2020

ANNUAL REPORT

25 years of 2G
Inspired by the future.

Multi-year overview of Group key figures

Results of operations

	2020	2019	2018	2017	2016
	TEUR	TEUR	TEUR	TEUR	TEUR
Net sales	246,729	236,396	209,783	189,404	174,299
Change vs. previous year in %	4.4	12.7	10.8	8.7	14.0
Total operating revenue	254,206	226,119	221,149	190,494	183,622
Earnings before interest, tax, depreciation and amortization (EBITDA)	20,110	19,168	15,371	11,116	9,236
Earnings before interest and tax (EBIT)	16,446	15,453	11,453	7,333	4,772
Financial result	-169	-361	-525	-369	-368
Operating result (EBT)	16,477	15,277	11,233	7,197	5,393
Consolidated net income	**11,957**	**10,302**	**7,608**	**4,923**	**1,784**
Sales distribution					
Net sales international in %	38	35	35	35	30
Service ratio in %	38	38	37	34	33
Profitability					
EBITDA margin in %	8.2	8.1	7.3	5.9	5.3
EBIT margin in %	6.7	6.5	5.5	3.9	3.2
Return on equity in %	15.3	15.0	12.4	8.8	3.4
Return on total assets in %	11.2	11.0	9.2	6.3	5.1
ROCE[1] in %	20.6	21.8	17.9	12.5	10.1
Order and revenue situation					
Order backlog at year-end	111,249	116,773	131,497	95,855	91,232
Book-to-bill ratio[2] as of December 31	0.97	0.96	1.22	1.07	1.13
Expense structure					
Cost of materials	167,255	146,763	148,739	126,822	128,633
Materials intensity in %*	65.8	64.9	67.3	66.6	70.1
Personnel costs	44,277	38,965	35,310	32,670	29,951
Average number of employees	723	649	627	606	579
Labor intensity in %*	17.4	17.2	16.0	17.2	16.3
Other operating expenses	24,627	23,055	23,190	20,955	18,901
Cost intensity in %*	9.7	10.2	10.5	11.0	10.3
Depreciation and amortization	3,664	3,715	3,918	3,783	3,587
Income tax	4,305	4,802	3,450	2,041	1,699
Tax ratio[3] in %	26.1	31.4	30.7	28.4	31.5

Financial position

	2020	2019	2018	2017	2016
	TEUR	TEUR	TEUR	TEUR	TEUR
Total assets	**146,559**	**140,921**	**124,796**	**116,258**	**111,389**
Asset structure					
Fixed assets	26,718	28,182	27,527	25,458	24,635
Tangible fixed assets to total assets ratio in %**	15.6	17.1	18.3	17.8	17.2
Current assets	117,256	109,921	93,656	88,816	85,346
Inventory turnover ratio					
Inventories	4.1	3.9	4.5	4.3	4.0
Receivables	5.9	6.4	6.6	6.8	6.0
Capital structure					
Equity	78,312	68,522	61,556	55,711	52,916
Equity ratio in %	53.4	48.6	49.3	47.9	47.5
Share capital	4,430	4,430	4,430	4,430	4,430
Provisions	13,387	15,394	17,170	15,513	12,465
Bank borrowings	5,465	10,553	7,290	6,364	6,277
Working capital[4]	**53,176**	**42,669**	**36,487**	**33,164**	**31,389**
Net working capital	**62,883**	**57,321**	**45,949**	**38,409**	**40,086**
Financing					
Cash inflow/cash outflow from					
operating activities	9,785	1,921	4,875	12,845	6,382
as % of sales	4.0	0.8	2.3	6.8	3.7
investing activities	-2,104	-5,677	-5,936	-4,878	-4,544
financing activities	-7,372	733	-1,382	-2,114	-1,703
Investments in plants	2,731	4,520	8,255	5,691	4,837
Free cash flow[5]	7,054	-2,599	-3,380	7,154	1,545
in % of net sales	2.9	-1.1	-1.6	3.8	0.9
Dividends	1,994	1,994	1,861	1,772	1,639
Change in liquid assets	309	-3,022	-2,443	5,854	135
Liquidity as of December 31	10,992	10,556	13,615	16,092	10,187

2G share

	2020	2019	2018	2017	2016
	EUR	EUR	EUR	EUR	EUR
Number of shares (≙ share capital in EUR)	4,430,000***	4,430,000	4,430,000	4,430,000	4,430,000
Share price[6]	89.8	44.9	21.9	17.7	18.34
Earnings per share	2.70	2.33	1.72	1.11	0.40
Dividend per share	0.45[7]	0.45	0.45	0.42	0.4
Dividend yield in %[6]	0.5	1.0	2.1	2.4	2.2
Payout ratio in %[8]	16.9	19.4	26.2	37.8	99.3
Price-earnings ratio[6]	33.3	19.3	12.8	15.9	45.5
Price-cashflow ratio[6]	40.7	103.5	19.9	6.1	12.7

* Related to total output | ** Related to total assets | *** as of December 31, 2020 | 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

25 YEARS OF 2G

Inspired by the future.

1995

FOUNDATION

When 2G Energietechnik is founded in 1995, the vision of decentralized energy supply concepts is the guiding principle. Already at an early stage, the largely in-house production of CHP systems crystallized as a promising business model.

1996

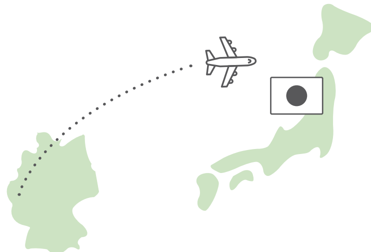
THE FIRST 2G SYSTEMS

In 1996, the first product series consists of compact units from 12 to 35 kW electrical rated output to be operated with fuel oil. Heating oil is relatively cheap, and electricity rather expensive. For farmers it makes sense to supply themselves with energy.

2000

THE FIRST EEG COMES INTO FORCE

The coming into force of the German Renewable Energies Act (EEG) on April 1, 2000 marks the starting signal for higher demand for biogas CHP systems – and not only for farmers, as the attractive feed-in tariff opens up CHP to other target groups as well.



2004

FROM THE MÜNSTER REGION INTO THE WORLD

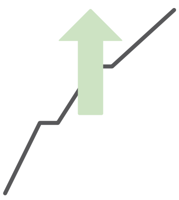
Sales of the first 2G CHP power systems took off in 2004: exports to Japan and the Netherlands were the starting signal for a successful internationalization, while also reflecting diminishing dependence on conditions in individual markets.


Mit Energie an die Börse: 2G jetzt AG

2007

WITH ENERGY TO THE STOCK EXCHANGE

Charting a growth course, entering new international markets and conducting research and development – and all this at a rapid pace – calls for liquidity. 2G goes public in 2007. The issue price on July 31 is EUR 8. On February 5, 2021, the 2G share trades for the first time at a level above EUR 100.



2011

EXPANSION

Placing an increasing focus on the natural gas sector and growing sales outside Germany, 2G establishes subsidiaries for sales and service in Italy, Poland and England in 2011. A subsidiary with a production facility follows in the USA in 2012.

2016

DIGITALIZATION

The digital "my.2-g.com" platform developed by 2G itself is launched. Representing a milestone development, the platform bundles all data and processes relating to plant management via the Internet, thereby enhancing efficiency and transparency for plant operators, as well as for sales and service partners worldwide.

2017
THREE LEAD PROJECTS

With the launch of its three lead projects – Partner Concept, Digitalization and Lead to Lean – 2G is setting the course for further internationalization and further networking of service and CHP systems as well as for an industrial manufacturing structure and enhanced process orientation.

2017
AURA SERIES

The news aura series offers excellent efficiency characteristics and is the cleanest of the CHP units: aura is equipped with 2G's Lambda-1 technology and impresses with extremely low exhaust emissions.

2018
H_2 CHP

2G delivers the first cogeneration plant powered by pure hydrogen to Stadtwerke Hassfurt in Germany. A project that is groundbreaking for regenerative energy supply in combination with wind and solar energy. In 2019, 2G receives the Handelsblatt Energy Award for this development.


Klima-Kraftprotz

2020
25 YEARS OF 2G

With its 25th anniversary in 2020, 2G has launched a lifecycle management program. In this context, it is not only the production of competitive, innovative power plants and the upstream R&D work that sets 2G apart, but also the many downstream services, digital system management, engine overhauls and a secondary market recycling of the CHP systems that distinguish the "2G system" in terms of sustainability and above-average customer benefit.

2050
VISION

2G intends to continue to proactively support the global energy transition with its sophisticated technical and digital solutions for virtually emission-free CHP systems. Security of supply and energy efficiency are key elements in this context. 2G and its combined heat and power systems are ranking as renewable energy partners in the decentralized energy industry of the future.

THE HIGHLIGHTS IN THE ANNIVERSARY YEAR 2020

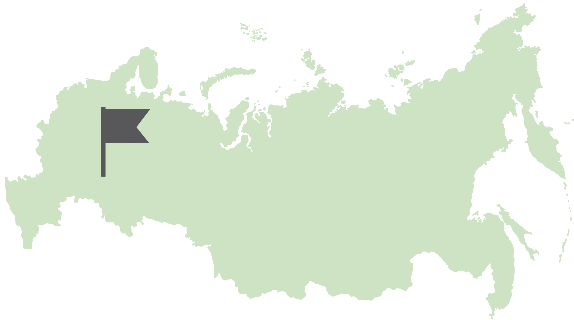
SHOP.2-G.COM ROLLED OUT IN FURTHER COUNTRIES

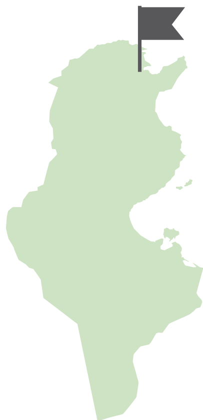
The online replacement parts shop “shop.2-g.com” went online for Italy and the UK in 2020, while preparations are ongoing for the USA. Consumable parts and replacement parts can also be purchased by third-party plant operators – our quality proves persuasive, and we potentially gain new customers.

ANNUAL GENERAL MEETING UNDER CORONAVIRUS CONDITIONS

Once a year, 2G invites shareholders to its Annual General Meeting. This is the most important event for our shareholders. Under coronavirus conditions and for the protection of shareholders and 2G employees, the AGM was held virtually for the first time with access only via the Internet. At 64 %, attendance was only slightly lower than in previous years, although, of course, we naturally missed interacting with our shareholders!

NEW 2G STATIONS IN RUSSIA AND TUNISIA





2G stations have been founded in Moscow and in Tunis – independent companies in which 2G does not hold any shares, but which exclusively offer only 2G products on their markets. They must adhere to 2G quality standards and participate in training and education. This concept offers 2G risk-minimized access to new markets. The next 2G station partners are waiting in the wings for Israel, Brazil and Australia.

MORE POWER WITH NEW 2G CYLINDER HEADS

Since 2020, 2G has been equipping its V-engines with cylinder heads developed in-house. The advantage resulting here is that the heads are very well cooled and designed for superior robustness and durability – which was not always the case with the basic engines purchased externally. In turn, this innovation enables us to further develop the engines. Specifically, we can easily boost the power output of a 12-cylinder CHP from 550 kW today to 660 kW in three to five years, with customers thereby benefitting from more power for their investment outlay.

2G ENHANCES DELIVERY CAPABILITIES FOR G-BOXES

In g-box production, 2G has taken a major step forward on the way to an industrially oriented production process. Regardless of customer requirements, the g-box 20 and g-box 50 plus are produced completely anonymously as a series, and held in stock. This significantly reduces throughput times and the commitment of resources. The new subsidy framework for this output class in the German Cogeneration Act (KWKG), which has been in force since August 2020, has led to a significant increase in demand, enabling us to leverage attractive sales and earnings potentials with a lean production process and our constant delivery capabilities.

FURTHER AWARDS FOR HYDROGEN CHP

2G is attracting a great deal of recognition for its hydrogen innovation. Specific demand exists worldwide, and we are selling first systems to Japan and the UK. After the Handelsblatt Energy Award 2019, 2G has also been honored with further awards in 2020: the NRW Environmental Business Award and EnergyDecentral 2021. These gratifying acknowledgements motivate us to continue in charting this course with our commitment and dynamics, as well as with our claim to technological leadership.

25TH ANNIVERSARY

2G celebrated its 25th anniversary: a success story, enabled by strong team spirit and employee commitment and symbolically summarized in the popular slogan “Watts – that’s us” (German: “Wir machen Watt”). Over 40 colleagues celebrated their 10th anniversary with the company in 2020, and some colleagues even celebrated their 25th anniversary. The very low employee turnover rate reflects the good working climate within the company, its lively corporate culture, and enjoyment of the diverse tasks involved in actively advancing the energy revolution worldwide with innovative CHP units from 2G.

IMPROVED SERVICE BY INNOVATIVE TECHNOLOGY

In 2020, 2G introduced the 4,000 operating hours service interval. This represents a huge improvement from the previous standard of 2,000 operating hours, as competitors lag far behind at 1,500 operating hours. We have succeeded in achieving this by making mechanical improvements to the equipment, and especially by using the I.R.I.S. digital monitoring technology – an inhouse development. This enhances system security during operation and provides an early warning system for deviations from standard values (predictive maintenance). Through committed service, 2G delivers greater customer benefits, strengthening customer relationships – and thereby creating the best reference for the next customer orders.

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Colophon

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 business model of 2G Energy AG has proven to be extremely resilient in this exceptional and challenging financial year. Above and beyond the COVID-19 pandemic, this is a confirmation of our strategic direction towards

- international markets, in order to be independent of individual markets,
- a high level of digitalization of our combined heat and power (CHP) systems and service in order to perform as much work as possible via remote maintenance and Internet applications,
- industrial processes, in order to further enhance quality and efficiency, and also to be able to maintain quality and efficiency under difficult conditions, and
- technological excellence, in order to continuously increase the economic benefits of CHP systems for our customers and to reduce total cost of ownership.

We are convinced – and we are not exaggerating when we say – that the 2G brand has gained international appeal in recent quarters. 2G continues to establish the “WE BRAND”

and is a reliable partner for our customers, partners, employees and last but not least our shareholders.

The strategic positioning of our products and services, our financial stability, and our extremely committed and prudent employees have helped us to tackle the coronavirus period to date. Our team has proven its flexibility and has familiarized itself with digital equipment and new ways of communication. Each and every one of them deserves our sincere thanks and appreciation for these achievements. Together we have succeeded in fulfilling our performance commitments to our customers – both in the delivery of new CHP systems and in the maintenance and service of existing systems.

The key figures for the year under review and our share price performance aptly reflect this performance. We generated net sales of EUR 246.7 million, representing an increase of 4 %. Earnings before interest and tax (EBIT) grew at a faster rate of around 6.4 % to reach EUR 16.4 million. The three lead projects of Partner Concept, Digitalization and Lead-to-Lean, which are geared to productivity and efficiency gains, made a significant contribution to our robust profitability. Growth drivers derived especially from brisk international business and from our service offerings, with the latter now accounting for around 38 % of net sales. We have also tapped into new and growing sources of revenue and earnings with the user licenses for the software tools that 2G has developed, and with our online replacement parts shop.

As in the previous year, the company's solid financial performance has not gone unnoticed by the capital market: as in the prior year, the share price almost doubled during the year under review. Clearly, the capital market regards 2G as a successful contributor to the global energy revolution and as a technology leader for decentralized power plant technology that can also be operated with hydrogen.

In the year under review, we consistently developed business opportunities and pushed ahead with projects that enhance the company's value and open up new market potentials. The unique selling propositions that are essential for this purpose are secured by 2G's development activities. Drawing on 25 years of experience, we are consistently expanding the technological lead of CHP systems in our core output range of 50 kW to 550 kW. Three key projects will substantially strengthen our future technological competitive position. These include:

- The achievement of performance equivalence of hydrogen CHPs with comparable natural gas CHPs. We are thereby making our commitment – the ability to convert our natural gas and biogas CHP systems to run on up to 100 % hydrogen at a later date as part of regular maintenance – very attractive for many customers. As a consequence, 2G offers a commercial solution that is making the energy revolution affordable for every operator.

- The further development of our engine components – such as cylinder heads for the powerful V-engines, which will prospectively lead to a significantly higher power output of this CHP class. As a result, customers benefit from greater performance at the same price.

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- The predictive maintenance applications of our proprietary I.R.I.S. software solution. These not only minimize downtime and maintenance costs for our customers in operation, but also provide our Research & Development department with an instrument to analyze the worldwide system park in the field on the basis of a secure database of proprietary data, and to generate qualitative improvements. This will enable us to optimize system operation and emission prevention for the next generations of CHPs, while further reducing maintenance and servicing costs. Overall, we are thereby boosting the efficiency of the electricity and heat output, as well as system availability, as part of a continuous, ongoing process.

The I.R.I.S. reporting and information system is a good example of a 2G digital product where we invoice our partners according to their utilization. We intend to expand this approach in the future. In doing so, we are not neglecting our core business. Rather, we are flanking our hardware technologies with appropriate software products – offering “smart energy”, so to speak – as energy supplies are being progressively decentralized as part of the energy revolution. These developments call for the expansion of digitalization in order to control and regulate power systems distributed over wide areas according to demand – and to do so efficiently and simply. We have created a central instrument for this purpose – the “my.2-g.com” platform, which can be used worldwide by all partners and operators via the Internet. The platform can be utilized to manage all aspects of CHP operation, whether commercial, administrative, or of a more technical nature. Consequently, our CHPs can be easily integrated into decentralized energy systems. At the same time, we are de-engineering the management of power system operations for our customers.

We have expanded and developed our own network of sales and service partners both on national and international levels. With the help of these 2G-qualified partners, we are enhancing the presence of the 2G brand in various countries and regions, growing our sales, and ensuring local service availability. There is hardly any other CHP manufacturer active on the markets that commands a similar, worldwide network. The share of 72 % of systems sold internationally via partners shows how successful this distribution channel has become. We also sold 46 % of our systems in Germany through partners. Moreover, a comprehensive service contract is sold with almost all of the systems sold through partners. We are leveraging economies of scale in production through higher unit sales, which are reflected in more favorable procurement terms for components, and in an overall reduction in material intensity and higher productivity.

In the current financial year (Q3/2021), we will take a further step and equip the sales department with its own digital platform, referred to as CPQ. The acronym stands for “Creator, Price, Quotation”, a program that can be used by sales and potential customers to greatly simplify the preparation of quotations, and as a product configurator. The CPQ bundles all the necessary information, all the interfaces to be included, and clarifies specific project requirements at an early stage. This will enable us to significantly improve the quality and speed of our sales – as well as our partners' growing sales share. By deploying standardized solution components, CPQ will also enable us to realize further efficiency gains in production.

The above measures are embedded in our three lead projects of Lead-to-Lean, Digitalization and Partner Concept. Over the next few years, they are expected to make a significant contribution to aligning 2G much more closely with industrial manufacturing processes for further successful, international growth. By 2024, we expect to be able to significantly increase the profit margin through efficiency enhancements and economies of scale. We are thereby confirming our goal of generating net sales of around EUR 300 million in 2024 and an EBIT margin of 10 %.

With its portfolio of CHP plants and services, 2G is serving a global structural growth market that is refered to as the energy transition, and also as the energy revolution. The global community has created guidelines to significantly reduce further global warming with the Paris Agreement on climate protection. The complete decarbonization of the global economy within the next few decades forms the central element of this undertaking. The EU, for example, has set an ambitious interim target of reducing greenhouse gas emissions by at least 55 % by 2030. Wind and photovoltaic plants alone, however, cannot compensate for the phase-out of conventional large-scale power plants. The generation capacity of wind and photovoltaic plants depends on weather conditions and diurnal variation. Decentralized cogeneration forms the backbone technology that offsets the volatility of renewable energy generators and integrates them into a reliable supply system. To put it in straightforward terms: no other technology that is commercially and industrially available today is able to match this performance.

With the development of hydrogen CHP technology, 2G has taken one decisive step further. A natural gas or biogas CHP plant with a 2G engine installed today can in future be converted to operation with hydrogen after approximately 30,000 operating hours as part of regular maintenance. For operators, this eliminates the risk of "stranded investments", which constitutes a strong argument, in our opinion. For this reason, 2G CHP systems are not a bridging technology which, when operated with natural gas, paves the way to a purely renewable energy supply and then becomes obsolete. On the contrary, 2G CHPs offer all the prerequisites to act as the power plant capacity – whether completely or partly hydrogen operated – that offsets fluctuating electricity production by wind and solar power plants with residual load as required in a system-compatible manner. As rotating, decentralized masses in the system, they secure grid frequency at distribution grid level. In other words, billion-euro, time-consuming infrastructure investments in transmission grids are not necessary from an economic perspective.

In a nutshell: only a significantly greater additional construction of CHPs as backbone power systems will enable the further expansion of wind and photovoltaic plants. Otherwise, supply reliability for industry and end users is at stake in increasingly decarbonized energy production.

Hydrogen offers a further advantage: it can solve the problem of seasonal storage. This is due to the fact that it can be stored in large volumes within existing gas grids and be withdrawn seasonally as required. In Germany, for example, the gas grid has a storage capacity of 220 TWh. Note that hydrogen CHPs enable gradual and granular entry into the H_2 economy. Existing infrastructure can be converted in parallel, in step with the growing supply of hydrogen. CHP plants thereby form part of the regenerative energy storage solution to reconvert wind and solar energy stored in the gas system into electricity in a highly efficient manner.

Does that sound utopian? We are convinced that the dynamics of growing global demand for electricity, the dynamics of the technological development of hydrogen production, and the (negative) dynamics of climate change will make the outlined solution course a reality sooner than we all assume today. 2G is prepared for this future, and thereby definitely represents one of the most attractive investments on the way to a decarbonized economy.

The order books are well filled, amounting to EUR 136.6 million as of the end of March 2021. The further expansion of international activities will lead to disproportionate growth in international sales of CHP systems and services of 2G. Assuming that the COVID-19 pandemic does not worsen significantly again in the markets relevant to 2G, subsequently leading to renewed and prolonged closures of construction sites in key foreign markets, the Management Board consequently expects net sales of between EUR 245 million and EUR 260 million for 2021 as a whole, with an EBIT margin of between 6.0 % and 7.5 %.

We would like to thank all our employees and partners for their outstanding commitment, every day, to 2G and its customers. We are convinced that all of us together will keep the company on the road to success for the next decade, twenty-five years after it was founded, driven by our characteristic flexibility, team spirit and commitment to superior performance. We would like to thank you for the confidence you have placed in our work and for your critical comments and input.

Heek, in April 2021

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 2020 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 the 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), Heinrich Bertling (Deputy Chairman) and Wiebe Hofstra. 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

Four Supervisory Board meetings were held in the 2020 financial year: on April 3, May 7, June 22, and November 11. All Supervisory Board members attended these Supervisory Board meetings. In view of the COVID-19 pandemic, the meeting on April 3 was held as a conference call, and Mr. Hofstra was also only able to participate in the other Supervisory Board meetings by telephone or 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 to conduct consultations on the company's business and financial position, its operational and strategic development, its business divisions and its subsidiaries in Germany and abroad. These included, in particular, the development of the partner concept (internationalization), the "Lead to Lean" lead project, the further digitalization of CHP systems, the development of services, the possibilities offered by CHP hydrogen technology, and the achievement of targets in relation to the annual budget. The Supervisory Board requested reports on important specific questions relating to the company, its risk position, investment planning and personnel trends, 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 Supervisory Board meeting on April 3, 2020, 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. The Supervisory Board adopted the annual financial statements and approved them unanimously, as well as the consolidated financial statements for the 2019 financial year. The Supervisory Board concurred with the Management Board's proposal for the appropriation of profits.

Important agenda items at the Supervisory Board meeting on May 7, 2020, especially included the business policy and corporate planning, as well as the Group's expected profitability during the 2020 financial year, the progression of business during the first months of the financial year under review, and the company's medium-term liquidity, financial, investment and personnel planning. The Supervisory Board also discussed the appointment of Mr. Frank Grewe as a further member of the company's Management Board and the forthcoming Annual General Meeting, and unanimously granted the Management Board approval for transactions requiring its consent.

On June 22, 2020, the Management Board reported to the Supervisory Board on business progress and new order intake trends in the first half of the year, and provided an outlook of expected full-year trends. The Supervisory Board adopted revised rules of procedure for the Supervisory Board and approved amendments to the rules of procedure for the Management Board. It also passed a resolution to appoint Mr. Frank Grewe as a further member of the company's Management Board.

At the Supervisory Board meeting on November 11, 2020, 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 committee also discussed revenue and earnings planning for the coming years. Furthermore, the meeting dealt with changes to the Group structure, business trends in Central and North America, and the expansion of the partner concept, as well as personnel changes on the Supervisory Board. The Supervisory Board unanimously approved transactions of the Management Board requiring its consent.

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

The Supervisory Board appointed Mr. Frank Grewe to the company's Management Board for a period of three years with effect from July 1, 2020. Mr. Grewe is responsible for the Service and Research & Development areas.

Separate and consolidated financial statements for the 2020 financial year

In accordance with statutory provisions, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Osnabrück, was elected as auditor by the Annual General Meeting on June 23, 2020.

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, 2020, 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 the Group management report of 2G Energy AG for the 2020 financial year, including the financial accounting, awarding them unqualified audit certificates. The focus of the audit for the 2020 financial year was on the audit of consolidation measures and consolidation-related matters, the valuation of inventories, and the valuation of provisions. The auditor issued an unqualified audit certificate.

The separate financial statements, consolidated financial statements and 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 22, 2021, 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 2,018,250.00 equivalent to EUR 0.45 per share, from the unappropriated profit of EUR 6,620,449.13 and to carry forward to a new account the remaining unappropriated profit of EUR 4,602,199.13.

Voluntary declaration of compliance with the German Corporate Governance Code

In the year under review, the Supervisory and Management boards agreed to approve an annual declaration of compliance with the German Corporate Governance Code as a voluntary commitment to good corporate governance. The aim of the German Corporate Governance Code is to make the rules for corporate management and supervision applicable in Germany transparent for national and international investors, in order to strengthen public confidence in the corporate management and supervision of listed companies.

The annual declaration of compliance with the Corporate Governance Code underscores the Management and Supervisory boards' voluntary commitment to safeguard the company as a going concern, as well as to create sustainable value in the interests of the company and its shareholders in accordance with the principles of the social market economy.

The declaration of compliance with the German Corporate Governance Code by the Supervisory and Management boards of 2G Energy AG is published on the company's website in the Investor Relations area.

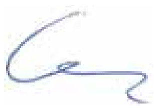
Changes to the Supervisory Board

Supervisory Board members Heinrich Bertling and Wiebe Hofstra resigned their mandates at the end of the year under review on the best of terms with the Management and Supervisory boards. The Coesfeld District Court appointed Prof. Dr.-Ing. Christof Wetter and Dr. Jürgen Vutz as members of the Supervisory Board, as requested. The Supervisory Board will propose to the Annual General Meeting that Dr. Vutz and Prof. Dr.-Ing. Wetter be elected to the Supervisory Board of 2G Energy AG.

The Supervisory Board would like to thank the Management Board, the managing directors of the subsidiaries and all employees of the 2G Group for their great loyalty and dedication in this extraordinary financial year, which was marked by the COVID-19 pandemic. This special commitment has helped to enhance 2G's national and international presence, and has led to further growth in net sales and earnings. Special thanks are due for both the past and the current financial year to all those involved, who have worked in a disciplined manner under the stringent conditions and difficult circumstances of the COVID-19 pandemic, and have shown solidarity towards colleagues, suppliers and customers.

Heek, April 22, 2021

The Supervisory Board



Dr. Lukas Lenz
Supervisory Board Chairman

2G share again clearly outperformed market indices

In the 2020 stock market year, the 2G Energy AG share raced from high to high, reaching a new record level of EUR 89.80 at the end of the reporting year. With a price of EUR 46.10, the share had already started the 2020 stock market year at a high level. This dynamic share price performance was interrupted only by the general market slump from late February to mid-March, triggered by concerns about the economic impact of the COVID-19 pandemic. On March 18, the share marked its low for the period under review at EUR 30.50. By mid-May, the share price had already regained its pre-coronavirus level of around EUR 50 in the context of a continuous uptrend. The share then climbed in a steep upward channel to mark an interim high of EUR 84.90 in mid-July. In the context of the uncertainty prevailing in the market until the end of October regarding the economic effects of a second coronavirus wave, the share price temporarily receded to EUR 56.40. In the following two months, the 2G share price rose sharply to end the year at EUR 89.80. As a consequence, the 2G share price almost doubled in the year under review – similar to the previous year.

This positive share price performance reflects the expectations of capital market participants concerning the company's solid business performance and future prospects. Corporate news on orders for hydrogen CHP units, the overall good trend in new order intake – despite coronavirus restrictions – robust foreign business, a stable dividend payout and the three flagship projects of internationalization, digitalization and Lead-to-Lean, which aim to enhance profitability and productivity, had a sustained positive impact on the share price performance in the year under review. Intensive investor relations work, has also strengthened and maintained institutional and private investors' confidence and interest in the 2G business model, the market, and the management.

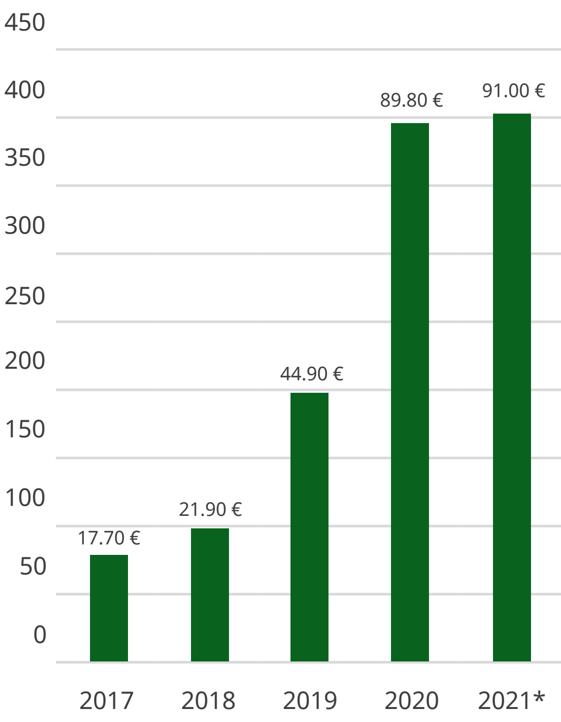
On a full-year basis, the 2G share appreciated by 94.8 % (previous year: 108.8 %). The 2G Energy AG share thereby again significantly outperformed the overall market in the year under review. Over the course of the year, many stock market indices recovered significantly from their coronavirus-induced lows of March, either closing above their pre-coronavirus levels or recording only minor losses. The DAX30 was up by almost 3.6 % (previous year: 25.5 %). The TecDax climbed by 6.6 % (previous year: 22.3 %). The DAXsector All Industrial index that is sector-specific to 2G was down by 2.2 % (previous year: +28.0 %), whereas the DAXsubsector All Renewable Energies was up by 77.5 % (previous year: 71.3 %). The Scale 30 Index, of which the 2G share is a constituent, rose by 30.5 % (previous year: 24.5 %).

The market capitalization of 2G Energy AG increased from EUR 198.9 million to EUR 397.8 million as of the end of the year, with unchanged share capital of EUR 4,430,000.00.

Significantly improved 2G share liquidity

The trading liquidity of the 2G share improved considerably compared with the previous year. This is reflected in, among other things, a narrower average spread between bid and offer prices. The percentage spread widened to as much as 1.8 % on a 30-day average during the stock market uncertainty triggered by the COVID-19 pandemic. As the recovery continued, however, the average spread narrowed to a

2G Energy AG market capitalization EUR millions



* XETRA closing price April 16, 2021

Market capitalization 2017 to 2020 as of Dezember 31, 2021 as of April 16, XETRA closing prices

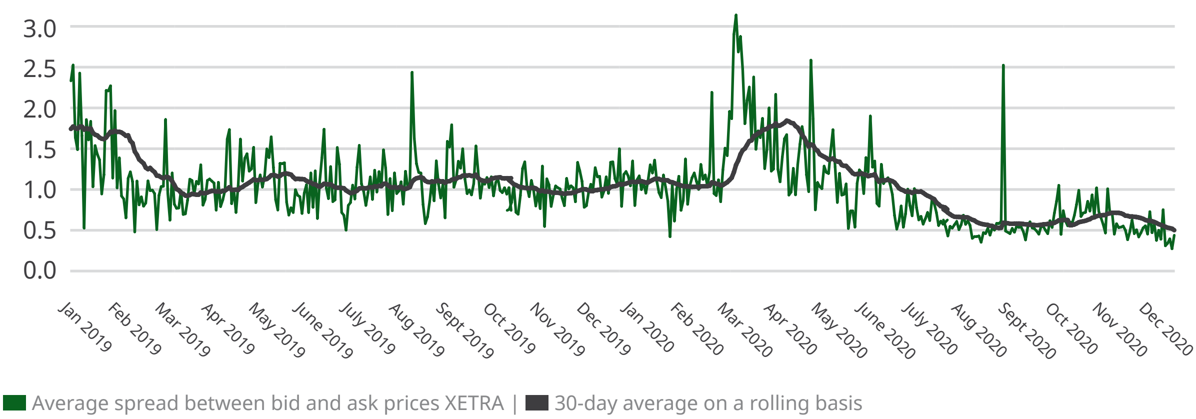
new record close to 0.5 %. This positive trading performance continues to make the 2G share attractive for investors.

Average daily volumes on the XETRA and tradegate platforms as well as on German regional stock exchanges amounted to a total of around 20,650 shares (previous year: around 11,600 shares), representing an increase of 78 %. In the trading volume ranking of the Scale 30 index, the 2G share has established itself in the top ranks. As of December 2020, it ranked third in trading volume in this selective index (previous year: sixth).

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 2020. The aim is not only to further strengthen trust and confidence in the

Trend in average spreads between bid and ask prices in %



Trend in average spreads between bid and ask prices 2019 to 2020.
Source: Pareto Securities, 2G calculations, January 2021

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 its business model, the international CHP market and its growth and earnings potentials to capital market participants in a comprehensible manner.

n 2020, investor relations work shifted to virtual investor conferences and one-to-one meetings due to the COVID-19 pandemic. The interest in 2G's business model and its shares remained high. The Management Board presented the 2G business model, explaining the three lead projects as well as products and services, technological development services (such as hydrogen technology), market developments, and sales strategies in domestic and foreign markets.

Analysts' interest also remained high: with First Berlin, SMC Research and Pareto Securities, three institutes have been monitoring and evaluating the company's development and growth for many years. Metzler Capital Markets published its first research report on 2G at the end of January 2021. All analysts identify further upside potential for the 2G share on the basis of their valuation models, and have issued a "Buy" recommendation with price targets above EUR 95. One analyst advises "Hold" with a price target of just under EUR 100. In the course of the year under review, analysts have thereby almost doubled their price targets for the 2G share.

2G neither approved nor implemented any capital measures during the period under review. The resolutions of the 2020 Annual General Meeting relating to Approved Capital and Conditional Capital are presented in the 2020 Half-Year Report.

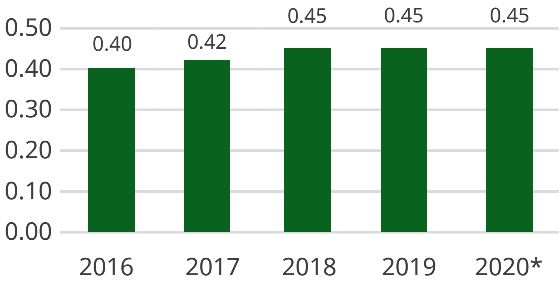
On January 27, 2021, the Management Board of 2G Energy AG passed a resolution, with the approval of the Supervisory Board, to carry out a capital increase against cash capital contributions with partial utilization of the Approved Capital 2020, excluding existing shareholders' subscription rights. The share capital has been 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. The shares from the capital increase were acquired by a mutual fund managed by the asset management arm of Joh. Berenberg, Gossler & Co. KG, which in turn is managed by Berenberg, Gossler & Co. The fund pursues a long-term investment approach. The placement price was EUR 95.60 per share. 2G thereby received gross issue proceeds of around EUR 5.3 million. These funds are intended to moderately strengthen the existing liquidity reserves in the light of major individual projects.

Dividend of 45 euro 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 to thereby benefit in the long term from the continuous appreciation in the company's value. Based on the unappropriated net profit generated in the 2020 financial year and the particular circumstances surrounding the COVID-19 pandemic, the Management and Supervisory boards have authorized a proposal to the Ordinary AGM to be held on June 15, 2021 for it to approve a dividend of 45 euro cents per share for the past financial year.

Based on the 2020 year-end closing price of EUR 89.80, this dividend would correspond to a yield of 0.5 % (previous year: 1.00 %) and a payout ratio of 16.7 % (previous year: 19.4 %).

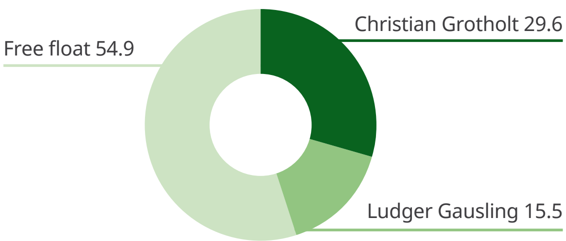
Dividends 2016 – 2020* EUR



* Proposal to the Annual General Meeting

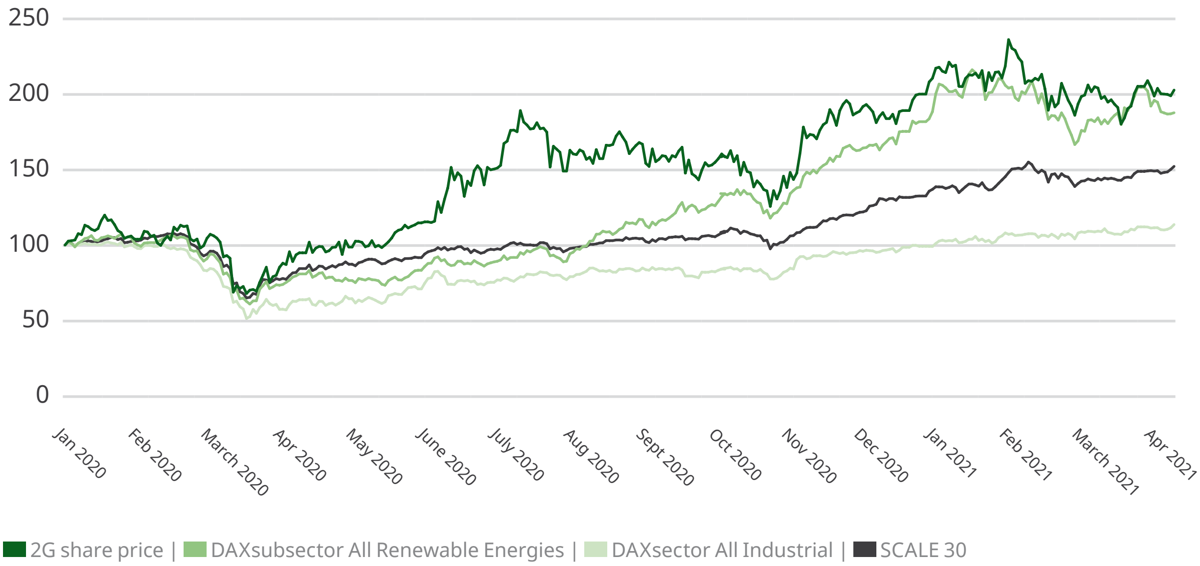
In the year under review, the shareholder structure of 2G Energy AG remained largely unchanged year-on-year. Company founders Christian Grotholt and Ludger Gausling held 30.0 % and 20.6 % of the shares respectively as of the balance sheet date, and consequently together 50.6 %. The shareholder structure is as follows as of February 15, 2021:

2G Energy AG shareholder structure Share %



As of February 15, 2021

2G share price performance and comparative indexes 2019 to 2020 (indexed) in %



2G share price performance and comparative indexes 2019 to 2020 (indexed) in %.
Source: Pareto Securities, 2G calculations, April 2021

Sustainability report

For 2G, sustainability is a tangible way to transform energy generation and delivery and drive our profitable growth. As an internationally active, medium-sized manufacturer and developer of gas-fired combined heat and power systems, we are helping to continuously increase the share of climate-friendly energy producers in the global energy mix, both directly and indirectly. Directly by way of the efficient generation of energy with climate-friendly gases by means of CHP. Indirectly via the integration of fluctuating renewables into a decentrally organized, secure supply by means of residual and control energy provided by our CHP units. In this way, 2G is contributing to significantly reducing greenhouse gas emissions, lowering the consumption of resources and increasing the share of renewable energies for power generation without jeopardising the security of supply and the affordability of electricity and heat. That's why 2G is aiming for a leading position in the sector in terms of sustainability and innovation. Sustainability is at the core of our business model. We think and act with a long-term perspective. This applies to our product development, production and service just as much as our corporate culture and Human Resources policy.

This commitment is also acknowledged outside of the company. In the year under review, 2G was awarded the NRW Environmental Economy Prize and the DLG's EnergyDecentral 2021 for our innovative hydrogen CHP units. Both awards are confirmation of what we have achieved so far as well as motivation to continue to live up to our claim of technological leadership in the future.

We will not rest on our laurels simply because we have already reached a very high standard of technology and our CHP units are highly efficient, achieving rates of up to and above 90 %. We recognize that 2G's success hinges on its ability to take account of economic, environmental and social change. Employees, the Management Board and the Supervisory Board are committed to this. We identify and analyze challenges of this kind, assessing their likely impact and incorporating them into our management processes in a way that leverages maximum benefit for the company. Sustainable value creation is one of the fundamental pillars of our long-term strategy and plans for future growth. By enabling climate-neutral energy supply, 2G actively contributes to preserving a livable environment for future generations.

This positive contribution is multifacted: from educating young people, to generating income and revenue taxes for state and local governments and on to value-added production of power plants enabling sustainable economic growth. In addition, companies like ours have a social responsibility in society. We very consciously endeavor to take ethical principles into account in our daily interaction, which we have set down in our 2G mission statement and in the Code of Conduct for every employee as a binding guideline and code of conduct.

We made our commitment visible and binding to the general public beyond the boundaries of 2G 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 the ten universal principles and the Sustainable

UN Global Compact Progress Report 2020

		Principles	Statement by 2G Energy AG
Human Rights	1	Supporting and respecting the protection of human rights	Respect for and protection of human rights form part of the values and principles that govern our corporate activities. 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. 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 abuses	
Labor	3	Upholding freedom of association and recognition of the right to collective bargaining	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. The renewal of the OHSAS 18001 occupational health & safety scheme is also planned for fall 2021.
	4	Elimination of all forms of forced and compulsory labor	
	5	Abolition of child labor	
	6	Elimination of discrimination	
Environment	7	Precautionary approach to environmental challenges	Environmental and climate protection forms a central element of 2G's business image. 2G makes an important contribution to environmental and climate protection by developing and manufacturing low-emission CHP systems that enable decarbonized, reliable 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 integrated within our integrated management system with certifications according to ISO 14001 (environmental management certificate) and ISO 50001 (energy management certificate). 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.
	8	Promoting greater environmental responsibility	
	9	Development and diffusion of environmentally friendly technologies	
Anti-Corruption	10	Working against corruption in all its forms	Compliance with valid legislation and regulations is the highest principle applying to all purchase transactions as well as when submitting bids for contracts. 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.

Development Goals and supports “the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets, now and in the future.”

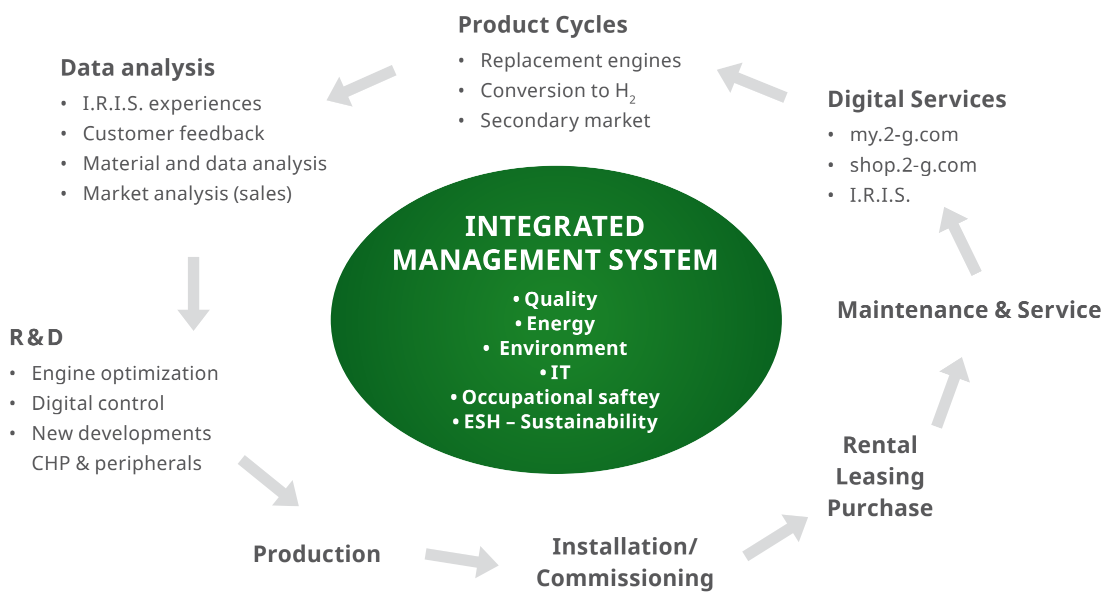
As a listed company, we are increasingly the focus of institutional investors who base their investment decisions on ESG (environment, social, governance) criteria. In many cases, the data for such ESG criteria are obtained from service providers. One of these providers is Institutional Shareholder Services Inc. (ISS), in which Deutsche Börse AG acquired a majority stake in 2021. More than 4,600 ISS include many of the world’s leading institutional investors endeavoring to make informed investment decisions, as well as publicly traded companies focused on ESG risk mitigation as a value-enhancing measure for shareholders. 2G was 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 systems and service

As one of the leading manufacturers of gas-operated combined heat and power systems, 2G aims to rank as a technology leader and thereby significantly reduce the respective environmental footprint and impact. The highly efficient cogeneration of electrical and thermal energy and heating/cooling is far more efficient and environmentally compatible than conventional energy production methods, reducing primary energy consumption by up to 40 % compared to conventional power generation. By comparison with conventional power generation, CHP technology saves up to 40 % of primary energy – with up to 60 % lower CO_2 emissions when using natural gas and up to 0 % CO_2 emissions when using CO_2-neutral fuels such as hydrogen.

Even when our CHP series are still at the development stage, we factor economic, environmental and social criteria into our choice of materials, optimizing our service and maintenance, immissions and emissions, recyclability and life-cycle management for our systems. These include the reduction of oil consumption, the reduction of noise immissions and exhaust gas emissions from CHP systems, as well as the extension of maintenance intervals and the digitalization of maintenance and services, which is being driven forward with considerable dynamics.

2G life cycle management



Quality, environmental friendliness and flexibility for plant efficiency = customer benefit and declining total cost of ownership

R&D increases plant efficiency and reduces emissions

Our own research & development department with 30 members of staff has been optimising motor technology, peripheral equipment and the integration of software and hardware into CHP systems and service for many years.

The development of the hydrogen CHP unit is certainly an exceptional example of these activities. 2G adapted a standard natural gas CHP unit to run on 100 % hydrogen (H_2), enabling it to generate electricity and heat on a comparatively feasible basis economically, as well as achieving high operational efficiency and generating almost no CO_2 emissions. If the hydrogen used is generated from renewable energy sources, the electricity and heat produced by the CHP unit will be almost completely climate-neutral. In the year under review, we went one step further and are the only manufacturer in the world to offer the guarantee that our natural gas CHP units can be converted to pure hydrogen operation using a standard technical solution as part of regular maintenance. Every 2G natural gas CHP delivered is "hydrogen-ready" and consequently already part of climate-neutral energy generation today.

In 2020, we launched 2G's own exhaust gas aftertreatment systems. This includes, for example, the after-production system (ORC) that we manufacture, with which electricity is generated again from the exhaust gas heat of the CHP systems. The electrical efficiency can thus be increased by up to 4 %. We have also launched our own product for emissions monitoring, the 2G NO_x-Box, which allows the nitrogen oxide concentration in the exhaust gas to be permanently monitored and recorded. The box can be used equally for new plants and for existing installations and facilities. This contributes to the effective control and compliance with the legally prescribed exhaust gas limits of our plants. With regard to exhaust gas reduction, 2G installs the SCR catalytic converter (Ad Blue principle) as a standard product, so that our plants already comply with the nitrogen oxide limit values of 100 mg for biogas and natural gas systems, respectively, scheduled for the years 2023 and 2025. With the aura series in the power range from 100 kW to 420 kW we are achieving NO_x values of only 50 mg with the Lambda 1 technology and 3-way catalytic converter, in other words, far below the required limit values.

Thanks to further development of the mechanical engine components and through digital service support, we have reduced the maintenance intervals for the 2G CHP systems from 2,000 operating hours (Bh) to 4,000 Bh. In addition, we are securing this doubling of the maintenance interval with the I.R.I.S. System in operation. With these developments we have set a new standard in the sector.

After 60,000 operating hours (which corresponds to a running time of six to eight years), a comprehensive system overhaul or a replacement system is usually due. Our aim is to provide existing plants with a further production cycle for electricity and heat by modernizing them, for example, to reduce flue gas and for digital plant control. With regard to the heart of the plant, we offer our customers the installation of a completely overhauled engine on site. This saves the 2G customer time, increases the availability of the system and reduces resource consumption on both the customer's and 2G's side.

In production, we have trimmed the average throughput time of CHP systems by 15 % in the last two years. As a result, we have advanced efficiency and per capita revenue has risen from €313,000 in 2017 to €341,000 in the year under review. The implementation of a plan for the multi-stage provision of materials has contributed to these gains. The company's logistics, production and purchasing departments have developed a concept for demand-oriented delivery for the respective work steps in production. This has reduced the space required as well as the stress frequency for employees and enabled shorter throughput times. In control cabinet construction at the Heek site, we have boosted efficiency by reorganizing the test and production line. In the production line for g-boxes in the 20 kW to 50 kW power range, we have succeeded in shortening throughput times and producing higher quantities anonymously for customers by moving the customer coupling point.

In service, 2G is focusing consistently on efficiency through digital processes. These include the 2G Power Plant for remote diagnostics, remote control and remote maintenance, and the my.2-g.com platform. This digital customer and partner portal is accessible worldwide via the Internet, and features the intelligent networking of technical, administrative and commercial processes as well as data and reports. Plant operators and partners worldwide benefit from transparent and efficient management of their 2G plants and the continuous optimization of plant operations. All in all, this results in a very high availability of the plants for our customers. Moreover, we simplify and de-engineer the management of plant operations for customers.

With the development of the I.R.I.S. software ("Intelligent Report Information System" platform), 2G has reached another milestone on its course towards predictive maintenance. It can be used to intelligently evaluate and link up to 400 million system and sensor values per week in real time. In this way, fault messages are predicted before they occur. As well as preventing unscheduled downtime, this reduces the number of site visits our service technicians have to make in person and consequently the number of trips required by the service vehicles. With I.R.I.S., we have created a basis for research & development to learn on a secure data basis and to derive measures that optimize plant operation and reduce maintenance and servicing costs. Overall, the efficiency of the electricity and heat yield and plant availability will be further increased. This means that climate-friendly electricity and heat output will trend upwards, while total operating costs are on the way down. This represents genuine added value for operators and the climate.

In spite of digital equipment with serving and analytical functions, the quality of the service is still dependent on well-trained employees. Continuous training and further training are becoming more and more important. After all, good service is a decisive competitive criterion for 2G and its partners worldwide, because we generally sell our CHP units in combination with extensive service contracts. In the year under review, for example, we converted our training center for theoretical training to an online platform. Practical training takes place in the newly designed and expanded training center in Heek. We are confident that we will be able to continue to upgrade the quality and breadth of our training.

Further developments in service, production and digitalization are geared to making significant contributions to establishing industrial manufacturing workflows and processes in the upcoming years, thereby ensuring the rapid further scalability of production. By the year 2024, we expect to be able to increase the EBIT margin by a good 3 percentage points compared with 2020 thanks to these efficiency improvements and the associated conservation of resources, as well as the economies of scale resulting from the anticipated revenue increases.

Certified in accordance with quality, environmental and energy management standards

We continuously review and improve our processes as part of an integrated management system (IMS). The central Group companies are certified in accordance with the ISO 9001 quality management standard, while the Heek site is certified as complying with the stringent requirements of the environmental management standard ISO 14001. The focus is on continuously identifying potential savings through environmental measures and raising awareness of environmental issues among

Key sustainability figures

	2020	2019
Self-generated electrical energy (kWh)	1,542,998	1,376,138
based on total output (kWh per TEUR total output)	6.07	6.09
Electrical energy consumed (kWh)	1,122,855	1,010,317
based on total output (kWh per TEUR total output)	4.42	4.47
based on production employee hours (kWh)	3.12	3.13
Natural gas (kWh)	5,757,847	5,676,446
based on total output (kWh per TEUR total output)	22.65	25.10
based on supplied area (kWh per m^2 – weather-adjusted)	326	332
Water (m^3)	2,638	2,864
Waste (metric tons)	673	606
based on total output (kg per TEUR total output)	2.65	2.68
of which recycled (metric tons)	586	479
Diesel (l)	774,208	705,736
Diesel (in equivalent kWh)	7,587,238	7,029,134
CO_2 emissions (metric tons)	3,838	3,345
of which fleet (metric tons)	2,013	1,835

employees. All German sites operate an energy management system certified to ISO 50001. This underlines our commitment to the sustainability of our business activities and aims to safeguard the competitiveness of our products and customer benefits.

2G documents good corporate governance

In the year under review, the Supervisory Board and the Executive Board agreed for the first time to voluntarily adopt an annual declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) as a voluntary commitment to good corporate governance. With this declaration, the Executive Board and Supervisory Board emphasize their commitment to ensuring the continued existence of the company and its sustainable value creation in the interests of the company, its shareholders and the public, in accordance with the principles of the social market economy. The Corporate Governance Report is published on our website www.2-g.de under Investor Relations.

Social commitment

2G perceives itself as a responsible member of society. For this reason, we play an active role in the region and promote cultural and social projects. For example, we support local sports associations and social facilities within the Münsterland region. We also support employees in their social engagement, such as through flexible working time regulations. At our Heek site, we are committed to integrating refugees into the world of work. We also promote knowledge exchange in the academic and scientific community. For example, we offer students the opportunity to write their seminar papers, bachelor's or master's theses within the framework of 2G topics.

Since 2015, the 2G Group has had a code of conduct in place that defines the values and principles for our business activities and how we treat customers, suppliers and one another. The code of conduct and the corporate guidelines contain binding compliance regulations 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 the year under review, the Code was expanded to include a separate Code for suppliers to 2G. It defines 2G's principles and requirements for its suppliers of goods and services regarding their responsibility for people and the environment. These include, among others, respect for the fundamental rights of employees, the prohibition of child labor, freedom of association, as well as the prohibition of corruption and bribery, and the resource-conserving use of water and energy and the avoidance of waste. A compliance officer supports the Group-wide implementation of the code of conduct and develops it further.

2G is an attractive employer

As a medium-sized company, 2G is dependent on the commitment, knowledge and professional attitude of its more than 700 employees in Germany and abroad. Motivated and successful employees are crucial to the company's long-term success and performance. The Human Resources department for the Group 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. We are confident that 2G is an attractive employer.

This is also expressed in the flexible working time models and part-time positions that we offer our employees. In the year under review, 80 employees made use of these options. This represented 11.1 % of all employees (2019: 11.5 %). Well 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. We are confident that the fundamentally positive experiences with this type of work and cooperation with colleagues, partners and customers will lead to additional flexible work-life balance models for employees in the future. This is due to the fact that the compatibility of work and family life is becoming increasingly important for many employees and is a key factor in the attractiveness of an employer.

2G provides its employees with various voluntary social benefits and assistance. These include, for example, special payments and days off for the birth of children, followed by subsidies for childcare costs. All employees at the German sites have the opportunity to purchase company bicycles through 2G by way of salary conversion, thereby benefiting not only from health benefits but also from tax advantages.

The training of young people in different production areas as well as administration is of great importance to 2G. In this way, we are securing qualified and motivated employees and offering them attractive career prospects with further training and management qualifications. In 2020, 42 young people (2019: 38) were undergoing vocational training, which is around 6 % (7 %) of all employees. From the graduating class of 2020, we have taken on 8 apprentices into employment.

“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, therefore, we formulated our management principles in an inclusive process and devised a management development program on this basis, which we fully implemented in 2019. Already during the early days of the coronavirus pandemic, i.e. in spring 2020, it has become clear that, also in difficult, challenging situations, our managers are equipped with the leadership tools required to keep our workforce informed about all significant developments, get them involved in our fast-moving processes of change and inspire them to the level of performance we have been seeing.”

2G follows the principles of the International Labour Organization (ILO) on labor and social standards. These globally applicable minimum standards aim to safeguard labor rights and thereby humane working conditions.

Key employee data (as of 31/12/2020)

	2020	2019
Employees	722	653
of which part-time	80	75
Trainees/work experience students	42	38
Employees in foreign subsidiaries	127	121
Proportion of female employees	16.9 %	18.5 %
Proportion of female senior executives	10 %	10 %
Age structure of employees in Germany	36.9	36.7
Employee turnover rate	5.2 %	7.9 %
Health ratio	96.3 %	96.9 %
Accidents per 100 employees	1.9	3.4

Number of employees per business division

	31/12/2020	31/12/2019
	Number of employees (of which part-time)	Number of employees (of which part-time)
Service	264 (3)	241 (2)
Purchasing, warehouse, production	182 (17)	165 (15)
Administration	99 (41)	87 (43)
Project management	63 (5)	59 (3)
Sales & marketing	70 (12)	65 (11)
Research & development	30 (1)	24 (0)
Quality management	14 (1)	12 (1)
Total	**722 (80)**	**653 (75)**

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 combined heat and power plants, the company offers comprehensive solutions in the growing market for highly efficient combined heat and power (CHP) systems. After-sales and maintenance services comprise an important additional performance criterion. In particular, the product range includes CHP modules with an electric output range between 20 kW and 4,500 kW, for operation harnessing natural gas, biogas, other lean gases and hydrogen. All plants operate highly efficiently, conserve resources, and reduce or neutralize emissions of climate-damaging CO_2 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 6,500 installed 2G systems in various applications supply electrical and thermal energy to a broad spectrum of customers including companies in the housing industry, agriculture, commercial and industrial companies, public energy utilities, and municipal and local government authorities.

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

2G Energietechnik GmbH (2GE), which is based at the Group headquarters in Heek, in Germany’s western Münster region, comprises the main operating entity. The company combines the research and development, planning, sale, 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.

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

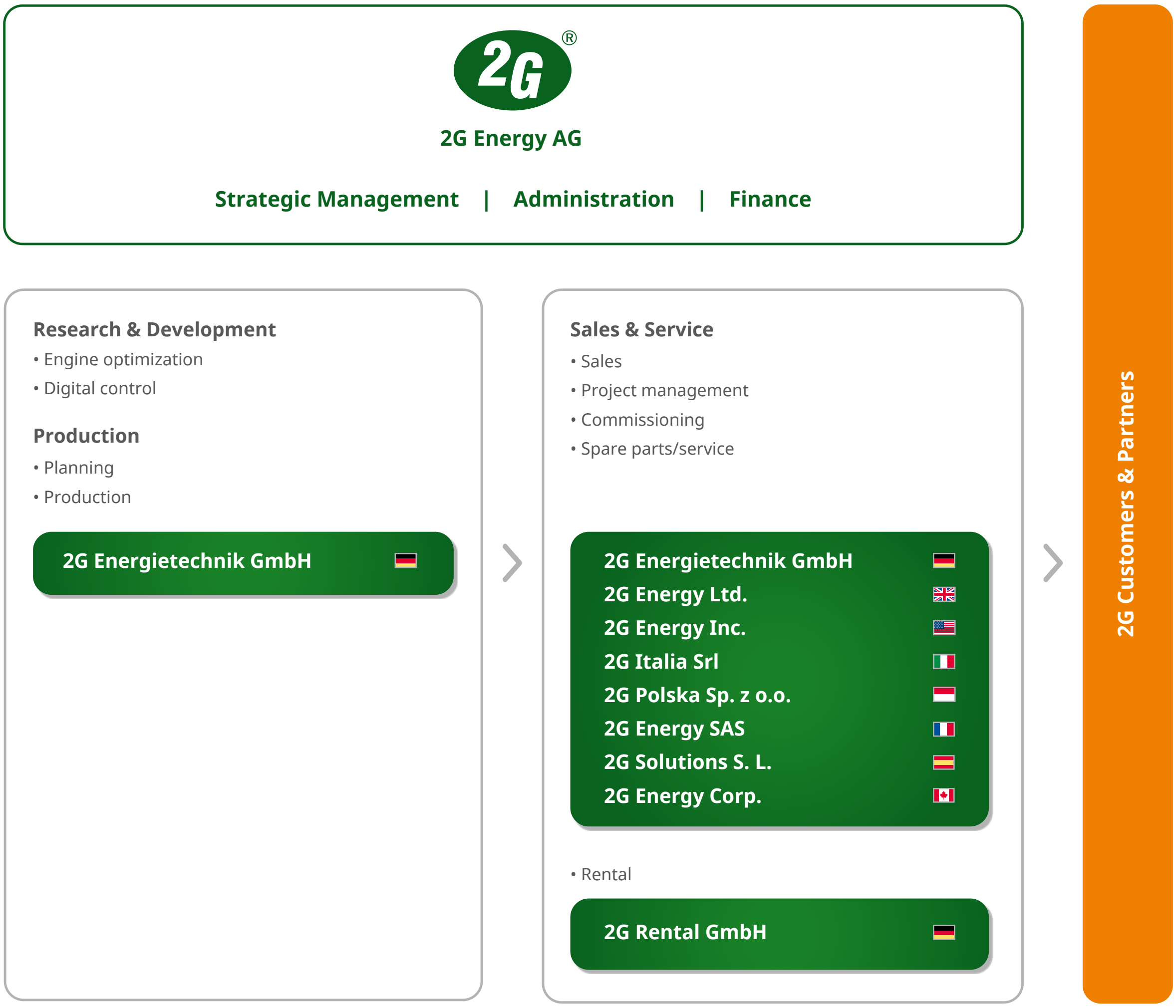


Diagram 1: 2G Energy AG corporate structure, subsidiaries' business purposes and value chain (as of December 31, 2020).

B. Economic and business environment

Macroeconomic situation

Corona pandemic triggers recession

The Annual Report 2020/2021 of the German Council of Economic Experts – presented in mid-November 2020 – states soberly that the coronavirus (SARS-CoV-2) has plunged the global economy into a deep recession. Worldwide, countries responded to the spread of the virus with a multitude of containment measures for the economy and society. Governments and central banks are countering the economic slump with extensive monetary and fiscal policy measures. According to the German Council of Economic Experts, however, the trough of economic activity was already passed in the second quarter of 2020. In the summer, a drop in the number of infections led to a relaxation of restrictions and, in many places, to speedy economic recovery. However, in view of the rapid increase in the number of infections from autumn onwards, the restrictions have been significantly tightened again in many countries. According to experts, the economic indicators available point to a continuation of the recovery beyond the autumn, particularly in the industrial arena. The pace of growth, however, is likely to have slackened compared with the summer, and renewed restrictions and concerns about contagion are likely to have reduced economic activity once again in the winter half-year. With a look to 2020, the German Council of Economic Experts expects Germany's GDP growth rate to come in at -5.1 % (2019: +0.6 %). With regard to the euro zone, GDP growth rates of -7.0 % (+1.3 %) are anticipated, while a GDP decline of 4.0 % (+2.7 %) is expected for the global economy.

According to the German Engineering Federation (VDMA), the mechanical engineering sector in Germany will have recorded a double-digit year-on-year decline in orders of 11 % in real terms in 2020. This was the strongest downturn since the financial crisis of 2008/09. According to the VDMA, the recovery emerged in the autumn of 2020 is continuing, but is still not on very solid ground. The federation concludes as follows: The pandemic is not over, and the recurring discussions about lockdowns and the tightened travel restrictions are serious burdens putting the brakes on a sustainable recovery.

Global conditions and sector trends

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

Based on its products and expertise, the 2G Group perceives itself as part of the global energy revolution. A sustainable energy future is embedded in the company's very purpose: 2G contributes to preserving resources, avoiding emissions and mitigating climate change with its highly efficient gas-operated CHP systems that generate electrical and thermal energy in a combined process on a cost-efficient basis. And decentralized CHP technology is one of the

Core elements of a cost-efficient net zero emission economy

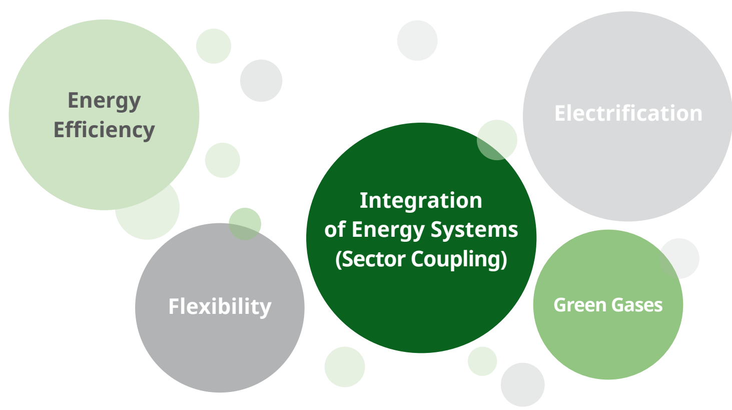


Diagram 2: Core elements of a cost-efficient net zero emission economy.
Source: Artelys, The role of cogeneration, study commissioned by COGEN Europe, October 28, 2020

few solutions available today, on an industrial scale, that is capable of continuing to guarantee a high level of electricity supply security with a target share of 65 % of predominantly supply-dependent renewable energies by 2030 (in 2020, the share of renewable energies in Germany's gross domestic electricity consumption stood at 46 %). A secure power supply is essential for all countries in which industry, commerce and services make significant contributions to economic performance.

The structural environment for energy supply – as explained at this point in the report in previous years – continues to be influenced by a rising demand for energy and the need to significantly reduce CO_2 emissions in order to mitigate the impact of climate change. The decline in electricity demand following on from COVID-19 pandemic response is very likely to be a temporary and limited phenomenon. Despite progress in energy efficiency, the expansion of renewable energies and sector coupling, a study commissioned by the Federal Ministry of Economics and Technology (BMWi) assumes a net increase in electricity consumption in Germany driven by heat pumps (33 TWh), electromobility (68 TWh) and the hydrogen economy (105 TWh).

Despite the fundamental increase in energy demand, many countries and confederations of states are striving to incrementally reduce their conventional generation capacities based on coal and nuclear energy and to push ahead with the expansion of renewable energies and the reduction of CO_2 emissions. The dynamics of the phase-out in the next few years is exemplified by the course of the reduction of conventional power plant capacities in Germany and Europe as shown in Diagram 3.

Reduction of conventional power plant capacities in other European countries in GW

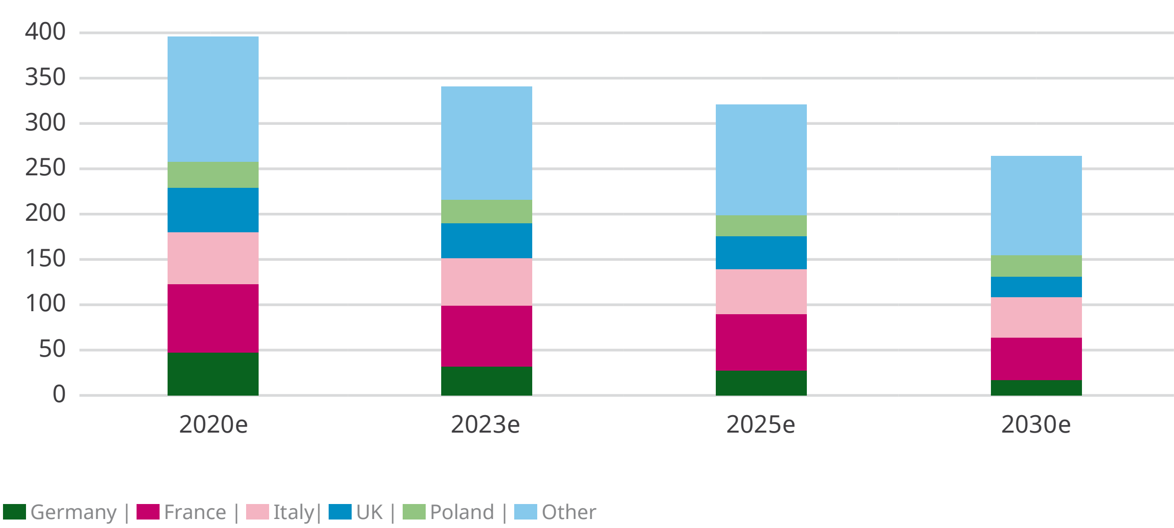


Diagram 3: Reduction of conventional power plant capacities in other European countries in GW.
Source: Fraunhofer, TEP, consentec. r2b: Definition und Monitoring der Versorgungssicherheit an europäischen Strommärkten, S. 97, Januar 23, 2019; 2G calculations

Gross electricity generation by energy source in %

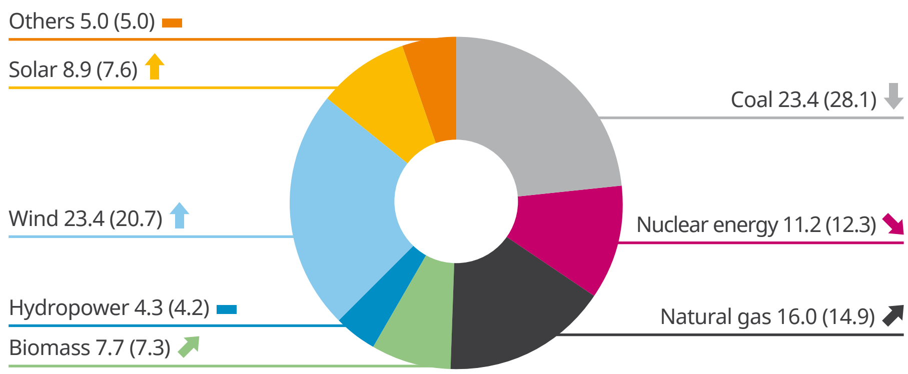


Diagram 4: Gross electricity generation by energy source (previous year in brackets).
Source: AG Energiebilanzen e. V., Stromerzeugung nach Energieträgern, December 2020

According to the calculations produced by a Metzler Capital Markets study, the existing large gas-fired power plants, which have often been underutilized to date, are only capable of compensating for about 15 % of the nuclear and coal-fired power plants that are being phased out at full capacity, leaving a supply gap of around 28 %. According to the Metzler study, similar trends can be observed in many other European countries, meaning that a replacement demand of around 100 GW can already be calculated for Europe excluding Germany in 2030. Worldwide, according to Metzler, the IEA estimates the replacement demand for coal and nuclear power at 1,900 GW by the year 2030.

According to Metzler, these assessments are supported in their conclusion by the fact that the major energy suppliers show little willingness to invest in uncoupled large-scale gas-fired power plants. Their always short-term use for grid stabilization does not promise acceptable economic efficiency. For example, the list of power plants published by the Federal Network Agency in January 2021 shows that only 2.4 gigawatts of new power plants will be built between 2021 and 2023 for plants of 10 MW or more based on natural gas – as compared with expected power plant closures of 14.9 GW.

In this scenario, the overarching challenge is to shape the transition to low-carbon energy production while adhering to the rules of economic efficiency and supply security. In order to ensure this, the expansion of technical solutions and capacities that integrate renewables into a secure, controllable supply network – and that can fully and safely take over the residual load in the event of cloudy and hazy autumn and winter weather – will be necessary. Technologies are called for that can provide electricity and heat cost-efficiently with natural gas, biogenic primary energy sources such as biogas, landfill and sewage gas, or hydrogen. Consequently, what is essential here is the ability to respond quickly and the flexibility of the technology involved. In order to ensure that the electricity from the mix of renewables can also be used efficiently and as a secure, controllable output, decentralized structures and intelligent networking of both generation and consumption units will have to be in place. This is the only way that it will be possible to replace coal, as a baseload capable, fossil primary energy source generating the highest volumes of CO_2 emissions.

CHP technology offers precisely this resource-sparing, efficient, controllable and climate-friendly type of energy production. Moreover, the heat generated in the coupled process can be stored in local storage media such as buffer storage tanks or in local and district heating networks. Consequently, the necessity for supply security opens up a long-term, global growth market for gas-fired, decentralized CHP systems and offers new opportunities for innovative companies with integrative solutions.

Sector development in Germany

2G with significant sales growth

In the year under review the German market once again ranked as important core market for 2G. The economic impact of the COVID-19 pandemic on 2G was moderate in Germany. Although the resulting uncertainty delayed investment decisions and commissioning activities on the customer side, overall, the order intake for new plants increased by a strong 25 % over the prior year. With a look to the natural gas market, the amendments to the Combined Heat and Power Act (KWKG) that came into force in August 2020 as part of the adopted Coal Phase-out Act had a positive impact on the development of demand. We explained the corresponding amendments to the KWKG in the half-year report. All in all, the new regulations have removed uncertainties from the market and made the foundations for decision-making more calculable for investors. By contrast, the biogas market was less dynamic – as anticipated – which was little changed by the extended subsidy for the expansion of the output of existing CHP units until July 2021.

Order intake for natural gas-fired CHP units was especially dynamic in the second half of the year, more than doubling year-on-year to EUR 48.5 million (EUR 23.0 million). As a result, the share of orders for natural gas systems was recorded 4 % higher than for biogas systems (EUR 46.6 million, previous year: EUR 52.4 million). This also shows that 2G is able to expand its sales of natural gas-powered CHP units over a period of several years, thereby reducing the importance of the biogas market for its economic success or (over) compensate for declining biogas module sales with natural gas modules. Overall, in the year under review, incoming orders in Germany were up from EUR 76.2 million to EUR 95.3 million.

Foreign markets showing robust developments despite Corona restrictions

2G taps into markets outside of Germany both through its own subsidiaries and through an original, global network of certified partners. The focus is on

1. Markets with existing or emerging natural gas infrastructure,

2. Markets in which different applications for biogas meet with economic framework conditions as well as

3. Markets where the security of energy supply is a critical determinant for companies or public institutions.

The success of the sales department is based on a well-developed, regionally anchored service. Subsidiaries and partners access comprehensive, intelligently networked services such as technical, administrative and commercial processes, data and reports via the my.2-g.com digital customer and partner portal. Plant operators and partners can order spare parts for the combined heat and power systems 24/7 throughout the year via a digital shop. 2G also attaches great importance to the continuous education and training of partners in order to be able to guarantee the high-quality standards in sales and service on a global scale.

US subsidiary with record sales in spite of Corona restrictions

Despite some significant restrictions due to the COVID-19 pandemic (delayed approvals and investment decisions), the US market performed well, accounting for just under 13 % of CHP sales. With these figures, 2G has sold more CHP units in the Americas region than ever before, despite the strained environment. In the process, 2G has commissioned several important reference projects in North and Central America. This included two natural gas CHP systems for an international pharmaceutical company in Puerto Rico, three natural gas CHP systems for a United States Air Force base in Florida, contracted by the Department of Defense, as well as three CHP systems for North America’s largest food waste biogas facility in California, contracted by a major waste management company in the country.

For the reasons mentioned above, order intake from the North American region was significantly down on the previous year at EUR 7.4 million (EUR 22.3 million). Corona-related delays in investment decisions and a wait-and-see approach in the run-up to the presidential election resulted in low order intake, while significant catch-up effects are expected in North America for the current fiscal year 2021. The market for microgrids has developed steadily and positively in the USA. In such applications, the aim of an investment in CHP systems is to provide an extensively independent and secure supply for larger residential units, public facilities or industrial production. In the year under review, 2G succeeded in equipping sewage treatment plants with CHP units in the higher electrical output range up to 500 kW. The modularity and replicability of the 2G systems proved a strength, enabling construction and obtaining permissions, even during the Corona restrictions.

Europe generates stable business

Sales of 2G CHPs in Europe were also impacted by measures to curb the Corona pandemic. In the key sales markets of the UK and France, however, 2G was able to maintain incoming orders at the previous year’s high level of EUR 13.4 million and EUR 9.9 million respectively. The rest of Europe showed robust developments, with different characteristics in individual countries. Overall, 2G increased incoming orders by a good 25 % to EUR 8.2 million. Business in Eastern Europe was sound in 2020, with an upward trend for both gas types.

Robust Asian business

The Asian market proved robust, in spite of some delays in investment decisions and in commissioning during the Corona pandemic. In the first half of 2020 in particular, many projects from the previous two years were completed. In the second half of the year, 2G succeeded in connecting plants via the partner network, partially by way of digital remote commissioning and also with the aid of augmented reality. In particular, orders for CHP systems deployed in waste management ("waste-to-energy") and for the food industry were not affected by restrictions. 2G was able to expand its business significantly across the regions, with incoming orders doubling year-on-year to EUR 10.5 million. In this context, 2G benefited from the budgets already released via public tenders and from the sustained positive economic development of individual industries. These included, for example, agricultural companies investing in natural gas CHP units for large-scale food production in greenhouses. Internationally active corporations are also continuing to invest in clean and safe CHP energy supply solutions in Asia.

The 2G partners were particularly successful in the Australian market with incoming orders amounting to EUR 4.5 million, with applications for waste-to-energy and the food industry driving demand. A plant with an electrical output of over 4 MW was sold via a partner to a food processing company. In the Japanese market, investors were reluctant to make investment decisions; in general, some grid connection approvals took much longer than usual. All in all, however, incoming orders from Japan were almost a third up on the previous year at EUR 4.4 million.

With these developments, 2G has successfully advanced its diversification strategy in the year under review, even if this was not directly reflected in the nominal order intake due to the special circumstances mentioned above, particularly in North America. Overall, at EUR 53.0 million, incoming orders were around 18 % lower than the previous year, with foreign orders accounting for just under 35.7 % of total incoming orders. 2G continues to adhere to its aim of becoming a fully globalized manufacturer of CHP systems over the medium term. In pursuing this strategic target, 2G plans to actively expand its position in selected growth markets in Europe, the Americas and Asia as well as further diversifying its business opportunities and risks.

Spark spread remains on an attractive level

Basically, potential 2G customers are faced with the economic decision to stay with conventional energy supply or to invest in a gas-fired CHP system and thereby become considerably more independent of public supply, 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. Consequently, particular focus is placed on monitoring the trend in this spread.

Prices for natural gas – as measured by the Dutch TTF Natural Gas Forward – have trended slightly upwards for the first time from mid-2020 onwards, following an almost continuous decline in recent years, as illustrated in Diagram 5. In the year under review, the gas forward was initially down from EUR 12.10/MWh to EUR 3.63/MWh by the end of June. Subsequently, the price firmed up to EUR 15.03/MWh by the end of the year. The average value for the previous year was EUR 14.55/MWh.

Dutch TTF Natural Gas Forward January 2019 to February 2021 in EUR/MWh

Diagram 5: Dutch TTF Natural Gas Forward January 2019 to February, 2021 in EUR/MWh.
Source: Pareto Securities, 2G calculations, February 2021

For years, the development of electricity prices has been characterized by a continuous increase for years. No trend reversal towards falling prices has been identifiable to date, including during the course of the current reporting year.

Consequently, in the markets relevant to 2G, therefore, the trend in gas and electricity prices in 2020 proved favorable for the cost-efficiency of 2G CHP systems. According to the experts at Delta Energy & Environment, market conditions for investments start to become interesting at a factor above 2.5. A factor higher than 3.0 indicates favorable conditions, while factors in excess of 3.5 promise a very attractive cost/benefit analysis for operators. In the G7 countries, the spark spread factor is mostly close to or above five. Even in France, with its comparatively low-cost nuclear power, the spark spread now stands at 3, i.e. an adequate level.

A change in these positive general conditions and the overall positive development from a 2G perspective is not foreseeable.

Spark spread ratios in the G7 countries 2016–2020

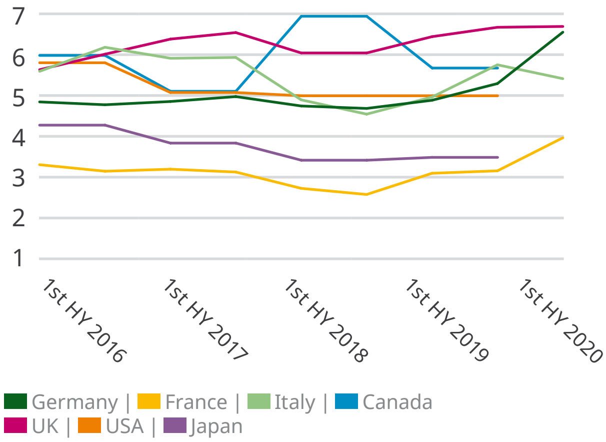


Diagram 6: Spark spread ratios in the G7 countries 2016–2020.
Source: German Federal Statistical Office, energy price trend data, Lange Reihen 2005–2021. February 26, 2021; UK Department of Energy & Climate Change, Industrial Electricity & Gas Prices in the IE,. September 24, 2020; 2G calculations

Overview of the year

2G enjoys growth in the 2020 financial year, increasing profitability and further expanding its activities outside Germany – even under Corona restrictions

2G was off to the 2020 financial year with an order book position of EUR 116.8 million. Thanks to high order intake both in Germany and abroad, which was only periodically slowed down by measures to contain the COVID-19 pandemic, 2G maintained this high level throughout the year under review. This also enabled full capacity utilization in two-shift operation throughout the year and contributed to sales gains of 4.4 %.

2G boosts foreign sales

In the fiscal year elapsed, 2G once again succeeded in substantially lifting foreign sales by around EUR 11.5 million or 13.9 % to EUR 94.4 million. In terms of consolidated sales, foreign countries contributed nearly 38 %. The strategy of operating primarily through our own subsidiaries in established markets and setting up a network of certified partners in emerging markets is proving the right approach from an entrepreneurial point of view.

As well as the diversification of gas types and sales markets, 2G's service business with a 38 % sales share is playing a key role in stabilizing net sales. This is due both to the increasing number of CHP systems sold with service contracts in Germany and internationally, and also attributable to the consistent digitalization of many service processes and the connection of network partners and customers to the my.2-g.com portal. This includes I.R.I.S., an inhouse 2G development which went live in 2019. This enables the service team to take preventive action via predictive maintenance functions and optimize the availability of the CHP systems. Thanks to the greater efficiency of plant power and thermal output, customers benefit from genuine added value in terms of performance and lower total costs of ownership.

2G Group turnover, order intake, EBIT margin

EUR million
in %

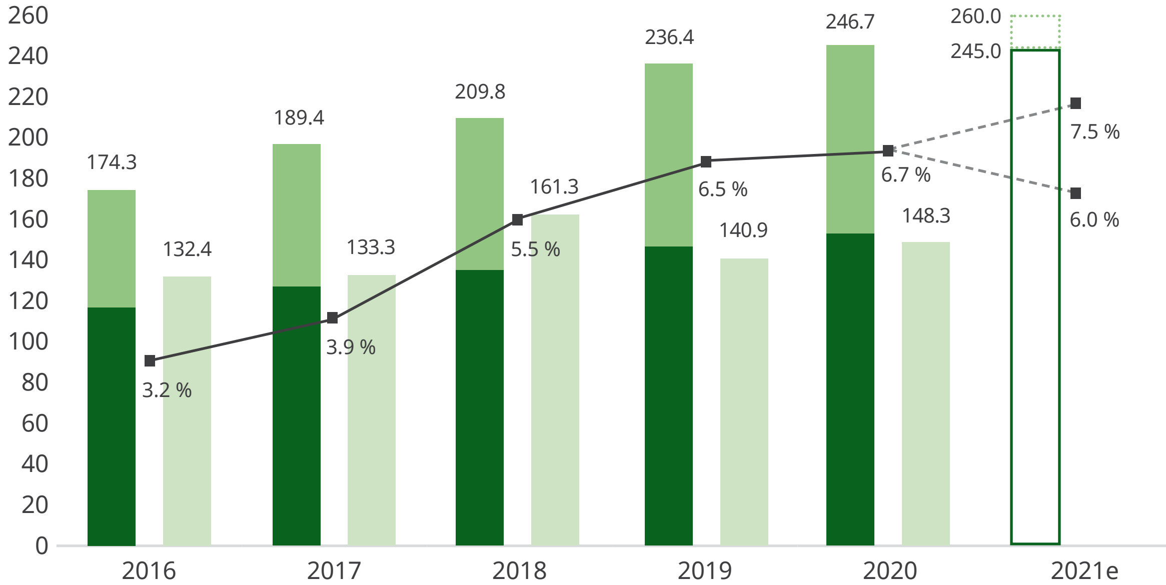


Diagram 7: Trends in sales, order intake and EBIT margin of 2G Energy AG 2016–2020 and the 2021 forecast.

We have successfully expanded the proprietary hydrogen CHP unit that 2G developed on the basis of the highly efficient, field-tested gas engines of the agenitor type. The resulting agenitor H_2 series features a power range from 115 kW to 360 kW. 2G is the only CHP manufacturer worldwide to offer H_2 CHP as a standard product. With the guarantee of being able to convert 2G gas engines to run on pure hydrogen based on a standard technical solution, a large share of CHPs are already “H_2-ready” today. In addition, a wide range of gas types can be used, ranging from pure hydrogen to variable gas mixtures with natural gas or lean gases.

In view of the high order backlog and the dynamic order development in Germany and abroad in spite of the Corona restrictions, the Management Board of 2G Energy AG confirmed its forecast for the fiscal year in mid-November 2020 of an EBIT margin of 5.5 % to 7.0 % and consolidated sales of EUR 235 million to EUR 250 million. In the final instance, both revenue of EUR 246.7 million and the EBIT margin of 6.7 % were well within the upper range of the forecast ranges that had already been communicated at the beginning of April 2020.

C. Results of operations

Net sales and total operating revenue

2G boosts total operating revenue by more than 12 %

In the 2020 financial year, 2G generated consolidated net sales of EUR 246.7 million (previous year: EUR 236.4 million). Despite the coronavirus pandemic, 2G thereby succeeded in growing its consolidated net sales for the fifth consecutive year. Taking into account an increase in inventories of EUR 7.4 million (previous year: reduction in inventories of EUR 10.3 million) and own work capitalized of EUR 0.1 million, total operating revenue increased to EUR 254.2 million (previous year: EUR 226.1 million; including own work capitalized of TEUR 13). The company thereby successfully continued its organic growth trend with an increase in total operating revenue of 12.4 %, as planned.

Composition of net sales

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

Composition of sales revenues and additional key indicators

	2020			2019		
	Germany	Abroad	Total	Germany	Abroad	Total
Net sales, EUR	152.3	94.4	246.7	153.5	82.9	236.4
CHP systems	86.8	66.6	153.4	90.3	56.8	147.0
of which biogas	60.1	30.2	90.3	66.7	32.0	98.7
of which natural gas	26.5	36.4	62.9	22.6	24.7	47.3
of which hydrogen	0.3	0	0.3	1.0	0	1.0
Service	65.5	27.8	93.3	63.3	26.1	89.4
CHP systems Units	366	207	573	351	182	533
CHP systems Ø Value per unit, EUR/unit	237,177	321,863	267,771	257,163	311,906	275,856
Electric capacity sold in kW			191,804			207,895
Electric capacity sold Ø kW per unit			335			390

Year-on-year change

	Absolute (in million EUR)			As a %		
	Germany	Abroad	Total	Germany	Abroad	Total
Net sales, EUR	-1.2	11.5	10.3	-1	14	4
CHP systems	-3.5	9.9	6.4	-4	17	4
of which biogas	-6.6	-1.8	-8.4	-10	-6	-9
of which natural gas	3.9	11.7	15.6	17	47	33
of which hydrogen	-0.7	0.0	-0.7	-74	0	-74
Service	2.2	1.7	3.9	4	6	4

The trends in net sales in 2020 were characterized by the following factors:

1. Net sales generated abroad reported further year-on-year growth of 14 %, thereby expanding at a faster rate than the rate of growth in total operating revenue. Overall, 43 % of net sales were generated from sale of CHP systems abroad. Both foreign sales partners and 2G subsidiaries contributed to this sales growth. The branch

operations generating the highest sales again included 2G Energy Inc. (USA) with EUR 27.2 million (previous year: EUR 18.4 million) and 2G Energy Ltd. (UK) with EUR 22.2 million (previous year: EUR 18.1 million).

2. Net sales from services and the sale of replacement parts rose by 4 % year-on-year, almost in line with total net sales. Overall, 38 % of 2G's consolidated net sales derived from its Service division.

3. The growth in net sales from the sale of CHP plants totaling EUR 6.4 million derives entirely from the natural gas segment (EUR 15.6 million, or +33 %). The decrease in net sales from biogas systems was thereby more than offset by the natural gas market, as planned.

Group results

2G grew its earnings before interest and tax from EUR 15.5 million to EUR 16.4 million in the reporting year (+6.4 %), corresponding to a 6.7 % EBIT margin (previous year: 6.5 %). The EBIT margin thereby lies in the upper half of the communicated target range of 5.5 % to 7.0 %.

The cost of materials ratio (from 64.9 % to 65.8 %) and the personnel expenses ratio (from 17.2 % to 17.4 %) rose slightly compared with the previous year. It should be noted in relation to the expense ratios that total operating revenue includes a considerable increase in inventories (EUR +7.3 million, previous year: reduction of EUR 10.3 million), which by their nature do not include a margin. If net sales and changes in inventories would have reflected similar relationships in both years, the cost of materials and personnel cost ratios would have remained virtually unchanged. The extensive cost-cutting measures, particularly in the area of engine procurement, have thereby proved to be sustainable. Despite the COVID-19 pandemic and associated protective measures, weeks of uncertainty among the workforce, alternating work from home offices, and a potential need on the part of some of our employees to care for children as well as, in some cases, sick people, our lead project "Lead-to-Lean" is clearly continuing to exert a positive effect. This is due to the fact that personnel costs are only increasing in line with the significantly expanded output.

Selling & marketing, operating, administrative and other expenses rose compared with the previous year, from EUR 23.1 million to EUR 24.6 million. This was due, in particular, to a higher level of costs for hardware and software maintenance (EUR 1.0 million, +47 %) and outgoing freight (EUR 3.6 million, +38 %), while travel costs decreased by EUR 0.7 million, or 31 %, as a consequence of the coronavirus pandemic.

After a net financial result of TEUR -184 (previous year: TEUR -349), mainly deriving from interest on loans and commissions for guarantees of bills, and income taxes of EUR 4.2 million (previous year: EUR 4.8 million), the Group reports consolidated net income up by 16.5 % to EUR 12.0 million (previous year: EUR 10.3 million).

D. Financial position

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

Consolidated cash flow statement

		31/12/2020	31/12/2019
		TEUR	TEUR
	EBIT	**16,446**	**15,453**
+	Depreciation, amortization and extraordinary write-downs on fixed assets	3,664	3,715
=	**EBITDA**	**20,110**	**19,168**
+/-	Cash flow relating to net change in working capital	-5,561	-11,372
+/-	Change in other provisions	-1,953	-260
+/-	Change in other assets as well as miscellaneous assets that cannot be allocated to investing or financing activities	-1,781	746
+/-	Change in other liabilities as well as miscellaneous liabilities that are not allocable to investing or financing activities	3,011	-400
+/-	Loss/gain from fixed asset disposals	-167	47
-	Result from associated companies	-15	12
+/-	Income tax payments	-3,858	-6,019
=	**Cash flow from operating activities**	**9,785**	**1,921**
	Cash flow from investing activities	**-2,104**	**-5,677**
	Cash flow from financing activities	**-7,372**	**733**
	Liquid funds on December 31	**10,992**	**10,556**

In the financial year elapsed, operating cash flow rose again to EUR 9.8 million (previous year EUR 1.9 million), particularly due to a lower increase in net working capital compared to the previous year (EUR 5.6 million after EUR 11.4 million). In the year under review, a total of EUR 2.4 million was invested in tangible fixed assets (previous year: EUR 4.3 million), which consisted of the following items:

- EUR 1.2 million for new (service) vehicles
- EUR 0.3 million for a new test bench for engines
- EUR 0.2 million for new tools
- EUR 0.2 million for new IT equipment and home office equipment

As scheduled, financial liabilities of EUR 9.5 million were repaid as part of financing activities. This included both the repayment of money market loans taken out as of December 31, 2019 (EUR 4.0 million) and a further repayment of money market loans taken out during the second half of the year to temporarily cover working capital requirements (also EUR 4.0 million).

In total, liquidity in the form of bank deposits amounted to EUR 11.0 million as of the balance sheet date. The company avoided the payment of custody fees in the past financial year. 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 28.8 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

	31/12/2020	31/12/2019
	TEUR	TEUR
A. Fixed assets	26,718	28,182
B. Current assets	117,256	109,921
C. Prepayments and accrued income	610	341
D. Deferred tax assets	1,975	2,476
Total assets	**146,559**	**140,921**

Equity and liabilities

	31/12/2020	31/12/2019
	TEUR	TEUR
A. Equity	78,312	68,522
B. Provisions	13,387	15,394
C. Liabilities		
I. Bank borrowings	5,465	10,553
II. Other liabilities	49,396	46,452
Total assets	**146,559**	**140,921**

Total assets grew by around 4 % to reach EUR 146.6 million as of the December 31, 2020 reporting date. The change in total assets reflects the following factors:

- As of EUR 60.8 million as of December 31, 2020 inventories remained virtually unchanged compared with the previous year. In line with the lower level of inventory of raw materials and supplies (EUR 6.6 million), work in progress increased by EUR 7.3 million to EUR 38.2 million as of the balance sheet date. The work in progress position is attributable to specific customer orders.

- Trade receivables increased from EUR 37.0 million to EUR 42.2 million as of the end of the year. Around 90 % of the increase of EUR 5.2 million derived from final invoices issued by 2G Rental GmbH to external financing partners in December, which were not yet due as of the balance sheet date. These receivables amounted to a total of around EUR 8.8 million as of December 31, 2020 (previous year: EUR 4.0 million).

Net Working capital increased to EUR 62.9 million as of the balance sheet date (previous year: EUR 57.3 million).

As a consequence of the profit retention as of December 31, 2020, equity rose to EUR 78.4 million (previous year: EUR 68.5 million). The equity ratio increased to 53.4 % in this context.

Overall statement on the business situation

2G has come through the past financial year, which was marked by the COVID-19 pandemic, in good shape. Both net sales and earnings were up on the previous year. 2G successfully continued its organic growth with an increase in output of around 12 %. At the same time, 2G reported a stable level of new order intake for new machines throughout the financial year, which was around 5 % higher than the previous year's figure for the year as a whole. Together with the structurally growing service business, this will lead to further stable growth in capacity utilization. The equity ratio, which stands well above 50 %, combined with high liquidity, will secure further growth. The Management Board is convinced that by consistently pursuing the three flagship projects the company can achieve net sales of around EUR 300 million by 2024, with an EBIT margin of around 10 %.

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 risks 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 is consequently thereby 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, digitalization, optimization of the depth of vertical manufacturing, and services, such as the rental of 2G power plants. The continuous endeavor to consistently conserve resources, avoid waste and emissions, and increase the efficiency of the 2G power plants forms part of the identity of all business units. Continuous optimization of the power systems and the service led 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 2G Energy AG, the management has assessed the risks listed below as relevant for the company's further development and measured them as to their event probability and loss level. 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 with risk factors, in declining order of significance, 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. 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.

Business-related risks

2G Group are based on a large number of worldwide markets and different 2G products and services in varying performance classes, application areas and operating gas types. This diversification is designed to help minimize risks, as international markets are different in terms of their structure 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 political and legal framework conditions, are described and assessed in the risk report. Such an approach allows countermeasures to be launched at an early stage where actual events differ from planning. This analysis also influences investment and expansion projects.

Corporate growth risks

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 exploit 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 include risks in the areas of product liability, competition and antitrust law, capital market law, patent law, labor law and environmental protection. 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.

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.

Political risks

The destabilization of political systems and the potential imposition of trade barriers, 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 sub-markets are considered in the process.

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 materials prices. 2G sets great store by alternative purchasing sources, avoids dependencies, and ensures parts availability and supply capability through order volume optimization and stock holding.

Research and development risks

From the outset, innovation has been 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 plants, 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.

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.

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.

Human resource risks

The future success and growth of all 2G companies are highly dependent on their employees and their know-how. Consequently, the expertise and commitment of employees in all the areas in which 2G operates are crucial to its success. The regional talent markets relevant to 2G are characterized by intensive 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 in order to make it even more attractive as an employer.

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.

2G ensures the required availability of business-critical systems and access to business-relevant data through redundant configuration of technical components, networks and sites, as well as suitable, tested contingency measures. Appropriate organizational and technical precautions for access control, access rights, virus protection and data protection further limit such risks. A dedicated process ensures that IT risks are evaluated, and appropriate measures taken.

Based on the measures adopted, it can be assumed that the probability that a serious IT risk materializes is low. To secure and protect personal data, 2G cooperates with an external data protection officer and follows the recommendations for implementing the EU GDPR.

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.

Overall statement on the risk situation

The following overall statement on the risk situation does not take account of any risks resulting from the COVID-19 pandemic. See the separate risks and opportunities report on page 63. The risk strategy has the character of that of a medium-sized company and is deliberately opportunity-orientated. The company's management is focused on organizational and especially financial stability but can deviate from existing plans where this is in the company's interests.

Taking existing steering and controlling measures into account, no specific risk is deemed to be a going concern risk; neither has the company identified any aggregate going concern risk given the simultaneous occurrence of individual risks. From today's perspective, it does not identify any such going concern risks for the future either. The risks listed could nevertheless exert a negative effect on the company's net assets, financial position, results of operations, and business performance. Significant changes in the risk position derive especially from the growing internationalization of the operating activities.

As shown above, a correlation exists between international growth and related risks. Sales abroad grew by 14 % to EUR 94.4 million in the year under review. The complexity of the management task also increases as a consequence.

The company has the capacity to withstand risks on account of its available and potential financial reserves, good balance sheet ratios, and a highly developed insurance concept. The business and entrepreneurial opportunities outweigh the potential risks entailed.

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. In establishing its partner concept, the company has relied on the possibilities offered by digitalization from the outset. With its comprehensive online platform "my.2-g.com", the company provides all relevant information to its sales and service partners as well as plant operators. An electronic replacement parts catalog is also integrated, supporting fast replacement parts supplies.

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 I.R.I.S. (the "Intelligent Report Information System") for service.

2. The "Lead to Lean" flagship project is gradually leading to a sustainable improvement in production processes. Among other measures, 2G has introduced a "Terminleitstufen" ("deadline guide steps") concept, that is helping to smooth out seasonal fluctuations and consolidate all purchasing and production processes. In the year under review, the project had even more of a positive impact in the form of shorter delivery times, lower production costs and increased product quality.

3. The Service division is well placed for profitability following the optimization of organization in 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 plants. After-sales services for both biogas and natural gas-operated CHP systems are enjoying growing demand in foreign markets too. 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 unit that runs on pure hydrogen (H_2), which 2G developed itself. Technically, 2G's research and development team successfully adapted the technology a standard natural gas CHP so that H_2 is harnessed to generate electricity and heat on a comparatively feasible basis, as well as being highly efficient in operational terms and generating almost no CO_2 emissions. 2G offers H_2 CHP units in the output range from 80 kW to 280 kW at similar prices to those for natural gas systems. In addition, 2G is the only manufacturer

in the world that can convert its natural gas CHP systems to H_2 operation.

5. The further expansion of rental and lease possibilities for customers of 2G power plants 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 needing to make 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 the legally stipulated subsidy period expires – depending on the performance class.

6. The international climate debate is also increasingly supporting 2G's business model in general. The global community agreed on a joint climate protection target in December 2015 in Paris. The energy generation measures to be taken at national level (such as the decision to phase out coal in Germany by 2038), and at international level (such as the (partial) shutdown of numerous nuclear power plants in France), 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 integration 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 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 systems and help the company to set itself apart from its competitors through reliability and transparency.

Overall, the Management Board identifies attractive opportunities for 2G on both the German and foreign markets. This assessment is based on the trend in the spark spread, which is important for the economic viability of CHP systems: the electricity price is generally rising, or staying at a high level, and the gas price is flatlining at a low level or falling. 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.

Risks and opportunities associated with the COVID-19 pandemic

The COVID-19 pandemic is directly and indirectly impacting on the business and working lives of companies and entire populations all around the world. The continued muted and partially negative economic performance in virtually all economies across the globe is the result of the highly restricting measures taken periodically to combat the COVID-19 pandemic that are giving rise to insecurity, loss of demand, decline in production output in segments of the industry, as well as the discontinuation of service providers and investment reticence across the board. Presumably, only when major shares of the global population have been vaccinated will it be possible to permanently discontinue the radical restrictions as well as (partial) lockdowns.

2G sees the risks from the COVID-19 pandemic primarily in the areas of “sales risks”, “availability of products” as well as “personnel”– given that status of information as of mid-March 2021 - as follows:

Sales risks

The Management Board believes that any sales risks will only be temporary in nature. The global demand for decentralized, base-load-capable energy production capacities that reduce CO_2 emissions still remains firmly in place. COVID-19 does not stop climate change, nor does it make it less of an undeniable presence. The pandemic does not relieve us of the urgency to act. Although lawmakers appear likely to switch their focus temporarily to fighting the pandemic, this will not pose a fundamental threat to the urgent climate protection legislation on the cards. 2G counters such risks with its strong international presence. Moreover, 2G has a certain degree of planning security thanks to its high current order backlog. In addition, service accounts for approximately 40 % of the Group’s sales.

Product availability risks

2G considers the availability of components and parts for production and service to be assured. There is a sufficiently ample stock of motors for the most common CHP modules. The remaining relevant suppliers continue to operate reliably and have not shown any weaknesses in the second wave of the pandemic around the turn of the year. Moreover, 2G can rely on alternative suppliers for almost all components and is geographically focused on the DACH region, so that logistics risks would also appear to be manageable. 2G has expanded its storage capacity at the Heek site and stocked up on inventories. With the products and components available, 2G does not perceive any risks with regard to through the abovementioned order backlog. The company’s healthy financial situation also provides scope to exploit procurement opportunities counter-cyclically as well.

Human resource risks

Back in February, 2G had already provided its staff with communication guidelines and relevant recommendations for dealing with COVID-19 in their day-to-day lives at work and at home. These were continuously adjusted in accordance with current regulations and laws and adapted to the situation in the company with recommendations and requirements for action. As well as protecting all our employees, the Management Board focuses on maintaining business operations as best it can and continuing to ensure that our customers benefit through fully functional CHPs. Our approach is forward looking, also in consideration of the fact that the situation could escalate further if new restrictions are imposed.

In awareness of the duty of care the company has with regard to the health of all staff, the Management Board has enabled employees to work from home for as long as the current coronavirus pandemic makes this necessary. To this end, investments in corresponding additional IT equipment were made back in February. These measures were expanded in the course of the year under review. Only the competent employees are now authorized to enter the production area and the warehouse. Production and logistics staff are split 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. All meetings with persons outside the company are held online. We have issued strict rules of conduct for service technicians in the field and equipped them with equipment for their protection when engaging in customer contacts.

Managers have been strongly and repeatedly reminded to monitor and, if necessary, enforce compliance with the code 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. The aim is to protect and maintain the health of all employees, preserve the competitive strengths of the company and safeguard the operation of all plants across the world.

End of COVID-19 pandemic may usher in economic upswing

The further course of the COVID-19 pandemic remains difficult to assess. This includes, in particular, the risk from virus mutants, the time to achieve herd immunity through vaccination, and the long-term societal, political, economic and environmental consequences. The already agreed and forthcoming government stimulus packages and expansionary monetary policies by central banks will help to stimulate investment and put the economy back on its feet. In all likelihood, investments in climate protection and sustainability will be part and parcel of the solution.

There is a good chance of new market opportunities for 2G thanks to its ongoing supply capability and healthy financial situation as well as its established brand name and the longstanding transparency thanks to its stock market listing.

G. Forecast report

The forecast report of the 2G Group takes into account relevant facts and events that were known at the time the consolidated financial statements were prepared and that may influence future business development.

Orientation of the Group in the following two financial years

As one of the leading international manufacturers of gas-fired combined heat and power systems, 2G continues to vigorously pursue its goal of strengthening existing market positions, opening up selected new markets with advanced technologies and applications, and expanding its global market shares on a profitable basis. To this end, we have launched three flagship projects which we are systematically pursuing: internationalization as part of the partner concept, digitization and the "Lead to Lean" project. The following strategic guidelines 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 potent,
- cost reductions in connection with simultaneous quality improvement and capacity expansion through the introduction of industrial processes across the entire value chain.

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 and Eastern 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 integratable, digitally controllable CHP systems for demanding control energy operations. The company is also addressing the growing requirements for very low exhaust emissions with its own developments, such as a combustion concept with low turbocharging and 2G SCR catalyst technology. With the series production readiness of our self-developed cogeneration system that runs on pure hydrogen, we have taken a decisive step forward and are now able to offer our customers CO_2-free energy supply. In the reporting year, we extended this to include the guarantee that natural gas CHP units can be converted to run on pure hydrogen if required. This means that a large proportion of 2G products are already "H_2 ready" for virtually emission-free energy generation. In addition, 2G perceives itself as a service 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 flexible supplier of highly efficient CHP systems and energy generation solutions.

Future macroeconomic situation

In its economic forecast published in mid-November 2020, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) highlights the dependence of future economic development on the further course of the pandemic and the associated uncertainty. It will be decisive how quickly the pandemic can be contained and how the economy develops outside of Germany. The economic recovery in open economies such as Germany and the EU countries can only succeed if the infection outside these countries is also contained and global economic developments return to normal.

According to the experts, opportunities for improved developments lie in the rapid approval, provision and dissemination of suitable vaccines or effective drugs combating the coronavirus. Another positive factor was the rapid and extensive monetary and fiscal policy measures that support the economy. The economic stimulus packages put together by politicians in Germany should contribute to the recovery. At the European level, the recovery fund adopted in February 2021 will also increase the resilience and competitiveness of the European economic area through targeted investments and reforms in the EU Member States. In spite of the existing uncertainties, the German Council of Economic Experts expects gross domestic product (GDP) in Germany to expand by 3.7 % in the current year. In this context, the experts assume that in particular renewed massive declines in overall economic activity, as in the spring of 2020, can be prevented. Based on these premises, the researchers forecast GDP growth of 5.1 % for the euro zone.

In its economic forecast presented in mid-December 2020, the Ifo Institute assumes that global trade will have recovered in the winter half-year 2020/21 and will exceed pre-crisis levels again in the summer. This means that global trade in goods is likely to be less impacted by the economic plunge in the winter half-year than global gross domestic product. This is due to the fact that the infection control measures are unlikely to have restricted the cross-border exchange of goods. All in all, global trade in goods is expected to expand by 6.6 % and 4.1 % in 2021 and 2022, respectively, according to Ifo analysis. In terms of global GDP growth, gains of 5.8 % and 4.2 % in 2021 and 2022, respectively, are anticipated.

Moreover, the Council of Experts also urges that, despite the current priority of dealing with the pandemic, the challenges of a necessary structural change should be addressed, which will give rise to significant opportunities for GDP growth. As an example of comprehensive structural change, the Council cites the planned reduction of greenhouse gas emissions, which necessitates the transformation towards a climate-neutral economy. This would require an energy price reform that abolishes the

EEG levy and reduces the electricity tax to the European minimum. This would strengthen the coordination function of the CO_2 price and improve incentives for sector coupling. Moreover, an internationally coordinated approach is necessary in energy and climate policy.

Hydrogen with a wide range of applications for CHP technology

Ambitious plans to protect the climate in many regions around the world are successively leading to stricter, legally anchored emission regulations as well as to the taxation of CO_2 emissions. It is foreseeable that the use of fossil fuels for energy production in all sectors will become more difficult and more expensive in the current decade. What is more, electricity from renewable sources is also becoming increasingly favorable. A base-load capable, secure supply, which integrates the fluctuating producers of renewable energies and harnesses their strengths, can be established with green hydrogen or power-to-gas technologies.

This would combine approaches to two problem complexes: how to avoid CO_2 emissions and how to store electricity generated from renewables over the long term. Combined heat and power systems enable the pure hydrogen or gas mixtures to be converted back into electricity and heat. The advantage of such solutions is also the relatively low cost of upgrading and using the existing natural gas infrastructure for the efficient transport, distribution and seasonal storage of hydrogen. This is because hydrogen is

Technology overview in power and time

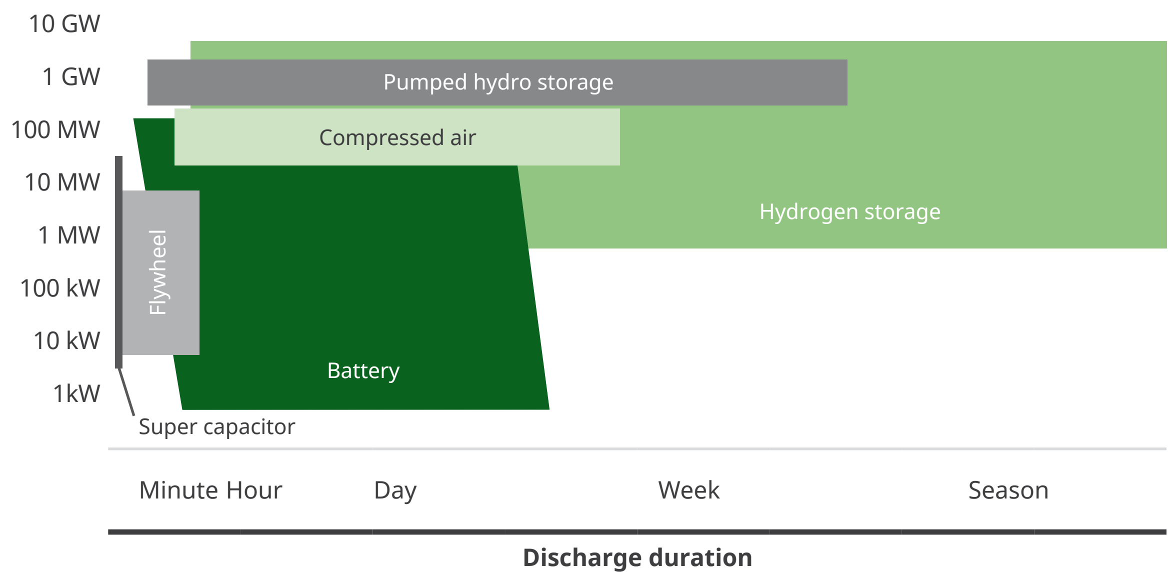


Diagram 8: Technology overview in power and time.
Source: The Fuel Cells and Hydrogen Joint Undertaking (FCH JU), Hydrogen Roadmap Europe: A sustainable pathway for the European Energy Transition, February 2019

the only available CO_2-free energy carrier that can also be stored in large quantities over a period of months, as Diagram 8 shows by comparison with other storage media. Hydrogen is the only large-scale technology capable of meeting all these challenges.

In its study, The Fuel Cells and Hydrogen Joint Undertaking (FCH JU) perceives a great deal of potential for CHP technology, especially in the provision of heat and electricity for the building sector, demand-driven energy generation from seasonal storage, and the integration of renewables into a system of secure supply.

According to 2G's assessment, the fossil energy source natural gas will continue to play an indispensable role in the heating sector, for electricity generation and for the integration of renewables for many years to come. Over the long term, however, it will stand in the way of the goal of climate neutrality – not only in Germany, but all over the world. Consequently, the investments that 2G is committing to further developing its hydrogen CHP are all the more important.

The concrete demand for our hydrogen technology is developing worldwide and trending upwards. In the current year, we will be implementing projects in Japan and the United Kingdom for the first time. Although these projects still have model character in many cases, they demonstrate the application potentials of hydrogen CHP. This enables us to build a solid foundation for further orders ahead of all potential competitors, while underlining our claim to technology leadership and strengthening the 2G brand.

Political hydrogen initiatives can strengthen the integrative role of CHP for energy transition

The German government presented its hydrogen strategy in June 2020, while the EU Commission followed in July with a European variant. The central message of both strategies: The future belongs to green hydrogen, because given the properties outlined above it will play a vital role on the course to climate neutrality. With these initiatives, Europe can succeed in creating a market for green hydrogen by means of start-up financing, quota regulations and various other supporting instruments. The desired scaling of production is expected to take place in connection with simultaneous cost degression. The EU also presented a program for the integration of energy systems in the summer. Both concepts are to be intertwined and interacting. To this end, energy taxation is to exert a steering effect in line with the EU's climate objectives. The EU Commission's hydrogen strategy is based on using so-called blue hydrogen in a transitional phase, which is produced from natural gas. 2G is supporting these considerations, because even if the expansion of renewable energies in Europe should advance with great strides, so that sufficient electricity – in addition to the ongoing coverage of demand – is available for electrolysis, the quantities produced will probably be far from sufficient to have green hydrogen available for all applications. With its work in relevant associations, 2G is supporting initiatives for hydrogen on political levels and, as a member of the Clean Europe Hydrogen Alliance, also the promotion of concrete projects for the application areas mentioned.

Europe promotes the development of a hydrogen-based energy supply by 2030 in EUR billion

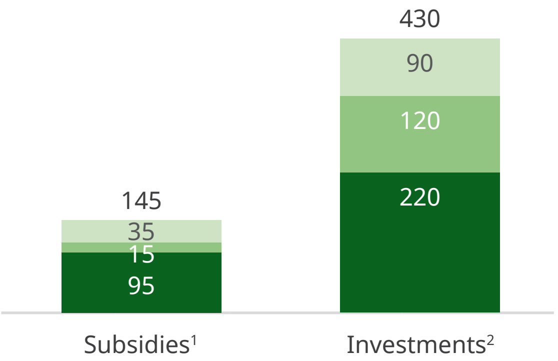


Diagram 9: Europe promotes the development of a hydrogen-based energy supply by 2030, in EUR billion.

1) Subsidies and loans for companies that invest in hydrogen systems
2) Total investments required for the implementation of a hydrogen system in Europe

Source: Handelsblatt, „Wie es um das EU Klima Paket Green Deal wirklich steht“, December 11, 2020

The price for CO_2 emissions begins to unfold steering effects

A look at the political initiatives and legislative proposals to decarbonize the energy industry in 2G's key markets shows that the targets set for reducing CO_2 emissions and the instruments implemented are beginning to exert steering effects. The EU, for example, has raised its climate target for 2030 by a 55 % more stringent reduction in CO_2 emissions compared to 1990. This is to be achieved, among other things, by expanding the European Emissions Trading Scheme (ETS). The CO_2 emission allowances issued are to be further reduced and the buildings and transport sectors, which have so far been excluded from the European trading system for pollution rights, will become part of the ETS. The Potsdam Institute for Climate Impact Research assumes that ETS prices will rise in the event of supply shortages and higher demand, resulting in a much faster phase-out of coal as a primary energy source than, for example, still envisaged in the German Coal-Fired Power Generation Termination Act. The price of a ton of CO_2 emissions would rise, thereby significantly boosting the cost of coal-fired power generation. Experts assume that the CO_2 price will double to 50 euros per ton. Since 1 January 2021, Germany has been making direct use of the instrument of the CO_2 emissions pricing. A price is charged per ton of CO_2 consumed. This will initially stand at 25 euros and will rise to 55 euros in 2025. According to a study commissioned by Agora Energiewende, lignite will be hit hardest by a rising CO_2 price, which will have serious consequences for the electricity mix in Germany. The respective share will fall from 17 % today to 0.5 % by 2030. At the same time, the share of hard coal is likely to decrease from 7 % today to 1.8 %.

Against this backdrop, 2G is convinced that the demand for low-CO_2, flexible and grid-serving CHP technology will develop very dynamically in the coming years. With the shutdown of conventional, base-load capable energy producers and the simultaneous further expansion of wind power and photovoltaic systems, the volatilities in the power grid are on the rise. In times of so-called dark periods, significant and persistent shortages in supply may arise. 2G has analyzed in a study that such situations can occur on a good 15 % of all hours in a year. Figure 10 provides an overview of this scenario. Consequently, the crucial question is always as to how and with which technology the necessary security of supply can

Calculated surplus capacities or capacity bottlenecks 2023 in GW

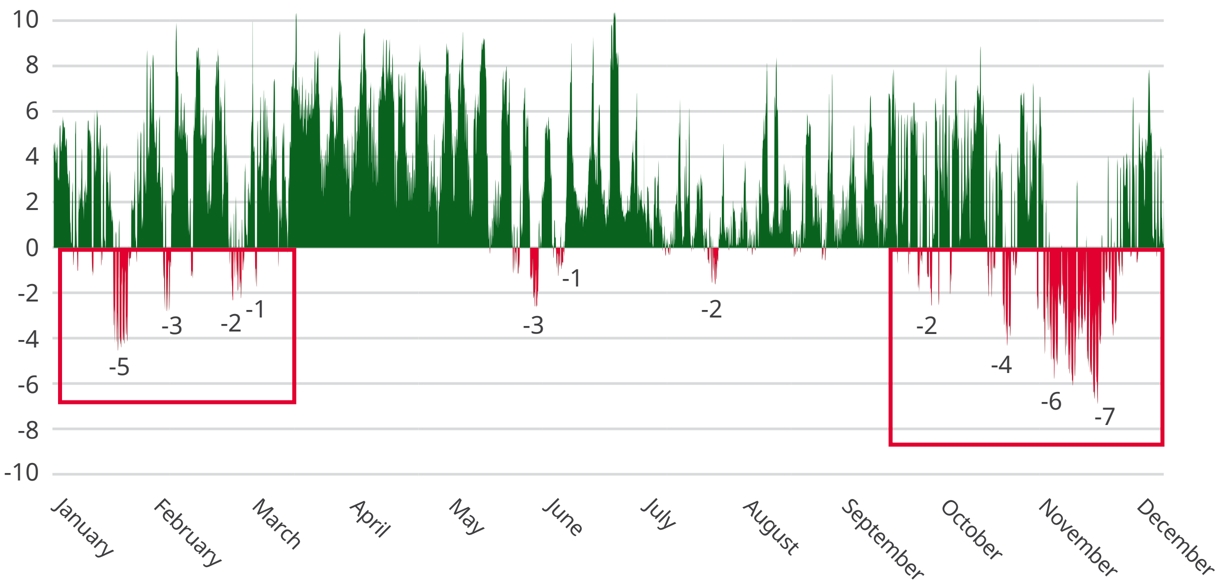


Diagram 10: Model calculation based on the supply situation from 2023. If nuclear and coal-fired power plants in Germany are taken off the grid as required by law, electricity supply bottlenecks could occur for a good 15 % of all hours in a year from the start of 2023. The 2G congestion analysis assumes that electricity demand and weather conditions will remain the same as in 2020.
Source: Country data electricitymap.org, own analysis, January 2021

be guaranteed. A greater share of wind power and photovoltaics will not solve the problem. In 2G's view, only a network of backbone power plants that compensates for the fluctuations of supply-dependent energy conversion will be able to provide a reliable balance. CHP plants as backbone and partner of wind and solar sources enable precisely such a solution. Through the use of hydrogen, this flexible power can even be made available in a completely climate-neutral manner, and in connection with grid-serving rotating masses.

In this context, 2G has made a concrete proposal for a solution as to how a backbone can be built up in the span of the remaining days until the beginning of 2023 under the premises of economic efficiency of the power plants (short amortization period), financial feasibility of the necessary investments and quick construction feasibility. It would be strategically advantageous to iteratively create power plant capacities through the addition of smaller CHP units (< 4.5 MW) that pay for themselves within a few years and can be set up and installed quickly. The dimensioning of such an area-wide power plant would be easy to adjust from year to year, since the granular composition would result in a kind of breathing construction in which depreciated units would be shut down (e.g. after 6 to 8 years) and new, more climate-friendly power plants would be added as necessary. In particular, CHP units could be installed where electricity is required regionally in the distribution and transmission networks – after large power plants have been shut down. This is due to the fact that renewable energy plants, which are developed to differing degrees in different regions, will also need local support from balancing power plants as far as possible.

Since the outlined task scenario applies globally, 2G perceives very good, structural growth opportunities and entrepreneurial chances for the next few years, especially in the target markets already addressed by 2G.

More dynamic market activity and rising order intake expected in America

With regard to the current fiscal year, business development in the Americas region is expected to run a better course than in the year under review, despite the continuing restrictions imposed by Corona. Some plants already planned for 2020 – but subject to delayed investment decisions delayed due to Corona – will be realized in the current year, while new orders will be added. The strong order intake in the first quarter is a good indication of this. On a superordinate level, the change in the US administration with President Joe Biden at the helm may entail a shift towards far more climate-conscious energy policies. For example, investment tax credits for CHP systems, bioenergy use and waste heat electricity generation are expected to be extended until 2024. California, in particular, is systematically pushing ahead with the conversion of its energy supply on the basis of its experience with the medium and direct consequences of climate change. For example, the decarbonization of gas supply is to be driven forward rapidly based on the use of biomethane. The goal is to have 160 biomethane production plants up and running by January 2024, primarily drawing on resources from dairy farms and landfills. The CHP units are used to supply electricity and heat to the fermenters. CHP is a viable component for investors in this context thanks to the positive valuation of low carbon intensity and the associated subsidies for biomethane projects. The development of a secure and independent energy supply is also attracting increased attention. As the U.S. has never experienced as many power outages as in the year 2020, CHP systems are coming into focus for this application area in view of their independent, self-sufficient capabilities.

The expanding availability of liquefied natural gas (LNG) is opening up new sales markets for 2G in the American market. The Caribbean and Central American markets in particular are showing strong momentum in countries such as Puerto Rico, Barbuda and Panama following the construction of overseas LNG terminals. 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 CO_2 emissions per MWh from their energy sectors by 40 – 50 %. All this is opening up new sales opportunities for 2G.

On the American continent, too, lively interest in hydrogen technologies and their possible applications is evident. Initial investments in hydrogen production and applications with model character are already being planned and implemented. 2G is involved in project planning and expects to be selling the first hydrogen CHP units on the American market in the next few years.

Asian business expected to pick up

With a look to the next two years, 2G and its partners expect demand in Asia to pick up significantly in the wake of the Corona-related restrictions. In Japan, the willingness to invest primarily in biogas CHPs should increase again. We have already received the first hydrogen CHP order from a major industrial customer in Japan, which was completed by the middle of the year. In Australia, there are good chances that the 2G partners will generate further growth in the waste-to-energy, food production and food processing application areas. In Korea, we are registering growing interest in energy efficiency measures in existing buildings, to which natural gas CHP units can make significant contributions. In Taiwan, Malaysia and Thailand, we expect demand for biogas CHPs to remain fairly stable, also supported by government subsidy programs.

Israel is developing into an interesting market with the start of natural gas production off its own coast. In parallel, the energy supply is to be decentralized in a first step with a capacity of 460 MW by 2025. Our local partner is well positioned in this competitive market. In addition, waste-to-energy and food production projects also offer good sales opportunities. For example, 2G booked its first order for two CHP units with a total capacity of 2 MW for a landfill site at the end of 2020.

Heterogeneous picture in Europe

In its home market of Germany, 2G – as may be subject to further restrictions to contain the COVID-19 pandemic – anticipates a solid course for the next few years on the growth path that has been trending upwards to date. In addition, opportunities for 2G arise in particular from raising awareness among industrial and commercial companies for modern energy supply concepts achieving low CO_2 emissions and a high degree of independence and security of supply. These demands can be met very expediently and rapidly with the implementation of CHP systems. Such a scenario may gain momentum in particular if widespread public awareness sets in that the shutdown of nuclear and coal-fired power plants, which are so important for the base load, could actually lead to bottleneck situations in the supply of electricity and thermal energy.

2G is well prepared and geared up for a sharp increase in new orders from Germany – also at short notice. In other words, 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 a scenario analysis, 2G has identified and assessed the following significant critical factors: the capacity of production facilities, the availability of key components, the availability of skilled staff, the capacities of managers, the performance capability of the ERP system, and the extent to which sales growth can be financed. If such demand dynamics were to emerge, 2G would also expect higher margins in addition to higher sales. These increased margins would be due partly to greatly improved economies of scale on fixed costs and partly because 2G could realistically expect to wield a degree of pricing power in such situations.

With a look to biogas CHP systems, 2G expects a further slight decline in sales. Up to July 2021, existing CHP systems will remain eligible for subsidies in the case of capacity expansions with flexibilization, but this special incentive will expire. Although new regulations for the flexibilization of biogas plants are stipulated in the amendment to the EEG passed in December 2020, 2G believes that they will no longer mobilize the sales volume seen in previous years. The flexibility premium will be increased from 40 euros/kW to 65 euros/kW for newly subsidized plants (over 100 kW). In the case of existing plants that register additional installed capacity for the flex premium for the first time, the cap on the flexibility premium will be removed.

The amendment, however, is expected to stimulate growth elsewhere in the biogas market. The Biogas Association speaks of groundbreaking improvements, which again show a future perspective for the generation of electricity and heat from bioenergy. The consistent implementation of the climate protection program for bioenergy has been brought closer, above all, by increasing the tender volume to 600 MW per year (plus 150 MW per year for biomethane). These volumes are set so that electricity generation from biomass will reach a level of 42 TWh by 2030. This is in line with the target scenario of the German government's 2030 climate protection program, which envisages bioenergy plant installations delivering 8.4 GW (2020e: 5.0 GW) of installed capacity. According to the Biogas Association, this is a substantial signal that bioenergy is still in demand in the electricity and heat sectors. The increases in the maximum bid limits in the tenders for new and existing plants as well as the new incentives for biomethane and the compensation for the competitive disadvantages of small plants with an installed capacity of up to 500 kW should also be evaluated.

With regard to the market for natural gas CHP units in Germany, 2G is convinced that it will be able to further expand the sound order situation. The funding environment has tended to improve with the revision of the KWKG as part of the Coal Phase-out Act. Plant operators and investors can count on planning and investment security. In the first quarter of the current year, order intake for turbines up to 50 kW developed particularly well. According to the new KWKG, the total subsidy period has been shortened from the previous 60,000 to 30,000 full utilization hours, while the surcharges have been doubled so that the actual subsidy amount remains the same. This practical arrangement will enable CHP systems in this output class to play the role in climate protection assigned to them by the new Building Energy Act in the construction of new buildings and in district networks without the costs of heat supply rising disproportionately.

Positive sales and earnings trend expected to continue

The coronavirus pandemic will exert a significant impact on global economic development. The extent of this impact, and how long it will last, is impossible to gauge at present – a fact that the Management Board of 2G Energy AG is well aware of. Nevertheless, we believe that global efforts to reduce CO_2 emissions will (have to) be kept up and that demand for electricity will continue to rise. In addition to the greater demand for climate- and environmentally friendly production capacities, there will also be a particularly sharp increase in the demand for technologies that are capable of efficiently integrating the fluctuating renewable energy sources into a capacity that can be regulated, benefitting the system as a whole, and ensuring reliable and cost-efficient consumer supply. In their diverse applications as investment goods worldwide, there is an increasing shift from featuring as a "nice to have" to a "must have".

This assessment gives us a certain degree of entrepreneurial optimism for the coming years. In view of the already well-filled order books at the beginning of 2021 and the ongoing order intake from Germany and abroad, the growing service business and the steadily materializing positive results of the three flagship projects, the Management Board is cautiously confident for the current fiscal year. The company has made a good start to the current year with the surplus from the previous year – even if it was slightly below the very high level of the previous year, which was characterized by a temporary exceptional boom in the German biogas market – amounting to EUR 111.2 million (previous year: EUR 116.8 million) and lively demand in the first quarter of 2021. The company enjoys a good level of diversification internationally via its own subsidiaries and its partner network, while demand trends remain strong in the Americas, the UK and France as well as in some Asian markets. 2G also began investing at an early stage in developing technological solutions for low-emission combustion and hydrogen applications.

Adopting an assessment in line with due entrepreneurial prudence, the Management Board is consequently expecting to be able to achieve net sales of between EUR 245 million and EUR 260 million in the 2021 financial year. The earnings forecast for the 2021 financial year envisages an EBIT margin between 6.0 % and 7.5 %. However, it cannot be ruled out that the coronavirus pandemic will have an impact on 2G in the current year in the form of a decline in orders, supply bottlenecks, logistics problems or the need for quarantine measures in production, sales or administration at the company's own sites or in its partner network. This may impact on sales and earnings trends. Looking ahead to the long term, the Management Board is adhering to its target of generating EUR 300 million in sales by 2024 and improving Group profitability, i.e. the EBIT margin, to 10 % on a sustained basis thanks to efficiency gains from its flagship projects, margin contributions from the service business and leveraging economies of scale.

Heek, March 24, 2021

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

	31/12/2020 EUR	31/12/2019 EUR
A. Fixed assets		
I. Intangible fixed assets		
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	508,268.68	515,729.65
Goodwill	2,324,979.96	2,713,726.37
Prepayments rendered	115,099.25	9,333.00
	2,948,347.89	**3,238,789.02**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-pary land	12,610,674.47	13,148,804.75
Plants and machinery	1,116,262.35	1,281,148.29
Other factory and office equipments	9,093,207.11	9,570,803.74
Prepayments rendered and plants under construction	56,856.84	63,822.35
	22,877,000.77	**24,064,579.13**
III. Financial fixed assets		
Participating interests in associated companies	883,123.60	868,469.58
Other participating interests	10,000.00	10,000.00
	893,123.60	**878,469.58**
	26,718,472.26	**28,181,837.73**
B. Current assets		
I. Inventories		
Raw materials and supplies	41,849,024.33	48,413,088.57
Work in progress	38,192,006.51	30,856,174.88
Prepayments rendered	2,542,622.76	1,279,921.72
Prepayments received for orders	-21,789,979.78	-20,124,106.79
	60,793,673.82	**60,425,078.38**
II. Receivables and other assets		
Trade receivables	42,155,589.43	37,030,124.06
Receivables due from participating interests	379,386.46	301,622.91
Other assets	2,897,782.86	1,462,606.06
	45,432,758.75	**38,794,353.03**

Assets

	31/12/2020	31/12/2019
	EUR	EUR
III. Cash in hand, bank balances	**11,029,909.57**	**10,701,989.93**
	117,256,342.14	**109,921,421.34**
C. Prepayments and accrued income	**609,520.32**	**341,284.70**
D. Deferred tax assets	**1,975,148.78**	**2,476,098.29**
Total	**146,559,483.50**	**140,920,642.06**

Equity and liabilities

	31/12/2020	31/12/2019
	EUR	EUR
A. Equity		
I. Subscribed share capital	4,430,000.00	4,430,000.00
II. Capital reserve	11,235,300.00	11,235,300.00
III. Other retained earnings	57,899,375.82	53,129,681.91
IV. Consolidated net income	5,838,728.47	630,403.04
V. Minority interests	-57,109.05	-42,691.61
VI. Equity difference from currency translation	-1,034,308.46	-860,688.13
	78,311,986.78	**68,522,005.21**
B. Provisions		
Tax provisions	1,250,570.64	1,304,741.02
Other provisions	12,136,424.75	14,088,937.11
	13,386,995.39	**15,393,678.13**
C. Liabilities		
Bank borrowings	5,464,901.93	10,552,715.90
Prepayments received for orders	30,058,923.23	26,405,463.52
Trade payables	10,007,755.22	13,728,619.72
Other liabilities	9,328,920.95	6,318,159.58
	54,860,501.33	**57,004,958.72**
Total	**146,559,483.50**	**140,920,642.06**

Consolidated profit and loss account of 2G Energy AG

	01/01/ to 31/12/2020	01/01/ to 31/12/2019
	EUR	EUR
Net sales	**246,728,599.29**	**236,395,643.92**
Decrease/increase in work in progress and finished goods	7,364,008.90	-10,290,290.52
Other own work capitalized	113,121.69	13,776.59
	254,205,729.88	**226,119,129.99**
Other operating income	2,262,453.48	2,016,706.78
	256,468,183.36	**228,135,836.77**
Costs of materials		
a) Costs of raw materials and supplies, and for purchased merchandise	134,026,996.04	118,369,427.96
b) Costs of purchased services	33,227,682.17	28,393,108.49
	167,254,678.21	**146,762,536.45**
Personnel costs		
a) Wages and salaries	36,937,200.50	32,577,245.73
b) Social security, pensions and other benefits	7,339,925.38	6,387,810.55
	44,277,125.88	**38,965,056.28**
Depreciation and amortization applied to tangible and intangible fixed assets	3,663,984.91	3,715,252.13
Other operating expenses	24,626,671.81	23,054,957.54
Income from associated companies	14,654.02	-12,560.86
Income from other participating interests	500.00	500.00
Other interest and similar income	214,280.79	58,202.96
Interest and similar expenses	397,966.21	407,236.93
Taxes on income	4,305,210.03	4,801,921.40
Profit after tax	**12,171,981.12**	**10,475,018.14**
Other taxes	214,879.22	173,125.08
Consolidated profit for the year	**11,957,101.90**	**10,301,893.06**
Share of profit attributable to other shareholders	14,417.44	8,005.89
Consolidated net profit	**11,971,519.34**	**10,309,898.95**
Retained earnings	630,403.04	5,835,705.09
Dividend payment	-1,993,500.00	-1,993,500.00
Allocation to other retained earnings	-4,769,693.91	-13,521,701.00
Consolidated net income	**5,838,728.47**	**630,403.04**

Derivation of EBIT

		01/01/ to 31/12/2020	01/01/ to 31/12/2019
		EUR	EUR
	Consolidated profit for the year	**11,957,101.90**	**10,301,893.06**
+	Taxes on income	4,305,210.03	4,801,921.40
+	Interest and similar expenses	397,966.21	407,236.93
−	Other interest and similar income	214,280.79	58,202.96
=	**Earnings before interest and tax (EBIT)**	**16,445,997.35**	**15,452,848.43**

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.

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 %	Subcribed capital in TEUR	Equity in TEUR	Profit/loss for year in TEUR	Initial consolidation
2G Energietechnik GmbH*, Heek, Germany	100	1,000	6,943	0	30/06/2007
2G Home GmbH, Heek, Germany	100	125	585	7	31/12/2007
2G Rental GmbH, Heek, Germany	100	50	271	187	31/12/2014
HJS Motoren GmbH, Amtzell, Germany	50	25	1,662	715	01/07/2018
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90	3	-818	-168	31/01/2008
2G Energie SAS, Sainte-Luce-sur-Loire (Nantes), France	100	200	1,346	468	24/08/2016
2G Italia Srl, Vago di Lavagno (Verona), Italy	100	10	906	208	15/03/2011
2G Energy Ltd., Cheshire, United Kingdom**	100	1	859	510	19/09/2011
2G Polska Sp. z o.o., Bielsko-Biała, Poland**	100	1	-93	-41	07/11/2011
2G Energy Inc., St. Augustine (FL), USA**	100	1	2,015	1,474	27/02/2012
2G Energy Corp., Fergus (ON), Canada**	100	205	-149	5	01/01/2019

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

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

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

Apart from HJS Motoren GmbH, all of the companies are included as subsidiaries in the consolidated financial statements due to the parent company owning the majority of their voting rights.

In exercising the option for joint ventures, HJS Motoren GmbH is included 'at equity' in the consolidated financial statements.

Effective January 1, 2020 (merger date), 2G Energietechnik GmbH has taken over the assets of the transferring sister company 2G Drives GmbH as part of the merger. The executive board of 2G Energy AG, Heek, as the sole shareholder of 2G Energietechnik GmbH and 2G Drives GmbH, passed the resolution to merge these companies on November 11, 2019. The supervisory board of 2G Energy AG approved the resolution on November 14, 2019. The entry in the commercial register was made on April 27, 2020.

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, 2020 closing date.

Capital consolidation

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

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

Consolidation of liabilities

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

Currency translation differences as part of the consolidation of liabilities are recognized 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.

Equity valuation

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

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

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

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

11. Other provisions

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

12. Liabilities

Liabilities are recognized at the settlement amounts.

13. Prepayments received

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

14. Currency translation

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

D. Notes to the consolidated balance sheet

1. Fixed assets

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

Fixed assets include TEUR 2,531 (previous year: TEUR 3,166) of rental plants from the operating activities of 2G Rental GmbH.

Participating interests in associated companies include a difference between the book value and the equity of the associated company in the amount of TEUR 0 (previous year: TEUR 332), which is attributable in full to the acquired goodwill.

2. Receivables and other assets

Specific and general valuation allowances of TEUR 4,215 (previous year: TEUR 4,483) were applied to trade receivables.

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

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

3. Deferred tax assets

Deferred tax receivables of TEUR 1,975 (previous year: TEUR 2,476) arise from tax loss carryforwards (TEUR 181) at 2G Polska Sp. z o.o. and 2G Energy Corp. No deferred tax assets were formed in relation to the loss carryforwards of 2G Solutions S.L., 2G Italia Srl. and 2G Energy Inc. due to their having generated net losses in previous years. In this context, a cautious approach was adopted that does not take into account positive expectations arising from current structural changes. In addition, deferred taxes were formed in relation to eliminated intragroup gains on fixed assets (TEUR 742) and inventories (TEUR 687) deriving from intragroup deliveries and services as of the balance sheet date, and on temporary differences (TEUR 385). These temporary differences arise mainly from recognizing differing valuations for inventories and provisions in the financial statements and in the tax accounts.

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

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

4. Consolidated equity

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

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

In a resolution passed at the Annual General Meeting on June 23, 2020, the Management Board was authorized to increase the company's subscribed share capital during the period until June 22, 2025, with Supervisory Board approval, once or on several occasions, by up to a total of TEUR 2,215 by issuing new shares against cash or non-cash capital contributions (Approved Capital 2020).

Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 1,975.

An amount of TEUR 61,763 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

	31/12/2020	31/12/2019
Warranty commitments	4,143	6,046
Residual work on completed plants/outstanding invoices	3,489	4,263
Amounts owed to staff	2,703	2,143
Taxable fringe benefits	872	872
Professional cooperative contributions	350	315
Costs of preparing and auditing financial statements	183	158
AGM and annual report	67	53
Litigation costs	47	82
Archiving of business documents	20	20
Misc. other provisions	262	137
Total	**12,136**	**14,089**

6. Liabilities

Liabilities consist of the following:

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

	Up to 1 year	More than 1 year	Thereof more than 5 years	Total
Bank borrowings	1,297 (5,406)	4,168 (5,146)	821 (1,532)	5,465 (10,553)
Prepayments received for orders	30,059 (26,405)	0 (0)	0 (0)	30,059 (26,405)
Trade payables	10,008 (13,729)	0 (0)	0 (0)	10,008 (13,729)
Other liabilities	9,329 (6,318)	0 (0)	0 (0)	9,329 (6,318)
Total	**50,693** **(51,859)**	**4,168** **(5,146)**	**821** **(1,532)**	**54,861** **(57,005)**

The following collateral instruments are connected with 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 5,356 (previous year: TEUR 3,820), and social security liabilities of TEUR 124 (previous year: TEUR 118).

E. Notes to the consolidated profit and loss account

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

1. Net sales

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

Net Sales, in TEUR
(previous year's amounts in brackets)

	Germany	Abroad	Total
CHP systems/ After Sales	86,807 (90,264)	66,626 (56,767)	153,433 (147,031)
Service	65,505 (63,255)	27,791 (26,110)	93,296 (89,365)
Total	**152,312 (153,519)**	**94,417 (82,876)**	**246,729 (236,396)**

2. Other operating income

Other operating income comprises TEUR 953 (previous year: TEUR 1,249) of income related to other accounting period that consists mainly of the release of provisions (TEUR 425), of insurance compensation payments and loss compensation payments (TEUR 299) and the decrease of bad debt allowances (TEUR 206).

Other operating income includes income of TEUR 594 (previous year: TEUR 382) from currency translation.

3. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	2020	2019
Operating expenses	8,298	7,756
Administration expenses	3,107	3,221
Sales and marketing expenses	7,181	7,100
Miscellaneous	6,040	4,979
Total	**24,627**	**23,055**

Other operating expenses comprise TEUR 834 (previous year: TEUR 876) of expenses related to other accounting periods that consist mainly of non-period credits and losses incurred on receivables.

Other operating expenses include expenses of TEUR 824 (previous year: TEUR 558) from currency translation.

4. Personnel costs

Social security contributions and pension and benefit expenses include TEUR 519 (previous year: TEUR 449) of pension expenses.

5. Depreciation and amortization

Depreciation and amortization applied to tangible and intangible assets include amortization of goodwill in the amount of TEUR 389 (previous year: TEUR 544).

6. Income from associated companies

Income from associated companies consist of the following:

Income from associated companies, in TEUR

	2020	2019
Partial result	357	319
Partial elimination of unrealized profit of intragroup transactions on inventories	-11	0
Depreciation of goodwill	-332	-332
Total	**15**	**-13**

7. Other interest and similar income

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

8. Taxes on income

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

Income from deferred taxes, in TEUR

	2020	2019
Deferred tax income	122	45
Deferred tax expenses	-625	-345
of which attributable to loss carryforwards (net balance)	58	45
Income from deferred taxes	**-503**	**-300**

F. Additional information

1. Consolidated cash flow statement

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

Cash and cash equivalents shown in the cash flow statement include cash at banks and in hand, less short-term liabilities of TEUR 38 (previous year: TEUR 146).

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

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

3. Events of key significance after the reporting date

Effective January 1, 2020 (merger date), 2G Energietechnik GmbH will take over the assets of the transferring sister company 2G Home GmbH as part of the merger. The executive board of

2G Energy AG, Heek, as the sole shareholder of 2G Energietechnik GmbH and 2G Home GmbH, 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 was made on March 16, 2021.

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 increased the Company's share capital from EUR 4,430 thousand to EUR 4,485 thousand.

Risks and opportunities in connection with the COVID-19 pandemic

The COVID-19 pandemic is directly and indirectly impacting on the business and working lives of companies and entire populations all around the world. The continued muted and partially negative economic performance in virtually all economies across the globe is the result of the highly restricting measures taken periodically to combat the COVID-19 pandemic that are giving rise to insecurity, loss of demand, decline in production output in segments of the industry, as well as the discontinuation of service providers and investment reticence across the board. Presumably, only when major shares of the global population have been vaccinated will it be possible to permanently discontinue the radical restrictions as well as (partial) lockdowns.

2G primarily believes that the COVID-19 pandemic poses risks in the areas of "Sales risks", "Product availability" and "Human resources", as explained in the risks and opportunities report. Presumably, only the vaccination of a high proportion of the world's population will be able to push back the pandemic to such an extent that the radical isolation measures and (partial) lockdowns can be permanently lifted.

2G sees the risks from the COVID-19 pandemic primarily in the areas of "sales risks", "availability of products" as well as "personnel" – given that status of information as of mid-March 2021 - as follows:

The Management Board believes that any sales risks will only be temporary in nature. The global demand for decentralized, base-load-capable energy production capacities that reduce CO_2 emissions still remains firmly in place. COVID-19 does not stop climate change, nor does it make it less of an undeniable presence. The pandemic does not relieve us of the urgency to act. Although lawmakers appear likely to switch their focus temporarily to fighting the pandemic, this will not pose a fundamental threat to the urgent climate protection legislation on the cards. 2G counters such risks with its strong international presence. Moreover, 2G has a certain degree of planning security thanks to its high current order backlog. In addition, service accounts for approximately 40 % of the Group's sales.

2G considers the availability of components and parts for production and service to be assured. There is a sufficiently ample stock of motors for the most common CHP modules. The remaining relevant suppliers continue to operate reliably and have not shown any weaknesses in the second wave of the pandemic around the turn of the year. Moreover, 2G can rely on alternative suppliers for almost all components and is geographically focused on the DACH region, so that logistics risks would also appear to be manageable. 2G has expanded its storage capacity at the Heek site and stocked up on inventories. With the products and components available, 2G does not perceive any risks with regard to through the abovementioned order backlog. The company's healthy financial situation also provides scope to exploit procurement opportunities counter-cyclically as well.

Back in February, 2G had already provided its staff with communication guidelines and relevant recommendations for dealing with COVID-19 in their day-to-day lives at work and at home. These were continuously adjusted in accordance with current regulations and laws and adapted to the situation in the company with recommendations and requirements for action. As well as protecting all our employees, the Management Board focuses on maintaining business operations as best it can and continuing to ensure that our customers benefit through fully functional CHPs. Our approach is forward-looking, also in consideration of the fact that the situation could escalate further if new restrictions are imposed.

In awareness of the duty of care the company has with regard to the health of all staff, the Management Board has enabled employees to work from home for as long as the current coronavirus pandemic makes this necessary. To this end, investments in corresponding additional IT equipment were made back in February. These measures were expanded in the course of the year under review. Only the competent employees are now authorized to enter the production area and the warehouse. Production and logistics staff are split 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. All meetings with persons outside the company are held online. We have issued strict rules of conduct for service technicians in the field and equipped them with equipment for their protection when engaging in customer contacts.

Managers have been strongly and repeatedly reminded to monitor and, if necessary, enforce compliance with the code 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. The aim is to protect and maintain the health of all employees, preserve the competitive strengths of the company and safeguard the operation of all plants across the world.

The further course of the COVID-19 pandemic remains difficult to assess. This includes, in particular, the risk from virus mutants, the time to achieve herd immunity through vaccination, and the long-term societal, political, economic and environmental consequences. The already agreed and forthcoming government stimulus packages and expansionary monetary policies by central banks will help to stimulate investment and put the economy back on its feet. In all likelihood, investments in climate protection and sustainability will be part and parcel of the solution.

There is a good chance of new market opportunities for 2G thanks to its ongoing supply capability and healthy financial situation as well as its established brand name and the longstanding transparency thanks to its stock market listing.

From today's perspective, there are no discernible risks to 2G as a going concern.

4. Derivative financial instruments

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

Financial instruments, in TEUR

	Scope	Maturity	Fair value
Forward exchange transaction EUR – USD	379	01/04/2021	362
Forward exchange transaction EUR – USD	149	06/03/2021	142
Forward exchange transaction EUR – GBP	1,561	30/07/2021	1,568
Forward exchange transaction EUR – GBP	596	28/05/2021	598
Forward exchange transaction EUR – GBP	192	30/04/2021	192
Forward exchange transaction EUR – GBP	575	30/04/2021	577
Forward exchange transaction EUR – GBP	529	30/04/2021	534
Forward exchange transaction EUR – USD	450	28/05/2021	449
Total	**4,431**		**4,422**

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

5. Contingent liabilities

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

6. Other financial obligations

Other financial obligations existed in relation to contracts as follows:

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

	< 1 year	1–5 years	Total
Permanent rental contracts*	711 (483)	0 (0)	711 (483)
Fixed-term rental contracts	146 (154)	263 (247)	409 (401)
Lease contracts	219 (188)	322 (280)	540 (468)
Total	**1,076** **(825)**	**584** **(527)**	**1,660** **(1,352)**

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

7. Average number of employees during the financial year

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

Number of employees

	2020	2019
Industrial workers	384	350
Commercial employees	339	299
Total	**723**	**649**
of whom part-time employees	83	77

8. Management Board

The Management Board is currently composed as follows:

Management Board

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

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

9. Supervisory Board

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

Supervisory Board

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

Mr. Heinrich Bertling and Mr. Wiebe Hofstra resigned from their offices effective December 31, 2020. As new member of the Supervisory Board from 01/01/2021 were appointed:

New members of the Supervisory Board

	Since
Mr. Prof. Dr. Christof Wetter Steinfurt Professor in the Department of Energy, Buildings, Environment of the Münster University of Applied Sciences	01/01/2021
Mr. Dr. Jürgen Vutz Greven Graduated mechanical engineer, Graduated industrial engineer	01/01/2021

The supervisory board has elected Dr. Vutz as their deputy chairman.

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

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

10. Directors' compensation

Compensation of TEUR 1,031 (previous year: TEUR 944) was paid to the Management Board in the financial year under review, and compensation of TEUR 40 (previous year: TEUR 46) to the Supervisory Board.

11. Auditor's fee

Other operating expenses include the fees expensed for the auditor of the financial statements. The auditor's fees totaled TEUR 94 (previous year: TEUR 93) and is composed as follows:

Auditor's fee, in TEUR

	2020	2019
Audit services	92	91
Other assurance services	2	2
Total	**94**	**93**

12. 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 6,620,449.13 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 6,620,449.13 for the year and EUR 0.00 of net retained profits, are to be distributed in an amount of EUR 2,018,250.00, and to allocate in an amount of EUR 4,602,199.13 to other retained earnings.

13. Exemption rules

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

Heek, March 24, 2021

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
member

Friedrich Pehle
Management Board
member

Frank Grewe
Management Board
member

Consolidated statement of changes in fixed assets

	Cost					
	01/01/2020	Currency translation	Additions	Transfers	Disposals	31/12/2020
Intangible fixed assets						
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	2,606,966.36	-838.69	264,763.41	0.00	3,191.80	2,867,699.28
Goodwill	8,431,787.58	0.00	0.00	0.00	0.00	8,431,787.58
Prepayments rendered	9,333.00	0.00	105,766.25	0.00	0.00	115,099.25
	11,048,086.94	**-838.69**	**370,529.66**	**0.00**	**3,191.80**	**11,414,586.11**
Tangible fixed assets						
Land, land rights and buildings, including buildings on third-pary land	15,727,055.63	-225,594.80	173,343.10	0.00	0.00	15,674,803.93
Plants and machinery	2,408,154.54	-32,779.94	16,601.20	0.00	1,136.09	2,390,839.71
Other factory and office equipments	22,226,379.17	-182,742.59	2,166,941.07	10,519.78	811,639.92	23,409,457.51
Prepayments rendered and plants under construction	63,822.35	0.00	3,554.27	-10,519.78	0.00	56,856.84
	40,425,411.69	**-441,117.33**	**2,360,439.64**	**0.00**	**812,776.01**	**41,531,957.99**
Financial fixed assets						
Participating interests in associated companies	868,469.58	0.00	14,654.02	0.00	0.00	883,123.60
Other participating interests	10,000.00	0.00	0.00	0.00	0.00	10,000.00
	878,469.58	**0.00**	**14,654.02**	**0.00**	**0.00**	**893,123.60**
Total	**52,351,968.21**	**-441,956.020**	**2,745,623.32**	**0.00**	**815,967.81**	**53,839,667.70**

Depreciation and amortization					Book value	
01/01/2020	Currency translation	Additions	Disposals	31/12/2020	31/12/2020	31/12/2019
2,091,236.71	-838.46	269,036.86	4.51	2,359,430.60	508,268.68	515,729.65
5,718,061.21	0.00	388,746.41	0.00	6,106,807.62	2,324,979.96	2,713,726.37
0.00	0.00	0.00	0.00	0.00	115,099.25	9,333.00
7,809,297.92	**-838.46**	**657,783.27**	**4.51**	**8,466,238.22**	**2,948,347.89**	**3,238,789.02**
2,578,250.88	-24,829.16	510,707.74	0.00	3,064,129.46	12,610,674.47	13,148,804.75
1,127,006.25	-18,723.52	167,514.97	1,220.34	1,274,577.36	1,116,262.35	1,281,148.29
12,655,575.43	-97,970.68	2,327,978.93	569,333.28	14,316,250.40	9,093,207.11	9,570,803.74
0.00	0.00	0.00	0.00	0.00	56,856.84	63,822.35
16,360,832.56	**-141,523.36**	**3,006,201.64**	**570,553.62**	**18,654,957.22**	**22,877,000.77**	**24,064,579.13**
0.00	0.00	0.00	0.00	0.00	883,123.60	868,469.58
0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**893,123.60**	**878,469.58**
24,170,130.48	**-142,361.82**	**3,663,984.91**	**570,558.13**	**27,121,195.44**	**26,718,472.26**	**28,181,837.73**

Consolidated cash flow statement

		01/01/ to 31/12/2020	01/01/ to 31/12/2019
		EUR	EUR
	Consolidated profit for the year	**11,957,101.90**	**10,301,893.06**
+	Taxes on income	4,305,210.03	4,801,921.40
+	Interest and similar expenses	397,966.21	407,236.93
−	Other interest and similar income	-214,280.79	-58,202.96
=	**Earnings before interest and tax (EBIT)***	**16,445,997.35**	**15,452,848.43**
+	Depreciation and amortization applied to tangible and intangible fixed assets	3,663,984.91	3,715,252.13
=	**Earnings before interest, tax, depreciation and amortization (EBITDA)***	**20,109,982.26**	**19,168,100.56**
±	Change in raw materials and supplies	6,564,064.24	-10,071,744.93
±	Change in work in progress	-7,335,831.63	10,290,290.52
±	Change in prepayments rendered on inventory	-1,262,701.04	3,040,466.40
±	Change in prepayments received for orders	5,319,332.70	-12,589,069.09
±	Change in trade receivables	-5,125,465.37	-5,138,934.06
±	Change in trade payables	-3,720,864.50	3,096,801.19
±	**Cash flow from change in operative net working capital***	**-5,561,465.60**	**-11,372,189.97**
±	Change in other provisions	-1,952,512.36	-259,843.30
±	Change in other assets and assets that are not allocable to investing or financing activities	-1,781,175.97	745,712.79
±	Change in other liablities and liabilities that are not allocable to investing or financing activities	3,010,761.37	-400,120.65
±	Loss/gain from fixed asset disposals	-167,180.10	46,591.51
−	Income from associated companies	-14,654.02	12,060.86
=	Income tax payments	-3,858,430.90	-6,019,116.32
=	**Cash flow from operating activities**	**9,785,324.68**	**1,921,195.48**

		01/01/ to 31/12/2020	01/01/ to 31/12/2019
		EUR	EUR
+	Proceeds from fixed asset disposals	412,589.78	173,454.86
−	Payments for investments in intangible fixed assets	-370,529.66	-233,875.44
−	Payments for investments in tangible fixed assets	-2,360,439.64	-4,286,330.27
−	Payments for acquisition of consolidated companies	0.00	-1,388,888.00
+	Interest received	214,280.79	58,702.96
=	**Cash flow from investing activities**	**-2,104,098.73**	**-5,676,935.89**
+	Proceeds from raising of loans	4,562,181.96	4,363,169.29
−	Outgoing payments for redemption of loans	-9,542,584.21	-1,229,154.24
−	Interest paid	-397,966.21	-407,236.93
−	Dividends paid to parent company shareholders	-1,993,500.00	-1,993,500.00
=	**Cash flow from financing activities**	**-7,371,868.46**	**733,278.12**
=	**Net change in cash and cash equivalents**	**309,357.49**	**-3,022,462.29**
±	Currency-related change in cash and cash equivalents	125,973.87	-36,307.49
+	Cash and cash equivalents at start of period	10,556,421.09	13,615,190.87
=	**Cash and cash equivalents at end of period**	**10,991,752.45**	**10,556,421.09**

* voluntary included sub-totals

	01/01/ to 31/12/2020	01/01/ to 31/12/2019
	EUR	EUR
Composition of cash and cash equivalents		
Cash in hand, bank balances	11,029,909.57	10,701,989.93
Short-term bank borrowings	-38,157.12	-145,568.84
	10,991,752.45	**10,556,421.09**

Consolidated statement of changes in equity

Consolidated statement of changes in equity, in Euro

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

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

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 2020, 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 2020, 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 2020.

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 annual report is expected to be made available to us after the date of the 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 24, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Norbert Niedenhof	ppa. Stefan Heitmeyer
German Public Auditor	German Public Auditor

* Translation of the auditor's report issued in German language on the consolidated financial statements prepared in German language by the management of 2G Energy AG

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