronic Federal Gazette (Bundesanzeiger) on July 30, 2007.

3. Derivative financial instruments

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

As the conditions for these hedging transactions are met, valuation units are formed in accordance with section 254 of the German commercial Code (HGB) (micro hedge). This ensures that the value-determining factors (nominal value, maturity) for the hedged item and hedging instrument match. The individual hedging relationships are therefore classified as effective (critical terms match) for the entire hedging period.

Derivative financial instruments, in TEUR

	Scope	Maturity	Fair value
Forward exchange transaction EUR – USD	1,040	15/02/2022	-87
Forward exchange transaction EUR – USD	414	15/02/2022	-12
Forward exchange transaction EUR – GBP	1,440	15/02/2022	-36
Forward exchange transaction JPY – EUR	112	08/03/2022	1
Forward exchange transaction EUR – GBP	271	15/03/2022	-6
Forward exchange transaction EUR – GBP	338	15/03/2022	-7
Forward exchange transaction EUR – PLN	302	15/03/2022	-4
Forward exchange transaction EUR – USD	1,461	31/03/2022	-46
Forward exchange transaction EUR – USD	732	29/04/2022	-40
Forward exchange transaction EUR – GBP	342	29/04/2022	-7
Forward exchange transaction JPY – EUR	112	13/05/2022	1
Forward exchange transaction EUR – USD	1,455	31/05/2022	-6
Total	**8,018**		**-249**

Regarding the negative fair value of the hedging transactions (TEUR -251), no provision for onerous contracts was recognized. The offsetting cash flows are settled upon maturity of the underlying transactions, which correspond to the maturity of the hedging transactions. The effectiveness of the valuation unit is based on the matching of the terms and parameters of the hedged item and the hedging instrument. The so-called freezing method is used to reflect the effective portions of the valuation units formed in the balance sheet.

4. 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.

5. 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	More than 5 years	Total
Permanent rental contracts*	825 (711)	0 (0)	0 (0)	825 (711)
Fixed-term rental contracts	367 (146)	868 (263)	37 (0)	1,272 (409)
Lease contracts	380 (219)	593 (322)	0 (0)	973 (540)
Total	**1,572 (1,076)**	**1,461 (584)**	**37 (0)**	**3,070 (1,660)**

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

6. 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

	2021	2020
Industrial workers	385	384
Commercial employees	378	339
Total	**763**	**723**
of whom part-time employees	75	83

7. 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, Human Resources, Law and Investor Relations	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".

8. Supervisory Board

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

Supervisory Board

	Since
Mr. Dr. Lukas Lenz (Chairman) Hamburg Lawyer	17/07/2007
Mr. Dr. Jürgen Vutz (Deputy Chair-man) Greven Graduated mechanical engineer, Graduated industrial engineer	01/01/2021
Mr. Prof. Dr. Christof Wetter Steinfurt Professor at the Department of Energy, Building, Environment at Münster University of Applied Sciences	01/01/2021

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".

9. Directors' compensation

Compensation of TEUR 1,415 (previous year: TEUR 1,031) was paid to the Management Board in the financial year under review, and compensation of TEUR 123 (previous year: TEUR 40) to the Supervisory Board.

10. Auditor's fee

Other operating expenses include the fees expensed for the auditor of the financial statements. The auditor's fee totaled TEUR 99 (previous year: TEUR 94) and is composed as follows:

Auditor's fee, in TEUR

	2021	2020
Audit services	95	92
Other assurance services	2	2
Other services	2	0
Total	**99**	**94**

11. Proposed appropriation of profits

The Management Board will recommend that the Supervisory Board present the following proposal for the appropriation of profits to the Annual General Meeting for approval.

The unappropriated profit of EUR 9,159,872.33 reported in the annual financial statements of 2G Energy AG as prepared according to the German Commercial Code (HGB), consisting of net profit of EUR 9,159,872.33 for the year and EUR 0.00 of net retained profits, are to be distributed in an amount of EUR 2,242,500.00, and to allocate in an amount of EUR 6,917,372.33 to other retained earnings.

12. Exemption rules

Utilization was made of the exemption in Section 264 (3) of the German Commercial Code (HGB) regarding the obligation to prepare a management report and publish the annual financial statements for the subsidiary 2G Energietechnik GmbH, Heek.

13. Events of key significance after the reporting date

On February 24, 2022, Russia attacked Ukraine and has since been waging a war of conquest. On the Ukrainian side, this has led to a total mobilization of the male population, is driving millions of people to flee the country, and is progressively leading to large-scale destruction of cities and infrastructure. Ukraine will not be a production location and supplier of raw materials for the foreseeable future. The Western community of states has imposed a wide range of extensive sanctions on Russia, both on individuals and on the movement of goods and money. With regard to Europe, Russia is the largest exporter of primary fossil fuels (coal, oil and natural gas) and a major supplier of further industrial and agricultural raw materials to the world economy. The insecurity triggered by the war, emerging shortages due to the sanctioned movement of goods and money, and significant increases in the prices of fossil primary energy sources and agricultural goods are very likely to incur serious economic repercussions worldwide.

Following the recent signs of containment of the Covid-19 pandemic and the emergence of an endemic situation – at least in the Western world – the war may once again dampen economic performance in almost all of the world's economies. Contributing factors may include significantly higher price levels for raw materials and fossil primary energy sources, a decrease in production in parts of industry, a lack of precursors and/or key components in production, disruption of supply and logistics chains, and a partial lack of demand. Uncertainty and profitability considerations can lead to a sustained slowdown in the propensity to invest, as well as to postponements of investments, and to the temporary or permanent discontinuation of production lines and branches.

2G identifies risks from Russia's war against Ukraine primarily in the areas of "sales risks", "product availability risks", "political risks", "IT risks" and "environmental and security risks", which are discussed in the risk and opportunity report in the management report.

The financial impact of Russia's war against Ukraine on the company's net assets, financial position and results of operations cannot be conclusively assessed at the present time.

From today's perspective, there are no discernible risks to 2G as a going concern. The Management Board assumes only temporary sales risks due to the uncertainty triggered by the war. 2G considers the availability of components and parts for production and service to be fundamentally assured.

Heek, March 28, 2022

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						
	01/01/2021	Currency translation	Changes in scope of consolidation	Additions	Transfers	Disposals	31/12/2021
Intangible fixed assets							
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	2,867,699.28	1,681.38	21,584.80	722,813.61	9,333.00	4,374.24	3,618,737.83
Goodwill	8,431,787.58	0.00	0.00	1,420,589.33	0.00	0.00	9,852,376.91
Prepayments rendered	115,099.25	0.00	4,158.00	99,487.86	-9,333.00	0.00	209,412.11
	11,414,586.11	**1,681.38**	**25,742.80**	**2,242,890.80**	**0.00**	**4,374.24**	**13,680,526.85**
Tangible fixed assets							
Land, land rights and buildings, including buildings on third-pary land	15,674,803.93	218,324.41	0.00	521,520.37	0.00	1,981,562.40	14,433,086.31
Plants and machinery	2,390,839.71	37,677.58	47,967.14	48,426.25	0.00	34,631.29	2,490,279.39
Other factory and office equipments	23,409,457.51	234,007.33	1,040,015.82	3,021,931.17	3,554.27	1,423,135.79	26,285,830.31
Prepayments rendered and plants under construction	56,856.84	0.00	0.00	437,240.09	-3,554.27	0.00	490,542.66
	41,531,957.99	**490,009.32**	**1,087,982.96**	**4,029,117.88**	**0.00**	**3,439,329.48**	**43,699,738.67**
Financial fixed assets							
Participating interests in associated companies	883,123.60	0.00	0.00	0.00	0.00	883,123.60	0.00
Other participating interests	10,000.00	0.00	0.00	0.00	0.00	0.00	10,000.00
	893,123.60	**0.00**	**0.00**	**0.00**	**0.00**	**883,123.60**	**10,000.00**
Total	**53,839,667.70**	**491,690.700**	**1,113,725.760**	**6,272,008.68**	**0.00**	**4,326,827.32**	**57,390,265.52**

Depreciation and amortization						Book value	
01/01/2021	Currency translation	Changes in scope of consolidation	Additions	Disposals	31/12/2021	31/12/2021	31/12/2020
2,359,430.60	1,155.07	9,832.35	266,927.91	1,374.39	2,635,971.54	982,766.29	508,268.68
6,106,807.62	0.00	0.00	461,273.88	0.00	6,568,081.50	3,284,295.41	2,324,979.96
0.00	0.00	0.00	0.00	0.00	0.00	209,412.11	115,099.25
8,466,238.22	**1,155.07**	**9,832.35**	**728,201.79**	**1,374.39**	**9,204,053.04**	**4,476,473.81**	**2,948,347.89**
3,064,129.46	29,596.75	0.00	455,403.17	233,381.69	3,315,747.69	11,117,338.62	12,610,674.47
1,274,577.36	29,879.84	21,523.16	261,253.04	39,293.98	1,547,939.42	942,339.97	1,116,262.35
14,316,250.40	143,724.44	261,250.31	2,496,410.46	1,013,043.67	16,204,591.94	10,081,238.37	9,093,207.11
0.00	0.00	0.00	0.00	0.00	0.00	490,542.66	56,856.84
18,654,957.22	**203,201.03**	**282,773.47**	**3,213,066.67**	**1,285,719.34**	**21,068,279.05**	**22,631,459.62**	**22,877,000.77**
0.00	0.00	0.00	0.00	0.00	0.00	0.00	883,123.60
0.00	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**	**0.00**	**10,000.00**	**893,123.60**
27,121,195.44	**204,356.10**	**292,605.820**	**3,941,268.46**	**1,287,093.73**	**30,272,332.09**	**27,117,933.43**	**26,718,472.26**

Consolidated cash flow statement

		01/01/ to 31/12/2021	01/01/ to 31/12/2020
		EUR	EUR
	Consolidated profit for the year	**12,640,356.53**	**11,957,101.90**
+	Taxes on income	5,079,663.74	4,305,210.03
+	Interest and similar expenses	306,534.73	397,966.21
−	Other interest and similar income	-99,817.31	-214,280.79
=	**Earnings before interest and tax (EBIT)***	**17,926,737.69**	**16,445,997.35**
+	Depreciation and amortization applied to tangible and intangible fixed assets	3,941,268.46	3,663,984.91
=	**Earnings before interest, tax, depreciation and amortization (EBITDA)***	**21,868,006.15**	**20,109,982.26**
±	Change in raw materials and supplies	-7,639,775.05	6,564,064.24
±	Change in work in progress	-2,828,303.15	-7,335,831.63
±	Change in prepayments rendered on inventory	-3,597,643.59	-1,262,701.04
±	Change in prepayments received for orders	7,078,079.64	5,319,332.70
±	Change in trade receivables	-693,301.31	-5,125,465.37
±	Change in trade payables	1,256,726.29	-3,720,864.50
±	**Cash flow from change in operative net working capital***	**-6,424,217.17**	**-5,561,465.60**
±	Change in other provisions	3,490,402.38	-1,952,512.36
±	Change in other assets and assets that are not allocable to investing or financing activities	-3,981,583.56	-1,781,175.97
±	Change in other liablities and liabilities that are not allocable to investing or financing activities	-528,647.04	3,010,761.37
±	Gain from fixed asset disposals	-1,142,543.66	-167,180.10
−	Income from associated companies	0.00	-14,654.02
±	Income tax payments	-4,418,535.05	-3,858,430.90
=	**Cash flow from operating activities**	**8,862,882.05**	**9,785,324.68**

		01/01/ to 31/12/2021	01/01/ to 31/12/2020
		EUR	EUR
+	Proceeds from fixed asset disposals	3,299,153.65	412,589.78
−	Payments for investments in intangible fixed assets	-822,301.47	-370,529.66
−	Payments for investments in tangible fixed assets	-4,029,117.88	-2,360,439.64
+	Proceeds from profit distributions	818,497.73	0.00
−	Payments for acquisition of consolidated companies	-1,221,759.84	0.00
+	Interest received	99,817.31	214,280.79
=	**Cash flow from investing activities**	**-1,855,710.50**	**-2,104,098.73**
+	Proceeds from additions to equity through issuance of new shares	5,258,000.00	0.00
+	Proceeds from raising of loans	0.00	4,562,181.96
−	Outgoing payments for redemption of loans	-1,315,982.76	-9,542,584.21
−	Interest paid	-306,534.73	-397,966.21
−	Dividends paid to parent company shareholders	-2,018,250.00	-1,993,500.00
=	**Cash flow from financing activities**	**1,617,232.51**	**-7,371,868.46**
=	**Net change in cash and cash equivalents**	**8,624,404.06**	**309,357.49**
±	Currency-related change in cash and cash equivalents	60,868.81	125,973.87
+	Cash and cash equivalents at start of period	10,991,752.45	10,556,421.09
=	**Cash and cash equivalents at end of period**	**19,677,025.32**	**10,991,752.45**

* voluntary included sub-totals

	01/01/ to 31/12/2021	01/01/ to 31/12/2020
	EUR	EUR
Composition of cash and cash equivalents:		
Cash in hand, bank balances	19,926,679.83	11,029,909.57
Short-term bank borrowings	-249,654.51	-38,157.12
	19,677,025.32	**10,991,752.45**

Consolidated statement of changes in equity

Consolidated statement of changes in equity, in Euro

	Parent company				
	Subscribed share capital	Capital reserves	Other retained earnings	Equity difference from currency translation	Consolidated net income attributable to the parent company
Balance on 01/01/2020	**4,430,000.00**	**11,235,300.00**	**53,129,681.91**	**-860,688.13**	**630,403.04**
Allocation of retained earnings	0.00	0.00	4,769,693.91	0.00	-4,769,693.91
Currency translation	0.00	0.00	0.00	-173,620.33	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	11,971,519.34
Balance on 31/12/2020	**4,430,000.00**	**11,235,300.00**	**57,899,375.82**	**-1,034,308.46**	**5,838,728.47**
Balance on 01/01/2021	**4,430,000.00**	**11,235,300.00**	**57,899,375.82**	**-1,034,308.46**	**5,838,728.47**
Capital increase	55,000.00	5,203,000.00	0.00	0.00	0.00
Allocation of retained earnings	0.00	0.00	4,602,199.13	0.00	-4,602,199.13
Currency translation	0.00	0.00	0.00	348,203.41	0.00
Dividends	0.00	0.00	0.00	0.00	-2,018,250.00
Consolidated profit for the year	0.00	0.00	0.00	0.00	12,605,689.79
Balance on 31/12/2021	**4,485,000.00**	**16,438,300.00**	**62,501,574.95**	**-686,105.05**	**11,823,969.13**

	Minority Interests			Consolidated equity
Total	Minority interests before equity differences from currency translation and profit	Profit/loss attributable to other shareholders	Total	
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
-173,620.33	0.00	0.00	0.00	-173,620.33
-1,993,500.00	0.00	0.00	0.00	-1,993,500.00
11,971,519.34	0.00	-14,417.44	-14,417.44	11,957,101.90
78,369,095.83	**300.60**	**-57,409.65**	**-57,109.05**	**78,311,986.78**
78,369,095.83	**300.60**	**-57,409.65**	**-57,109.05**	**78,311,986.78**
5,258,000.00	0.00	0.00	0.00	5,258,000.00
0.00	0.00	0.00	0.00	0.00
348,203.41	0.00	0.00	0.00	348,203.41
-2,018,250.00	0.00	0.00	0.00	-2,018,250.00
12,605,689.79	0.00	34,666.74	34,666.74	12,640,356.53
94,562,739.03	**300.60**	**-22,742.91**	**-22,442.31**	**94,540,296.72**

Auditor’s report

Audit Opinions

We have audited the consolidated financial statements of 2G Energy AG, Heek, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of 2G Energy AG for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information.

The other information comprises the annual report, which is expected to be made available to us after the date of the auditor’s report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Osnabrück, March 28, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Achim Lienau	ppa. Stefan Vox
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Colophon

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