2G Energy AG

Half-year Report 2014

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Foreword

Dear Shareholders, Ladies and Gentlemen,

The current prevailing political and economic climate places particular demands on the company's management and on corporate action and planning. The Russia-Ukraine conflict is increasingly threatening to dampen the economic mood and suppress economic growth in Europe. This conflict has also raised fears regarding the reliability of gas supplies from Russia to Europe. Urgent appeals were made at the UN Climate Summit in New York at the end of September sending out reminders of the need for action. UN Secretary-General, Ban Ki Moon urged, 'We have to reduce emissions. We must be carbon neutral by the end of the century'. According to US climate authority, NOAA, May, June and August of this year were the warmest, as a global average, since records began in 1880. The average earth and sea surface temperature was 16.35 °C in August and thus higher than the long-term average for the month. And in Germany politicians felt compelled to amend the Renewable Energy Sources Act (EEG) after just 31 months. The political objective was to keep the EEG levy stable, thus ensuring the affordability of power and reliability of supply. Huge reorganisation has resulted for some of the underlying technologies.

If we visualise the triangle of energy policy objectives (reliability of supply, profitability/ competitiveness and environmental sustainability) against this backdrop, it is clear that we would be well advised to redefine the content and set specific, ambitious targets. A socio-political debate on a long-term competitive energy policy is unnecessary. The technical opportunities for linking the principles of the objectives triangle in an advantageous way already exist. Combined heat and power generation plays a key role here. The advantages of this technology can be shown best using the diverse example applications in the housing industry, retail trade, industry and commerce, public health sector and among suppliers etc. Many large companies such as Merck, Kraft Foods, Metro and Katjes are also beginning to organise their energy supply in a different way. Their intention with an individual energy supply is to regain greater room for manoeuvre for their energy costs and make themselves more independent from the regulatory, occasionally erratic, guidelines and alleged incentives offered. They rely on a decentralised supply close to the place of consumption, which uses various primary energy carriers (including waste material from their own production processes) as input and, on the consumption side, in addition to electrical energy, intelligently covers heat and cold requirements in the manufacturing processes. This increases overall efficiency from over 80% to over 95% in some cases. The efficiency levels are significantly higher than if electrical energy, heat and cold are generated separately. A lower demand for primary energy for the same energy performance therefore means cost savings, resource efficiency and significantly reduced CO_2 emissions.

Our impression from numerous discussions with customers both in Germany and abroad is that decisions to invest in combined heat and power generation plants for covering in-house energy requirements are increasingly made independently of feed-in tariffs and subsidies. This is because CHP offers reliability of supply, cost effectiveness and economic sustainability, and can be integrated easily into the existing infrastructure and production conditions or replace an obsolete, inefficient energy supply. Here the 2G sales and service network, 2G technology and 2G project management are extremely strong on all levels.

We are also convinced that in the lower output range of our product portfolio (between 20 kW and 50 kW), the principles referred to are gaining more and more appeal for the customer groups in the housing industry, hotels, public health sector, swimming pools, shopping centres as well as medium-sized companies and commercial businesses. For this reason, 2G has now taken on a sales team of 20 people with industry experience to sell and market the G-Box 20 and G-Box 50 CHP series. This strengthens our sales force and in the wake of this we will also restructure our service business in this area in order to reduce costs. Preparations for other projects designed to increase the benefits for many groups of customers of investing in a 2G CHP system, regardless of subsidies, are currently under way.

The global political situation is forcing us all to place our energy supply on a new footing and make our consumption of energy more efficient. High efficiency levels and the reliability of the fully developed CHP gas engine technology form the basis of investment for companies. 2G CHP systems are cost-effective in many regions, even without special subsidies, and the depreciation period for investment in such systems is much shorter than the service life of the assets. With this in mind, we are sure that investment in sales, service and business structures in Germany and in the foreign markets will pay dividends. We would be happy to see you continue with us on this journey.

Heek, September 2014
2G Energy AG

Best regards,

Christian Grotholt, Chairman of the Board of Directors	Ludger Holtkamp Member of the Board of Directors	Dietmar Brockhaus Member of the Board of Directors

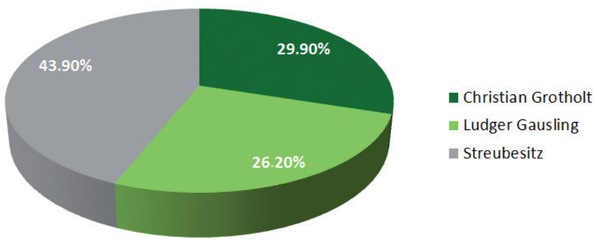
2G share

2G share prices were characterised by two trends during the reporting period from 1 January to 30 June 2014. The share price started the new trading year at EUR 27.22. By the beginning of April, prices had increased steadily to reach a high of EUR 35.40 on 3 April. This corresponds to an increase of 30.05% since the beginning of the year. Following a period of side-stepping until the beginning of May, the price then began to fall until the end of the half-year period. The share price was listed as EUR 29.60 on 30 June. Overall, 2G shares were up 8.74% during the first half of the financial year. The DAX (German Stock Index) was up 4.6% in the same period and the industry group index, the DAXsubsector All Renewable Energies, in which 2G is also included, rose by 20.4%.

An average of approx. 4,500 2G shares were sold on XETRA each day in the first half of the year (2013: 3,500). The reason for the increase in daily liquidity is the change in shareholder structure within widespread shareholdings. Larger institutional investors piled into 2G shares.

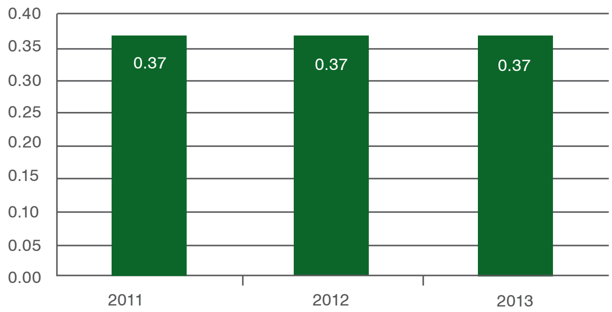
The fall in the price of 2G shares stabilised by the end of September at a level between EUR 22 and 26. The uncertainty in the context of the 2014 amendment to the Renewable Energy Sources Act in relation to the EEG levy for own energy production using CHP systems, the continued retrenchment of the biogas industry and the still sluggish economic recovery in Southern Europe influenced how the market participants viewed the industry.

At the Annual General Meeting on 16 July 2014, the shareholders passed a majority decision to pay a dividend of EUR 0.37 for the 2013 financial year. 77.6% of the share capital was represented at the meeting.



2G Energy AG shareholders' structure

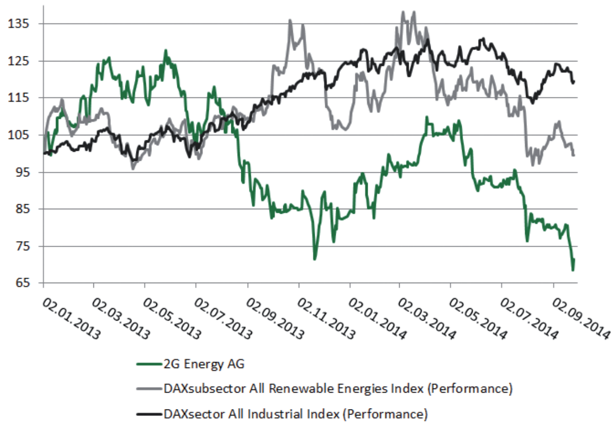
2G Energy AG dividend in €



2G pursues a sustainable dividend strategy which allows shareholders to participate in the Company's success. Distribution is intended to be based on profits and should avoid payments from capital assets in order to maintain the Company's financial and innovative strength for further growth.

The Board of Directors also spoke to numerous interested parties and investors in various European countries during the first half of the 2014 financial year. The Board explained the 2G business model and the investment case at road shows and investor conferences. Reference was also made to fluctuations expected in the short-term due to changing national and international markets and the long-term, positive growth indicators and opportunities were presented.

Research on 2G will be produced by investment companies, First Berlin, Hauck & Aufhäuser, Warburg, WGZ Bank, equinet and natureo finance.



Trends in the 2G share price between 1 Jan. 2013 and 26 Sept. 2014

Consolidated Management Report of 2G Energy AG

A. 2G Group

Business activity and corporate structure

The 2G Energy AG group of companies is a leading international manufacturer and provider of combined heat and power generation systems (CHP modules) for decentralised energy supply. The Company develops, produces and installs combined heat and power systems offering complete solutions within the growing market for highly-efficient combined heat and power generation. Comprehensive after-sales and maintenance services are an important additional performance criterion. The product range includes CHP systems with an electrical output ranging between 20 and 4,000 kW operated using natural gas, biogas, other lean gases or hydrogen. All systems are highly efficient, resource-friendly and reduce or neutralise CO_2 emissions when generating energy. With several thousand systems in 20 countries, 2G CHP modules in various applications supply a wide range of customers that include companies in the housing industry, commercial and industrial companies, energy providers and local authorities, with heat or cold and electrical energy.

2G Energy AG is a group parent company and combines central group staff functions. Eight subsidiary companies and an associated company were under its umbrella as of the balance sheet date, 30 June 2014.

2G Energietechnik GmbH (2GE) is 2G's core of operations with company headquarters located in Heek, Germany. In its range of services, the Company combines the planning, sales, production, installation and commissioning of 2G CHP modules. It also centrally manages and coordinates after-sales services for CHP systems. 2G GmbH also maintains dependent branches in Schonstett (near Munich), in Wetzlar, Halle (Saale) and Hamburg as well as liaison offices in Istanbul, Turkey and Rennes, France. Its office in Beijing, China was closed at the end of 2013. This market will now be handled from Germany.

Heek is also home to 2G Drives GmbH (2GD). The purpose of this subsidiary company is research and development in relation to the 2G product

2G® Energy AG

100%	90%	80%	90%	100%	100%	100%	100%	49%
2G Energietechnik	2G Home	2G Drives	2G Solutions	2G Italia	2G Energy	2G Polska	2G Manufacturing	2G CENERGY
Operationally active subsidiary company in Germany, established in 1995	Decentralised energy generation for the production of electricity and heat, after-sales services for private customers, established 1999	Development and optimisation of gas motors, established 2010	Sales and service company in Spain, established in 2008 (formerly 2G Iberica S.L.)	Sales and service company in Italy, established in 2011	Sales and service company in England, established in 2011	Sales and service company in Poland, established in 2011	Production of 2G modules in the USA, established in 2012	Associated company with exclusive sales and service rights, established 2009

2G Energy AG corporate and investment structure range. As a technology service provider, 2GD focuses essentially on optimising gas engines, control electronics and the new and further development of peripheral high-tech components. Improved efficiency levels and grid integration capability will offer greater benefits for 2G's customers. Moreover, the development of software for the maintenance, integration and controllability of decentralised CHP systems is very important. Extremely high efficiency ratings of in-house developed products and the integration capability of CHP systems are key to 2G's success and these unique features create additional competitive advantages. The link between mechanics and software as well as rapid availability, reliability and a high level of flexibility enable decentralised CHP units to function as large intelligent power plants (Virtual Power Plant, VPP). Two well-known and internationally recognised experts in the field of gas engine development each have a 10% share in 2GD.

2G Home GmbH (2G Home) also has its headquarters in Heek. The Company and its technology are also represented in the mid-capacity range of heat-operated combined heat and power systems for supply applications with its core products, the G-Box 20 and G-Box 50, compact CHP modules for small and medium-sized businesses, hospitals, hotels or housing complexes with an electrical output of 20 kW or 50 kW.

The 2G Group continued to consolidate its international presence during the course of the reporting period. 2G runs its own production facility in the USA through 2G Manufacturing Inc. (2GM) based in St. Augustine, Florida. Self-sourced parts and core components from Heek are fully assembled in St. Augustine into 2G CHP modules for the American market.

Foreign subsidiaries operating regionally as sales and service companies have been part of the Group for a number of years. 2G Solutions of Cogeneration S.L based in Vic (Barcelona) covers Spain and also develops the French market via a liaison office in Rennes. The Italian market is served by 2G Italia Srl based in Verona and the Polish market by 2G Polska Sp. z o.o. based in Bielsko-Biala. 2G Energy Ltd. based in Runcorn is responsible for the UK market. 2G has a 49% interest in 2G Cenergy Power Systems Technologies Inc. (2GC), the sales and service company for the North and South American market. Collaboration between 2GE and 2GC is ensured in the long-term through exclusive trading, trademark and framework agreements.

Moreover, important industrial and raw material markets have been developed further in Japan and Russia through sales collaborations.

B. Economic environment
Macro-economic situation

Gradual pick up of global economy

In its June 2014 report on the German economy, the Kiel Institute for the World Economy (IfW) emphasised an improvement in the global situation. The economy started the year with plenty of momentum, but lost impetus slightly during the first half of 2014. Consequently, there are still no signs of a break through to a sustained strong upturn. The Verband Deutscher Maschinen- und Anlagenbau (VDMA) [a non-profit organisation representing machinery and industrial equipment manufacturers] also recorded stagnation in incoming orders during the first half of 2014. Domestic orders in the German machinery and industrial equipment manufacturing sector rose slightly by 2%. Foreign orders, on the other hand, stagnated.

According to the IfW report, the monetary framework conditions continued to offer favourable investment opportunities in the advanced national economies. The ECB relaxed its monetary policy once again due to low inflation. Interest rate levels did not rise in the USA either. The extremely harsh winter had a negative impact here and was ultimately the cause of economic stagnation in the first quarter.

The IfW also emphasised that there were hardly any restrictions on a national level during the first half of 2014 resulting from fiscal policy restrictions in Germany or abroad. Whilst agreement was sought in the budget dispute in the USA, efforts to consolidate budgetary policy in other countries where 2G conducts business, such in the eurozone and in the United Kingdom, dwindled significantly.

Natural gas market

Natural gas operated CHP systems no longer just primarily supply heat (heat operated); demand for electricity is now increasingly more often also specified as a control variable. Adjustment to a heat-operated and electricity-oriented mode of operation is therefore possible with 2G CHP systems. This means that if demand for electricity increases (for own use or to stabilise the national grid), 2G power plants can be controlled accordingly. The heat produced at the same time is also available via storage systems for subsequent, consumption-driven use. Natural gas operated CHP systems can be operated with a high degree of efficiency, in supply premises (industrial operation, data centre, public health sector, swimming pool, apartment building, shopping centre etc.), for example, and used in a flexible manner.

Demand for natural gas operated CHP modules continued to rise in Germany in the first half of 2014 as in previous years. The growth trend in natural gas operated CHP systems thus continued during the reporting period. According to the findings of the 2013 Energie & Management/Öko-Institut survey, the market share of the natural gas segment for CHP systems grew by an estimated 63% (2012: 56%). The increased use of natural gas operated CHP plants is attributable firstly to increased retail prices for electricity and secondly, to the lack of planning and investment security for large power plants.

Based on the federal government's declared aim to increase the percentage of power generated in a decentralised manner by using combined heat and power generation, from currently approximately 15% to 25% by 2020, the market for CHP systems will continue to be extremely important. Since biomass operated systems profit from hardly any subsidies in the amended version of the Renewable Energy Sources Act, the market focuses on natural gas operated systems. Most of the CHP systems currently installed in Germany are operated by commercial and industrial companies and hospitals, since they often have a continuous requirement for process or thermal heat. The system operators demand a high level of reliability, cost effectiveness and energy efficiency here.

Whilst the price of electricity has increased significantly in recent years, the increase in the price of natural gas has been moderate. This trend was also apparent in the first half of 2014. The situation is supported by favourable market trends and high reliability of supply. The gap between trends in the price of electricity and the price of natural gas is also referred to as the 'spark spread.'

A further advantage for the operation of CHP systems using natural gas arises from their use in the decentralised supply of energy. Natural gas operated CHP plants can relieve the pressure on the power grids to be reconfigured as part of the energy revolution on the basis of generally already existing supply logistics for the provision of natural gas and feeding excess heat into local and district heating grids. Heat and electrical energy are produced as required directly where they are used. In conjunction with other renewable forms of energy, provided they are equipped with modern electronics and software, natural gas operated (and biogas operated) CHP plants make an important contribution as virtual power plants to offsetting the volatilities involved in generating power from wind and solar power plants. This is recognised in political circles in the EU and the USA and is institutionalised as standard in the market through regulatory adjustments for technical operation, such as the EU Medium Voltage Directive and the Low Voltage Directive in Germany. CHP systems serve to ensure quality of supply and the integration of decentralised, smaller power generating units such as PV systems, wind turbines and CHP plants run on fossil fuels or renewable resources, into combined systems or virtual power plants. The national power grid will increasingly switch from its previous role as transport medium to perform a control and offsetting function. This is because electrical energy will increasingly be produced close to where it is consumed and in a decentralised manner. The technical advantages of CHP systems in virtual power plants lie particularly in the short lead times for energy production and the ability to respond quickly in combination with other energy carriers. The systems are also flexible in terms of installed output and are significantly cheaper compared with coal or nuclear energy.

Biogas market

The technical specifications of biogas operated CHP plants are designed to achieve as high a level of electrical efficiency as possible. Depending on the available infrastructure, heat is, if anything, a by-product. However, heat or cold generated via an absorber, can be emitted as a high-value product with corresponding cost effectiveness, if there is an option for direct use (livestock management, process heat, drying, cold storage house) or an available local heating grid.

In Germany, biogas and the power it generates respectively are subsidised through the Renewable Energy Sources Act . After the biogas plant boom years between 2004 and 2011, demand for these plants fell dramatically in Germany with the amendment of the German Renewable Energy Sources Act on 1 January 2012. The amended version of the Renewable Energy Sources Act dated 1 August 2014 (EEG 2014) again resulted in far-reaching changes for the industry (see Regulatory environment). According to the Fachverband für Biogas e. V. (German Biogas Association), the biogas market will focus in the future on the flexible provision of power and heat in line with requirements. The 'market premium model' includes the market premium itself, a flexibility premium for the operators of CHP plants and a management premium.

The Biogas Association was anticipating 110 new plants in 2014 (2013: 205 new plants). Following the publication of the amended version of the Renewable Energy Sources Act, the association adjusted its forecasts for installed electrical output (see below). An increase in installed electrical output of 127 MW, of which 37 MW through new installations and 90 MW through repowering and flexibilisation measures, is now expected (installed electrical output 2013: 3,543 MW, 2014e: 3,670 MW).

With approx. two-thirds of global biogas capacity, the German biogas market is by far the largest in the world to date, followed by Italy (approx. 9% share), Switzerland (approx. 4% share) and France (approximately 4% share). The changes in Germany resulting from the amended Renewable Energy Sources Act will adversely affect new plant business, but service and after-sales business is expected to continue. Existing plants, which were commissioned before 1 August 2014, would retain their status even if they were modernised or repowered. Thousands of CHP systems are operated in the just under 8,000 biogas plants in Germany, which will be gradually replaced over the next ten years. Moreover, the increase in feeding in of electricity as required resulting from the flexibility premium will continue to be encouraged until output reaches 1.35 GW. This will create additional sales potential for 2G systems in the German biogas market. The export market will of course also continue to gain importance. According to the European Biogas Association (EBA) over 13,800 biogas plants with an electrical output of 7.5 GWe are installed in Europe (status: end of 2012).

Since the growth outlined in Germany has not happened in the same way in all foreign markets, biogas remains an important fuel for CHP plants in these markets and will continue to be subsidised through various types of government measures. In the 2014 financial year, the expansion of electrical output using biogas plants was particularly pronounced in Great Britain, France and Eastern Europe.

Generally speaking, biogas operated CHP systems for generating energy using efficient CHP technology in the respective countries have an important door-opening and awareness-raising function for the principle of CHP (simultaneous efficient generation of power and heat). Germany certainly serves as a blueprint for the CHP markets in other regions.

Regulatory environment

The Renewable Energy Sources Act 2014 was passed by the German Bundestag on 27 June 2014. It entered into force on 1 August 2014. The declared political objective of the reform initiative was to keep the EEG levy stable thus ensuring the affordability of power and reliability of supply.

Whilst the expansion of renewable energies has been defined within a statutory expansion band as 40 to 45% by 2025 and 55 to 60% by 2035, huge reorganisation has resulted for some of the underlying technologies. Previous regulations will be adhered to in the area of photovoltaics and hydroelectric power and the subsidy rates will be adjusted for wind power. However, the most wide-reaching changes relate to the generation of power using biomass. Here, the Federal Government is restricting subsidies for new plants primarily to waste recycling plants, such as biowaste fermentation plants or slurry plants, and is cutting subsidies for renewable resources considerably. The treatment and feeding in of biogas into the natural gas grid will not be subsidised in the future and can therefore no longer be pursued in a cost-effective manner.

One of the most fundamental new provisions relates to a capping of installed output at 100 MW for new biomass plants. If more than 100 MW is added per calendar year, remuneration will be subject to a considerable gradual decrease. Since new biogas plants over 100 kW per plant are still only able to claim for half their installed output in any case, the building of new biogas plants will more or less grind to a halt. The Fachverband Biogas e. V. is working on the assumption in an initial estimate that plant expansion will not reach the statutory cap of 100 MW anyway due to the sharp fall in remuneration.

The subject of repowering biogas plants arose increasingly in Germany in 2013 as biogas plants reached the end of the basic service life of CHP systems (approx. 60,000 operating hours). Both replacement and expansion investment in the CHP technology of biogas plants play a role here. In October 2013, the Federal Court of Justice determined that not only maintenance, but also expansion of the output of a CHP plant justifies remuneration at the original remuneration rate. This is pursued further in the amended Renewable Energy Sources Act 2014. By acquiring certification in accordance with the German Low and Medium Voltage Directives for most of the CHP systems it offers, 2G has ensured access to the promising repowering investment market. These Directives have been binding for the commissioning of CHP plants since 1 January 2014 and since then have provided for significant reassessment among competitors in the market.

Overview of the first half of 2014

The EEG 2012 was valid for just 31 months and the discussions and speculations surrounding the amendments to the Renewable Energy Sources Act on 1 August 2014 affected 2G's business growth in the first half of 2014.

Following a brief lull in investment and a reticent approach on the part of customers at the turn of the year 2013/2014, which initially led 2G to engage in specific sales activities, an attractive demand situation developed during the first half of the year. Orders came in so quickly in February, March and April 2014 that orders with a delivery date before 31 July 2014 could no longer be accepted from mid April 2014. 2G had to consider lead times for engines and components, possible contractual penalties and full capacity utilisation (lately in three shift operation with Sunday and bank holiday working). Based on the experiences in the boom year 2011, organisational precautions were taken in the form of a central reporting office. On the procurement side, suppliers and sub-contractors were also involved in good time. They adjusted their capacities and minimised bottleneck situations.

As many deliveries and services will be made and provided after the balance sheet cut-off date of 30 June 2014, particular attention must be paid to the cut-off date related influences of accounting practices according to the German Commercial Code on the 2G Group's assets, liabilities, financial position and profit and loss when estimating the 2014 consolidated half-year results. In particular, the significant increase of EUR 35.3 million in Work in progress from EUR 23.5 million as at 31 December 2013 to EUR 58.8 million as at 30 June 2014 led to a deferral of turnover and profit to the second half of the 2014 financial year. To clarify: 294 2G CHP systems were supplied to customers before 30 June 2014. In addition, in July 2014 alone, a further 183 2G CHP systems, in other words, a total of 477 systems were delivered to customers before 31 July 2014.

The valuation, definition and recognition on the balance sheet of Work in progress was conservative, 'at cost' as per the German Commercial Code, i.e. at manufacturing cost.

This Work in progress was not released to turnover and net income until project acceptance and final accounting. The accounting-related deferral of turnover and profit resulted from this. An understanding of the valuation method is important in order to assess the quality of the results for a financial year.

Overall, the growth of 2G Group business in the first half of 2014, driven by the strong temporary demand in Germany, was satisfactory, and the targets for the whole year currently look set to be reached.

An overview of the distribution of net sales and other ancillary figures is provided in the following tables:

The positive growth in 2014 and the rapid pace of commissioning, acceptance and billing in the second half of 2014 become even clearer from the orders on hand as at 30 June 2014 (including assets in the course of construction/work in progress and excluding the USA). Orders for 2G CHP systems with a value of EUR 112.3 million (446 units) were on hand as of the cut-off date. These were already well in progress, but were not yet recognised as revenue. More orders came from industrial customers and the major energy providers in the first half of the year, who want to become less affected by increasing energy prices

	1st Half-year 2014		
	Domestic	Abroad	Total
Turnover (in EUR million)	**36.9**	**15.2**	**52.2**
CHP modules	**16.9**	**14.8**	**31.7**
of which biogas	8.1	12.4	20.5
of which natural gas	8.8	2.4	11.1
Service	**14.6**	**0.3**	**14.9**
After sales	**5.5**	**0.1**	**5.6**
Units			
CHP	**134**	**52**	**186**
Ø value per unit (€/unit)			
CHP	**125,809**	**284,586**	**170,198**
Electrical output sold			37,447 kW_{el}
Ø electrical output per unit recognised as revenue			201 $kW_{el/unit}$

Breakdown of turnover and ancillary figures in 2G Group during first half of the year 2014

Percentage distribution of turnover according to product area	**1st Half-year 2014**		
	Domestic	Abroad	Total
Turnover (in EUR million)	**71%**	**29%**	**100%**
CHP modules	**33%**	**28%**	**61%**
Service	**28%**	**1%**	**29%**
After sales	**10%**	**0%**	**10%**

Percentage distribution of turnover according to product areas in 2G Group during first half of the year 2014 by having their own decentralised electricity and heat supply. Approximately half of the orders on hand are for natural gas operated systems and the other half for biogas operated systems.

In the foreign markets, sales in the United Kingdom have dominated the 2014 financial year to date. Due to an adjustment of the feed-in tariffs for power from biogas plants at the end of the third quarter of 2014, 2G production capacities at the headquarters in Heek will continue to be utilised satisfactorily until autumn 2014. Growth in 2G's US market experienced a low level sideways trend. High-profile individual projects (Project Gemini in Ohio, for example) were acquired. However, these projects will be delayed as scheduled until mid 2016. The sales results were selective, however a broad, fast-paced market upturn could not be derived from the business results and reports of leading competitors in the US market either. The US market is highly diverse and currently there are only selectively good sales opportunities for CHP systems in a few states (Texas and Louisiana, for example, with approximately one quarter of the USA's relevant CHP projects). Moreover, there are still barriers to market growth (for example, supplier stand-by charges and inconsistent standards). The construction and operation of microgrids by suppliers on the East Coast of the USA will press ahead (Hurricane Sandy effect) and could produce impulses for CHP projects in the medium to long term. Sales in the other foreign markets fluctuated as expected. There is a clear reticence to invest in Southern Europe due to a lack of incentives and the low cost effectiveness of biogas operated CHP projects. At the same time, the process of transformation to the use of natural gas operated CHP systems has started. Stable business success can be reported in Eastern Europe, the Baltic States and the Balkan Republics.

The sales and after-sales division recorded stable and consistently increasing business. The 2G system service division is growing significantly due to the new plants installed. In the Board's opinion, the required decentralised service structures and smaller scale business will necessitate the delegation of tasks in the future. Service efficiency and customer satisfaction are at the forefront here. 2G redesignated its service areas during the 2014 financial year, increased staff and built a network of regional and trained service partners. Large system inspections are still a core competence of the 2G customer service centre.

Strategic alignment towards natural gas and biogas operated CHP systems with output ranging between 20 kW and 4,000 kW means that 2G is in the right position in Germany and abroad and within its competitive environment. 2G has completed its transformation into an international player in the combined heat and power generation market by diversifying into foreign markets, maintaining a broad customer spread, using other weak gases (such as landfill gas, gas from purification plants, blast furnace gas, synthetic gas) as well as conducting research and development activities in gas operated engines and their peripherals. In addition to the existing sales and service companies abroad, which address the core markets, the intention is to gradually set up an international distributor network with local partners. Firstly, this would minimise the costs of providing equipment and market development costs for 2G and secondly, increase sales opportunities through established partners with local experience and an existing customer portfolio.

2G CHP systems are technological leaders in many areas. The high efficiency of the gas engines, the intelligent peripherals, grid and grid integration capability mean that 2G sets the standard among its competitors. 2G has also held its ground in the transformation and adjustment process in relation to competitors and has consolidated and developed its position in the national market. Numerous references from all sectors of industry, suppliers and local authorities with a broad range of applications for power, heat, steam and/or cold underpin this position.

C. Profit situation

Resulting from a national boom in Germany, the profit situation of the 2G Group in the first half of 2014 was characterised by a surge in orders and the associated timely processing of a large volume of orders on hand.

Compared with the same period in the previous year, net sales rose by EUR 10.3 million or 25% to EUR 52.2 million. An increase in the export quota to 29% (HY1 2013: 16%) was recorded as at the cut-off date. The picture is distorted since a considerable number of projects in Germany were still in progress and will not be recognised as turnover and profit until the second half of 2014.

Based on orders, the increase in Work in progress and finished goods of EUR 34.3 million at the mid-year point is significant. Total turnover and operating revenue reached EUR 86.5 million (HY1 2013: EUR 48.3 million), which corresponds to an increase of almost 80% compared with the same period in the previous year.

Based on total turnover and operating revenue, the cost of materials quota rose compared with the same period in the previous year (HY1 2013: 68.3%) to 75.7% . This increase is attributable to the increase in inventories as of the cut-off date. Gross profit was EUR 21.0 million during the reporting period (HY1 2013: EUR 15.3 million) .

As of the cut-off date, the staff costs quota represented 14.4% of total turnover and operating revenue compared with 21.4% in the first half of the previous year. The gradual decline in staff costs is linked solely to the huge increase in production capacity in the first half of the year.

The scheduled depreciation of assets was EUR 1.3 million (HY1 2013: EUR 1.2 million) .

Other distribution costs, operating and administration expenses increased by EUR 1.7 million to EUR 8.8 million. 2G invested in realignment measures to expand and concentrate the international service network and reorganise its service areas. 2G also made product adjustments in the field to a higher value configuration or version at its own expense in order to increase customer advantages and service quality. In view of the high production capacity in the current year, the higher amount of EUR 6.4 million was injected into provisions for warranty obligations in accordance with the principle of due diligence. Moreover, internal certification and quality assurance processes (for example, DIN ISO EN 9001, Quick-Response-Quality-Control (QRQC) are running, which aim to sustainably strengthen and optimise organisational and technical company structures.

As at 30 June 2014, 2G still showed negative EBIT of EUR 0.5 million (Half year 2013: - EUR 2.1 million) as consequence of cut-off date and season, since the large increase in work in progress will not be finally accounted for until the second half of 2014. In the first half of 2014 alone, Work in progress increased by EUR 35.3 million to EUR 58.8 million and was carried at cost (recognition on the balance sheet in accordance with the German Commercial Code). The current final account settlements with customers show a substantial positive 'profit recovery effect' by end of the current financial year.

After the financial result and income tax expenses of EUR 0.7 million (HY1 2013: income tax earnings of EUR 0.7 million essentially from the accumulation of deferred taxes), which relate almost entirely to tax provisions for profitable subsidiary companies, there is a consolidated loss for the half year of EUR 1.4 million (previous year consolidated loss for the half year of EUR 1.6 million).

D. Financial position

The financial management of the 2G Group focuses on ensuring the liquidity of all companies in the Group and the retention of financial independence.

The financial position of the 2G Group can be seen from the following abbreviated cash flow statement:

	30 June 2014	30 June 2013
	TEUR	TEUR
Income for the period	-1,400	-1,596
Depreciation of fixed assets	1,306	1,187
Change in provisions	4,442	-1,377
Other non-cash income	-203	-11
Loss/Profit from the disposal of assets	15	-9
Changes in stocks	-25,895	-2,541
Change in trade debtors and other assets not attributable to investment or financing activity	-306	6,637
Change in trade creditors and other liabilities not attributable to investment or financing activity	24,104	-5,471
Cash flow from current business activities	**2,063**	**-3,181**
Cash flow from investment activities	**-1,485**	**-1,665**
Cash flow from financing activities	**-356**	**-1,861**
Cash and cash equivalents as of 30 June*)	**10,343**	**6,969**

*) disclosure less short-term current account drawings at banks

The financial position of the 2G Group is characterised by the early surge in orders in the 2014 financial year. Operational cash flow was EUR 2.1 million and resulted essentially from the negative result for the period, the change in Stocks and the change in Provisions. Customary work in progress increased considerably due to the boom described and led to higher inventory commitments of EUR 25.9 million during the reporting period which were almost offset by satisfactory debt and advance payment management.

Investments of EUR 1.5 million were made in the vehicle fleet in the context of investment activities.

Financial liabilities of EUR 0.4 million were reduced during the reporting year as planned in the context of financing activities.

After consideration of currency-related changes in cash assets, Cash and cash equivalents on the cut-off date totalled EUR 10.3 million. This liquidity is available in the form of cash at banks and will secure the constant financial solvency of the 2G Group. Free lines of credit were also available from banks if required.

E. Assets and liabilities

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

Assets	30 June 2014	31 Dec. 2013
	TEUR	TEUR
A. Fixed assets	22,306	21,927
B. Current assets	91,174	65,355
C. Accruals and deferrals	507	345
D. Deferred taxes	1,150	1,002
Balance sheet total	**115,138**	**88,629**

Liabilities	30 June 2014	31 Dec. 2013
	TEUR	TEUR
A. Equity and liabilities	45,775	47,152
B. Provisions	14,451	10,009
C. Liabilities		
I. Banks loan and overdrafts	6,572	7,232
II. Other liabilities	48,340	24,236
Balance sheet total	**115,138**	**88,629**

The balance sheet total of the 2G Group increased to EUR 115.1 million as of the cut-off date of 30 June 2014. This corresponds to an increase of 30% compared with the previous year. The reason for this is the increase in stocks of raw materials, consumables and supplies from EUR 20.4 million to EUR 33.2 million as well as in Work in progress of EUR 23.5 million to EUR 58.8 million, which distorts the balance sheet picture and in part the balance sheet figures on the cut-off date.

To ensure production capability and ability to supply in connection with the high capacity utilisation, the value of raw materials, consumables and supplies reached the extremely high level of EUR 33.2 million (previous year EUR 20.4 million). Stocks will return to normal levels by the end of the financial year.

Most of the work in progress and other orders on hand for 2G CHP systems assessed according to due diligence and totalling EUR 112.3 million (83% Germany/17% abroad) as at 30 June 2014 will still be recognised as turnover and net income in 2014 according to current delivery date status and scheduled commissioning dates.

As of the cut-off date, accounts receivables from customers (EUR 19.8 million, previous year EUR 23.1 million) and undertakings with which a holding relationship exists (EUR 0.8 million, previous year EUR 0.2 million) remained at the total for the previous year of EUR 26.8 million. Other assets of EUR 6.1 million (previous year: EUR 3.5 million) essentially include tax rebate claims from current sales activity. Amounts due from overall solvent customers are intact. Working capital amounted to EUR 26.4 million (previous year EUR 28.8 million).

The equity of the 2G Group amounted to EUR 45.8 million (previous year: EUR 47.2 million) and the equity ratio decreased to 39.8% as of the cut-off date (previous year 54.6%) due in particular to the sharp cut-off date and season related increase in the balance sheet total.

Obligations and potential risks established on their merits, in respect of warranties, for example, were considered in accordance with the principle of due diligence when creating tax provisions (EUR 1.1 million) and other provisions (EUR 13.3 million).

Bank loans and overdrafts of EUR 6.6 million were paid off as planned (previous year EUR 7.2 million). On the other hand, Amounts owed to customers arising from advance payments received increased temporarily to EUR 27.8 million (previous year EUR 11.3 million). Trade creditors increased as result of the selective accumulation of stocks to EUR 16.1 million (previous year EUR 7.5 million). Other liabilities of EUR 4.1 million result essentially from current wages and tax liabilities.

Overall statement on the economic situation

The overall business outlook for 2G is good. The fledgling consolidation of 2G's own sales and marketing and other measures designed to increase sales in Germany and abroad have allowed 2G to position itself for further growth over the next few years.

F. Non-financial performance indicators

The non-financial performance indicators are shown in the Annual Report on pages 34 to 38 of the 2013 annual financial statements. We take a brief look at investments, research and development, orders on hand and growth in the number of employees.

Investments

In the first half of 2014, the 2G Group invested a total of EUR 1.5 million in fixed assets and intangible assets. EUR 3.4 million was spent in 2013 on expanding operations in Heek (commissioning of factory workshops 5/6 with an office wing in April 2013) and the acquisition of machinery and vehicles.

Research and Development

2G has developed a leading technological position in the market for combined heat and power generation systems in the output class from 20 kW to 4,000 kW in recent years through consistent and intensive research and development efforts. This is embodied in the thermal and electrical efficiency of CHP systems which are among the highest within the international field of competition. The advantages for customers lie in the efficiency, availability and service life of CHP systems. These guarantee a short depreciation period for the investment.

Order position

Orders on hand for CHP systems of approx. EUR 112.3 million as at 30 June 2014 were considerably greater than the comparative figure in the previous year of EUR 58.7 million. These orders on hand are divided into approx. 48% biogas applications (number: 206) and 52% natural gas applications (number: 240). The geographical distribution of orders is approx. 83% from Germany and 17% from abroad. Broken down according to gas type, orders on hand for Germany show a clear preference (approx. 60%) for natural gas operated CHP systems. There is a diametrically opposing picture abroad. Almost 90% of orders on hand are for biogas operated CHP systems.

Orders on hand for CHP systems as at 30 June 2014
in TEUR

Country	Biogas	Natural gas	Value
Germany	37,798	55,808	93,606
Rest of Europe	13,526	1,262	14,788
Other	3,070	812	3,882
Total	**54,394**	**57,882**	**112,276**

The orders on hand presented refer solely to new plants and thus include no orders from the sales and after sales divisions.

Employees

As of 30 June 2014, the Group had 554 employees (HY1 2013: 486 employees, of which 10 (HY1 2013: 28) part time and 28 trainees (HY1 2013: 26). The expansion of production capacities and the increase in after-sales centres for CHP systems has led 2G to recruit additional employees in key areas to consolidate the administrative infrastructure and in preparation for prospective turnover growth. This will reduce the need to call upon external consulting and after-sales services in the future. Skilled workers were also employed in the context of an agency staff arrangement to cover peak demands, for example during three shift operation.

	Number of employees	of which trainees	of which part-time workers
2G Energy AG	14	0	2
2G Energie-technik GmbH	416	27	7
2G Home GmbH	16	1	1
2G Drives GmbH	43	0	0
2G Solutions SL	8	0	0
2G Italia Srl	12	0	0
2G Polska Sp. z o.o	2	0	0
2G Energy Ltd.	9	0	0
2G Manufac-turing Inc.	34	0	0
Total	**554**	**28**	**10**

G. Supplementary report

At the Annual General Meeting on 16 July 2014, the shareholders decided to pay a dividend per share of EUR 0.37, a total of EUR 1,639 million, from the balance sheet profit for the 2013 financial year.

The market in Italy is characterised by weak demand and only orders in the low CHP output range have been received in 2014 to date. The after-sales business for systems in operation at least generates a continuous basic volume of work. Cost-cutting measures, which will have an effect from 2015, represented a response to the weak turnover situation. Marketing activities promoting the sale of natural gas operated CHP systems and business with energy suppliers and large industrial companies will also be structurally reinforced.

Incoming orders slowed down in Germany in the second half of 2014 due to the amendment to the Renewable Energy Sources Act on 1 August 2014. As a result of regulatory changes in the United Kingdom, which will gradually take effect in September and October 2014, production capacities will be utilised satisfactorily in August/September/October 2014. There is likely to be a lull in the last two months of the year. At the same time, promising discussions are taking place nationally and internationally regarding supply to commercial and industrial companies and also public utility companies, which rely on a highly efficient heat-operated energy supply using natural gas operated CHP systems. Moreover, in 2G's view, specific repowering and plant expansions to increase the flexibility of biogas operated CHP systems will represent one of the focal points of the German biogas market.

No other events of particular significance occurred after the end of the reporting period.

H. Corporate responsibility

Risk report

The risks and opportunities are shown in the Annual Report on pages 39 to 42 of 2013 annual financial statements. The risk and opportunity position of the 2G Energy Group has not changed substantially since the evaluations made at that time.

I. Forecast

In its half-yearly report from mid-September, the IfW assumes a gradual expansion of the global economy in the second half of 2014 and in 2015. The Institute anticipates growth in economic performance primarily in the industrial nations. In contrast, the forecasts for the emerging economies remain cautious.

The IfW anticipates an increase in production for the global economy of 3.5% in 2014 (2013: 2.4%). Experts are also forecasting an increase in BIP of 3.9% in 2015. Whilst the IfW indicator of activity in the global economy, which is gauged using mood indicators, increased most recently, the sensitivities of the financial and raw materials markets to disruption represented insecurity factors.

Moreover, the effect of a further escalation of the Ukraine crisis is unclear. Although the uncertainty surrounding the crisis has not tangibly adversely affected the European economy, Russian economic sanctions could have a serious impact on the economic situation. Since more signs of a gradual easing of tension have been apparent of late, the IfW is anticipating less volatile exchange rates and gently rising oil prices.

In the USA, thanks to increased investment in 2014, the Kiel Institute for the World Economy is assuming an increase in gross domestic product of 2.1% (2013: 1.9%). The Institute is even expecting growth of 3.0% in 2015. This has a positive knock-on effect on the US employment market and results in rising inflation. This trend can also be applied to the eurozone, but to a lesser extent. The Kiel Institute for the World Economy is forecasting an increase of 1.0% here and 1.7% next year (2013: -0.4%).

It is evident from the '2014 Industry Report' produced by the Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag, DIHK) that most factors relevant to German industry, such as business expectations and employment and investment aims, lead to expectations of expansion. Risks may arise as a result of energy price increases, the perpetual lack of skilled staff and economic policy uncertainties. Nevertheless, according to the DIHK report, the overall positive economic trends in the manufacturing industry should continue and bring about an expansion in production.

The CHP market in the USA is diverse and currently there are only selective market opportunities. Whilst approximately one quarter of projects in the planning and implementation stage are located in the states of Texas and Louisiana, no increase in pace has been observed in the overall market to date. Potential strong growth can be identified for microgrids with a development and operating focus on the East Coast of the USA which was significantly affected by Hurricane Sandy. The various framework conditions in the US states are particularly diverse and they inhibit growth. The introduction of standardisation and standards by institutions and working groups is slow. The biggest prohibitive problems include supplier stand-by charges (to some extent IOU - investor owned utilities) which increase the depreciation period of a CHP system dramatically.

However, the medium to long-term prospects are intact and investment in CHP will continue to be encouraged and developed. A greater surge could then develop from a positive trend.

The market for small CHP systems could gain significance in Europe in the future. From a geographical perspective, primarily the markets in Central and Eastern Europe offer the greatest potential. 2G is already represented in the relevant markets through agents and sales and after-sales partners. 2G's management believes that demand from industry will continue to hold greater significance. 2G has been established in the Japanese market for several years and this is why the Group now profits from follow-up business. In Russia, market cultivation will produce the first fruits from the 2014 financial year.

2G will take over a sales team of 20 people selling 'HomePowerPlants' from Hamburg-based LichtBlick SE by the end of 2014 in order to expand the comprehensive distribution of the G-Box 20 and the G-Box 50, initially in Germany. The sales team with industry know-how will be incorporated into 2G Home. The target customers for sales are hotels, swimming pools and shopping centres as well as medium-sized commercial and industrial operations with a continuous requirement for energy, and in particular, heat, and in financially viable individual cases, also to cover the requirement for cold. 2G is assuming it will increase its market shares in this segment significantly.

The Board increased its turnover forecast for the whole of 2014, issued at the end of May, to over EUR 165 million (previous forecast: between EUR 145 million and EUR 165 million) and confirmed its estimate of an EBIT margin between six and eight percent.

Heek, 30 September 2014

Christian Grotholt, Chairman of the Board of Directors	Ludger Holtkamp Member of the Board of Directors	Dietmar Brockhaus Member of the Board of Directors

Consolidated balance sheet of 2G Energy AG

Assets	30 June 2014 EUR	31 Dec. 2013 EUR
A. Fixed assets		
I. Intangible fixed assets		
1.) Concessions acquired against payment, industrial property rights and similar rights and assets, and licenses in such rights and assets	570,469.99	645,876.60
2.) Goodwill	4,727,935.09	4,909,667.68
	5,298,405.08	**5,555,544.28**
II. Fixed assets		
1.) Land, similar rights and buildings including buildings on land owned by others	8,937,281.46	9,016,307.46
2.) Plant and machinery	1,162,010.62	1,074,026.13
3.) Other factory and office equipment	5,869,264.74	5,413,618.35
4.) Payments on account and assets in the course of construction	287,012.90	318,824.05
	16,255,569.72	**15,822,775.99**
III. Financial assets		
1.) Participating interests in associated undertakings	742,382.74	539,148.88
2.) Other participating interests	10,000.00	10,000.00
	752,382.74	549,148.88
	22,306,357.54	**21,927,469.15**
B. Current assets		
I. Stocks		
1.) Raw materials and supplies	33,173,988.29	20,423,722.97
2.) Work in progress: goods and services	58,796,442.16	23,518,521.95
3.) Finished goods and goods purchased for resale	3,263,903.51	901,965.75
4.) Payments on account	3,078,386.42	941,287.17
5.) Advance payments received from customers	-44,343,450.71	-17,710,741.46
	53,969,269.67	**28,074,756.38**
II. Debtors and other assets		
1.) Trade debtors	19,820,556.32	23,075,946.12
2.) Amounts owed by associated undertakings	848,558.53	244,504.02
3.) Other assets	6,131,012.91	3,484,051.23
	26,800,127.76	**26,804,501.37**
III. Short-term investments		
Other short-term investments	30,000.00	30,000.00
	30,000.00	**30,000.00**
IV. Cash in hand and bank balances	**10,374,547.68**	**10,445,376.48**
	91,173,945.11	**65,354,634.23**
C. Prepaid expenses	507,293.35	344,753.15
D. Deferred tax assets	1,150,268.75	1,002,414.81
Total	**115,137,864.75**	**88,629,271.34**

Equity and liabilities	30 June 2014 EUR	31 Dec. 2013 EUR
A. Equity		
I. Subscribed capital	**4,430,000.00**	**4,430,000.00**
II. Capital reserve	**11,235,300.00**	**11,235,300.00**
III. Difference in equity arising from currency conversion	**33,946.42**	**10,825.34**
IV. Consolidated net earnings	**29,300,453.82**	**31,092,159.27**
V. Adjustment items for shares held by other partners	**775,779.01**	**384,077.43**
	45.775.479,25	**47,152,362.04**
B. Provisions		
1.) Tax provisions	1,111,773.88	119,691.79
2.) Other provisions	13,339,593.94	9,889,744.42
	14,451,367.82	**10,009.,436.21**
C. Liabilities		
1.) Bank loans and overdrafts	6,572,038.27	7,232,351.08
2.) Advance payments received from customers	27,807,159.27	11,325,961.05
3.) Trade creditors	16,109,862.36	7,529,864.26
4.) Amounts owed to associated undertakings	274,778.20	43,987.56
5.) Other liabilities	4,147,179.58	5,335,309.14
	54,911,017.68	**31,467,473.09**
Total	**115,137,864.75**	**88,629,271.34**

Consolidated profit and loss account of 2G Energy AG

	01 Jan. to 30 June 2014	01 Jan. to 30 June 2013
	EUR	EUR
Net sales	**52,216,078.44**	**41.879.792,59**
+ Increase (previous year decrease) in finished goods and work in progress	34,328,170.08	6.379.691.04
+ Own work capitalised	1,368.27	59,114.51
	86,545,616.79	**48,318,598.14**
+ Other operating income	785,373.39	1,183,110.72
	87,330,990.18	**49,501,708.86**
– Cost of materials		
a) Cost of raw materials, consumables and goods for resale	54,627,722.95	27,674,247.28
b) Cost of purchases services	10,886,759.28	5,344,629.69
	65,514,482.23	**33,018,876.97**
– Staff costs		
a) Wages and salaries	10,162,592.64	8,427,154.11
b) Social security, pensions and other benefits	2,261,163.00	1,898,322.25
	12,423,755.64	**10,325,476.36**
– Amortization and depreciation of fixed intangible and tangible assets	1,305,721.35	1,187,116.65
– Other operating expenses	8,772,597.37	7,050,034.56
	-685,566.41	**-2,079,795.68**
+ Income from participating interests in associated undertakings	203,233.86	11,088.25
+ Other interest and similar income	33,186.91	45,043.10
– Interest payable and other similar charges	198,292.88	195,480.24
	38,127.89	**-139,348.89**
Profit on ordinary activities	**-647,438.52**	**-2,219,144.57**
– Tax on profit	715,728.24	-688,111.38
– Other taxes	36,837.12	64,562.79
Consolidated loss for the financial year (previous year consolidated profit for the financial year)	**-1,400.003.88**	**-1,595,595.98**
+ Share of profit/loss applicable to other shareholders	-391,701.57	17,445.45
Consolidated profit	**-1,791,705.45**	**-1,578,150.53**
Consolidated profit earned	31,092,159.27	31,836,975.49
Consolidated net earnings	**29,300,453.82**	**30,258,824.96**

Notes to the consolidated financial statements of 2G Energy AG

A. General information about the consolidated financial statements

1. Basic information

2G Energy AG is a public limited company under German law. The company's shares are traded unofficially at entry standard on the Frankfurt Stock Exchange (FWB) operated by Deutsche Börse AG and consequently not on an organised market.

The company is entered in the register of companies held by the Coesfeld District Court (HRB No. 11081) and has its headquarters at Benzstraße 3, 48619 Heek.

These consolidated financial statements of 2G Energy AG represents the reporting period from 1 January to 30 June 2014. Last years' figures relate to the balance sheet at the end of the previous financial year (31 December 2013) as well as the profit and loss account of the corresponding prior fiscal year period (1 January to 30 June 2013).

The interim financial statements and the interim management report as at 30 June 2014 have not been audited in accordance with § 317 HGB and have not been reviewed by an external auditor. The consolidated financial statements and the management report of the Company as at 31 December 2013 were audited by an auditor in accordance with § 317 HGB and German generally accepted standards for the audit established by the Institute of Auditors (IDW) and have been issued an unqualified opinion.

2. Line of business

The Company and its subsidiaries essentially plan and install combined heat and power systems and other systems for the recovery or efficient use of electrical energy, and provide after-sales services associated with CHP systems. One subsidiary is responsible for optimising gas engines as well as manufacturing and marketing petrol spark-ignition gas engines.

3. Accounting principles

The consolidated financial statements of 2G Energy AG were prepared in accordance with Article 290 et seq. of the German Commercial Code, the supplementary regulations in the German Companies Act and the supplementary provisions in the Articles of Association.

The regulations for public limited companies within the meaning of Article 264 et seq. of the German Commercial Code, the relevant provisions in the German Companies Act and the provisions pursuant to Article 290 et seq. of the German Commercial Code in respect of consolidated financial statements apply to the Group's accounting procedures.

The functional currency of the Group is Euro. All amounts are therefore shown in Euro or TEUR. Balance sheet items from foreign companies are converted at the respective exchange rates on the balance sheet date. Equity items are translated at historical rates. Cost and income items are translated at average rates for the year.

B. Consolidation methods

1. Scope of consolidation and details of share ownership

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

Subsidiary	Share in%	Registered capital in EUR	Equity capital in TEUR	Result for the year in TEUR	First-time consolidation	Closing date
2G Energietechnik GmbH Heek, Germany	100.00	1,000,000	2,832	0	30 Jun. 2007	30 June 2014
2G Drives GmbH Heek, Germany	80.00	25,000	4,047	2,004	24 March 2010	30 June 2014
2G Home GmbH Heek, Germany	90.00	125,000	./. 227	1	31 Dec. 2007	30 June 2014
2G Solutions of Cogeneration S.L., Anselm Clavé 2 4-3 08500 Vic Barcelona Spain	90.00	3,006	./. 314	./. 129	31 Jan. 2008	30 June 2014
2G Italia Srl Via Niccolò Machiavelli 10 37030 Lavagno (Verona) Italy	100.00	10,000	./. 1,745	./. 662	15 March 2011	30 June 2014
2G Energy Ltd. Evan House Sutton Quays Business Park Runcorn WA7 3 HD Cheshire, England	100.00	116	./. 292	./. 224	19 Sep. 2011	30 June 2014
2G Polska Sp z o.o. 43-300 Bielsko-Biała ul. Piekarska 86/18 Poland	100.00	1,146	./. 99	./. 19	7 Nov. 2011	30 June 2014
2G Manufacturing Inc. 205 Commercial Drive St. Augustine, FL 32092 USA	100.00	75	./. 3,227	./. 719	27 Feb. 2012	30 June 2014
2G CENERGY Power Systems Technologies Inc., 205 Commercial Drive St. Augustine, FL 32092 USA	49.00	268,120	1,434	415	18 Nov. 2009	30 June 2014

The purpose of the subsidiary companies 2G Energietechnik GmbH, 2G Italia Srl, 2G Energy Ltd., 2G Polska Sp.z o.o., 2G Manufacturing Inc., 2G Home GmbH and 2G Solutions of Cogeneration S.L. is the planning and installation of combined heat and power systems, trade in components for CHP systems and after-sales services associated with CHP systems. Furthermore, the purpose of the subsidiary companies 2G Energietechnik GmbH and 2G Manufacturing Inc. is the manufacture of CHP systems.

The purpose of subsidiary company 2G Drives GmbH is the optimisation of gas engines as well as the manufacture and marketing of petrol spark-ignition gas engines.

All the companies, apart from 2G CENERGY Power Systems Technologies Inc., have to be included in the consolidated financial statements as subsidiary companies due to the majority of voting rights being held by the parent company.

2G CENERGY Power Systems Technologies Inc. is included in the parent company's consolidated financial statements ‚at equity'.

2. Consolidation methods used

Closing date for the consolidated financial statements and companies included

The consolidated financial statements are based on the individual financial statements of 2G Energy AG and the subsidiary companies included. The financial statements are compiled on the closing date, 30 June.

Capital consolidation

Capital is consolidated according to the revaluation method pursuant to Article 301 (1) of the German Commercial Code (HGB). All balance sheet items are shown at fair value on the date of first-time consolidation at subsidiary level. Share acquisition costs are offset subsequently against revaluated pro rata equity. The differential amount then remaining from capital consolidation (goodwill) is shown under Assets and, pursuant to Article 309 (1) of the German Commercial Code, is depreciated on a straight-line basis over it anticipated useful life of 20 years. The length of depreciation periods depends on the life cycle of the products from acquired companies.

Shares in subsidiary companies included in the consolidated financial statements which do not belong to the Company are shown under Equity as ‚Adjustment items for shares held by other partners'.

Consolidation of debts

Debts are consolidated pursuant to Article 303 (1) of the German Commercial Code. In accordance with this legislation, loans, payments on account and other receivables, provisions and liabilities between the companies included in the consolidated financial statements must be eliminated. Offsetting differences arising in connection with the consolidation of debts have been taken into account as affecting net income, if these involve a change in relation to the previous year, otherwise as not affecting income. Minor offsetting differences were recorded in the reporting year

Handling of interim results

Interim results are eliminated pursuant to Article 304 (1) of the German Commercial Code. In accordance with this legislation, assets which relate fully or in part to deliveries or services between the companies included in the consolidated financial statements, must be shown at an amount at which they could be recognised 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 statements were to legally form a single company.

The consolidated profit and loss account is adjusted by positive or negative profit contributions from internal group transactions in the context of consolidating income and expense in accordance with Article 305 of the German Commercial Code.

Consolidation of income and expenses

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

Equity valuation

This valuation must be performed according to the equity method if a company is interpreted as an associated undertaking. This means that the parent company is able to exercise a significant influence on the commercial and financial policy of the subsidiary company. According to Article 311 of the German Commercial Code, such significant influence should be presumed in the case of participating interests in undertaking and consequently an ‚at equity' valuation must be performed.

Shares in associated undertakings are carried proportionately in accordance with Article 312 of the German Commercial Code. The equity valuation was performed for the consolidated financial statements according to the book value method at the time of acquisition.

C. Details of accounting practices and basic valuation principles

1. Accounting practices

The individual financial statements of 2G Energy AG, the subsidiary companies and the associated undertakings are prepared in accordance with standard accounting practices and basic valuation principles.

The annual financial statements included are prepared in accordance with the regulations set out in the German Commercial Code (HGB) and the German Companies Act.

2. Intangible fixed assets

Acquired intangible fixed assets are shown at acquisition cost and, if they are subject to wear and tear, less scheduled straight-line depreciation.

3. Tangible fixed assets

Tangible fixed assets are shown at acquisition cost, and, if they are subject to wear and tear, less scheduled depreciation. Scheduled depreciation is performed according to the anticipated useful life of the asset and on a straight-line and sliding-scale basis.

4. Financial assets

Financial assets are shown at acquisition cost or the fair value on the closing 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, then the value resulting from unscheduled depreciation is taken into account. If the reasons for a lower valuation no longer exist, a value adjustment must be made in accordance with Article 253 (5)(1) of the German Commercial Code.

Shares in associated undertakings are carried proportionately in accordance with Article 312 of the German Commercial Code.

5. Stocks

Raw materials and supplies are shown at acquisition and manufacturing costs or at the lower fair value.

Work in progress: goods and services are shown on the balance sheet at manufacturing cost or the lower fair value. In addition to directly attributable individual material and production costs, manufacturing cost also include production overheads and general administrative costs provided they can be attributable to production. Interest on outside capital has not been included in the manufacturing cost.

Finished goods and goods purchased for resale are shown on the balance sheet at acquisition cost or the lower fair value.

Payments on account are shown at the nominal amount.

Provided Payments received on account of orders do not exceed the value of Work in progress: goods and services, they are charged against Work in progress: goods and services on a project-related basis at the repayment amount.

6. Debtors and other assets

Debtors and other assets are shown at nominal value. Account is taken of all risk-entailing items through the formation of appropriate provisions for losses on individual accounts; account is taken of the general default and credit risk through general bad debt provisions.

7. Short-term investments

Short-term investments are shown at acquisition cost. If required, the lower fair value on the balance sheet date has been shown I compliance with the strict lowest value principle.

8. Cash in hand and bank balances

Cash in hand and bank balances are shown at nominal value.

9. Prepaid expenses

Prepaid expenses are shown at acquisition cost.

10. Tax provisions

Tax provisions include taxes relating to the financial year that have not yet been assessed.

11. Other provisions

Other provisions are created for contingent liabilities at the settlement value in accordance with a reasonable assessment and take account of all identifiable risks and contingent liabilities.

12. Liabilities

Bank loans and overdrafts, advance payments received from customers, trade creditors, amounts owed to associated undertakings and other liabilities are shown at settlement amounts.

13. Deferred taxes

Deferred tax assets and liabilities have not been offset against each other. An average consolidated tax rate of 30% has been used to calculate deferred tax assets.

A difference arises as a result of offsetting in the context of capital consolidation which is shown as goodwill. Deferred taxes not charged on this differential amount (DRS 18 para. 25).

14. Currency conversion

Items in the annual and consolidated financial statements, which are based on amounts in a foreign currency, are translated at the respective exchange rate on the business transaction date or the closing date in compliance with the lowest value principle.

D. Notes to the consolidated balance sheet

1. Fixed asset

With respect to trends in assets during the reporting year, please see the corresponding information in the statement of assets.
Depreciation per item in the balance sheet for the financial year can also be seen in the statement of assets.

Immediate depreciation of low value assets is included directly under other operating expenses.

2. Financial assets

Financial assets include participating interests in associated undertakings (742 TEUR) and other participating interests (10 TEUR).

The increase in participating interests in associated undertaking, 2G CENERGY Power Systems Technologies Inc., valued ‚at equity' is the result of the depletion of the undisclosed reserves arising from the acquisition and the goodwill accrued as well as the pro rata current year's result.
The goodwill included in the book value of the participating interest was 30 TEUR on the balance sheet date.

3. Stock in hand

Stock in hand amounted to 53,969 TEUR as of the balance sheet date. It includes raw materials and supplies (33,174 TEUR), work in progress: goods and services (58,796 TEUR), finished goods and goods purchased for resale (3,264 TEUR) and payments on account (941 TEUR).

Advance payments received from customers (./. 44,343 TEUR) were deducted from the Stocks item in accordance with Article 268 (5) of the German Commercial Code.

4. Debtors and other assets

Provisions for losses on individual accounts and general bad debt provisions of 2,134 TEUR were formed for trade debtors.

The residual term of outstanding amounts of trade receivables and amounts owed to undertakings in associated companies does not exceed one year. Other assets with a residual term of more than one year amount to 3 TEUR.

5. Deferred taxes

Deferred tax assets of 1,150 TEUR are the result of tax losses carried forward (750 TEUR) at 2G Energy Ltd., 2G Polska Sp. z o.o., 2G Home GmbH and 2G Solutions S.L. and eliminated interim profit in stock in hand arising from internal group deliveries and services as of the balance sheet date (267 TEUR) and temporary differences in the parent company (133 TEUR). These temporary differences originate essentially from inventories and provisions.

It is assumed that it will be possible to realise the tax benefits associated with the losse carried forward over the next few financial years.

Deferred tax liabilities were not posted as of the balance sheet date.

6. Consolidated equity

With reference to trends in consolidated equity during the reporting period, please see the corresponding information in the consolidated statement of equity.

28,150 TEUR was available to the shareholders for distribution in the reporting year. There were notional dividend payout restrictions in respect of deferred taxes of 1,150 TEUR.

There were no restricted amounts in the individual financial statements of 2G Energy AG.

Subscribed capital was TEUR 4,430 at the end of the financial year.

Capital reserves of TEUR 11,235 were essentially results of share premiums from the capital increases in 2G Energy AG.

In a resolution passed at the Annual General Meeting an 2 September 2010, the Board of Directors was authorised to increase the company's subscribed capital during the period until 1 September 2015 with the approval of the Supervisory Board on one ore more occasions by up to a total of 2,215 TEUR by issuing new bearer shares in return for cash an/or non-cash contributions (authorised capital 2010).

7. Other provisions

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

Other provisions in TEUR	31 Dec. 2013	Usage	Release	Allocation	30 Jun. 2014
Warranty obligations	5,051	4,921	0	6,240	6,370
Residual work on completed plants / outstanding invoices	2,968	2,557	0	4,658	5,069
Obligations to staff	1,156	1,148	8	1,531	1,531
Professional association contributions	279	273	5	156	157
Work on financial statements	135	120	15	71	71
Annual General Meeting/Annual Report	41	11	0	22	52
Archiving of business documents	29	0	0	0	29
Remaining other provisions	231	197	0	28	62
Total	**9,890**	**9,227**	**28**	**12,705**	**13,340**

8. Liabilities

Liabilities consist of the following:

Residual periods, in TEUR (previous year's figures in brackets)	Total	Up to 1 year	1 to 5 years	Over 5 years
Bank loans and overdrafts	6,572 (7,232)	1,971 (2,278)	3,781 (4,031)	820 (923)
Advance payments received from customers	27,807 (11,326)	27,807 (11,326)	0.00 (0.00)	0.00 (0.00)
Trade creditors	16,110 (7,530)	16,110 (7,530)	0.00 (0.00)	0.00 (0.00)
Amounts owed to associated undertakings	275 (44)	275 (44)	0.00 (0.00)	0.00 (0.00)
Other liabilities	4,147 (5,335)	4,147 (5,335)	0.00 (0.00)	0,00 (0.00)
Total	**54,911** **(31,467)**	**50,310** **(26,513)**	**3,781** **(4,031)**	**820** **(923)**

Bank loans and overdrafts shown are secured in accordance with collateral agreements though collateral assignment on the respective fixed asset and land register entries. Advance payments received from customers are secured through corresponding prepayment guarantees and trade creditors are secured through reservation of title by suppliers.

Other liabilities include tax liabilities in the amount of 2,125 TEUR (previous year 3,732 TEUR) and liabilities for social security in amount of 95 TEUR (previous year 139 TEUR).

E. Notes on the consolidated profit and loss account

1. Other information about the profit and loss account

The profit and loss account has been prepared in accordance with the total costs method and organized in accordance with Article 275 (2) of the German Commercial Code (HGB).

2. Net sales

Net sales are broken down geographically and by business operation area as follows:

in TEUR	Domestic	Foreign	Total
CHP	16,858	14,798	31,657
Service + replacement parts	14,585	345	14.930
After sales + miscellaneous	5,503	126	5,630
Total	**36,947**	**15,269**	**52,216**

3. Other operating income

Other operating income include income of 436 TEUR not relating to the period, which essentially result from the releases of provisions (28 TEUR), decrease of provisions on losses and general bad debt provision (35 TEUR) as well as insurance reimbursements and damage compensations (315 TEUR).

Other operating income includes income arising from currency conversions of 126 TEUR.

4. Personnel expenses

Social security, pensions and other benefit costs include expenses for retirement benefits of 198 TEUR.

5. Other operating expenses

Other operating expenses consist of:

in TEUR	01 Jan. to 30 Jun. 2014	01 Jan. to 30 Jun. 2013
Operating costs	2,564	2,009
Administrative costs	990	1,087
Distribution costs	2,129	1,774
Other	3,089	2,180
Total	**8,773**	**7,050**

Miscellaneous other operating expenses mainly result from allocations to warranty obligations.

Other operating expenses include expenses not relating to the period of 276 TEUR, which result essentially from depreciation charges for accounts receivables and losses on bad debts (258 TEUR) and losses on the disposal of assets (18 TEUR).

Miscellaneous other operating expenses include expenses arising from currency conversion of 65 TEUR.

6. Tax on profit

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

in TEUR	
Deferred tax expenses	41
Deferred tax income	188
Of which applicable to losses carried forward (balance)	158
Result from deferred taxes	**148**

F. Other information

1. Cash flow statement

Cash and cash equivalents shown in the cash flow statement solely include cash in hand and at bank less short-term liabilities of 31 TEUR (previous year 335 TEUR).

2. Contingent liabilities

There were no contingent liabilities within the meaning of Article 251 of the German Commercial Code for third-party liabilities as of the balance sheet date.

3. Board of Directors

The Board of Directors is currently composed as follows:

	Period
Dipl.-Ing. Christian Grotholt Businessman, Ahaus-Alstätte	since 17 June 2007
Ludger Holtkamp Businessman, Gronau	since 17 June 2007
Dipl.-Betriebsw. (FH) Dietmar Brockhaus* Businessman, Havixbeck	since 01 July 2013

*The entry in the Companies Register of 2G Energy AG was made on 19 August 2013.

4. Supervisory Board

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

	Period
Dr. Lukas Lenz (Chairman) Lawyer, Hamburg	since 17 July 2007
Heinrich Bertling (Vice Chairman) Tax Advisor, Gronau	since 28 Aug. 2012
Wiebe Hofstra Senior Manager van der Wiel Holding B.V., Drachten/NL	since 17 July 2007

Heek, 30 September 2014

Christian Grotholt Chairman of the Board of Directors	Ludger Holtkamp Member of the Board of Directors	Dietmar Brockhaus Member of the Board of Directors

Statement of assets	Gross book value					
	31 Dec. 2013	Currency Conversion	Additions	Transfers	Disposals	30 June 2014
I. Intangible assets						
1.) Concessions acquired against payment, industrial property and similar rights and assets and licences in such rights and assets	1,281,864.71	34.81	57,753.40	0.00	1.04	1,339,651.88
2.) Goodwill	7,269,303.32	0.00	0.00	0.00	0.00	7,269,303.32
	8,551,168.03	**34.81**	**57,753.40**	**0.00**	**1.04**	**8,608,955.20**
II. Fixed assets						
1.) Land, similar rights and buildings including buildings on third-party land	9,728,845.68	0.00	69,303.62	0.00	0.00	9,798,149.30
2.) Plant and machinery	1,370,538.29	189.90	119,276.19	14,300.00	3,462.39	1,500,841.99
3.) Other factory and office equipment	8,707,658.27	14,356.88	1,285,674.74	21,483.39	119,282.47	9,909,890.81
4.) Prepayments on account and assets in the course of construction	318,824.05	0.00	3,972.24	-35,783.39	0.00	287,012.90
	20,125,866.29	**14,546.78**	**1,478,226.79**	**0.00**	**122,744.86**	**21,495,895.00**
III. Financial assets						
1.) Participating interests in associated undertakings	301,538.10	0.00	0.00	0.00	0.00	301,538.10
2.) Other participating interests	10,000.00	0.00	0.00	0.00	0.00	10,000.00
	311,538.10	**0.00**	**0.00**	**0.00**	**0.00**	**311,538.10**
	28,988,572.42	**14,581.59**	**1,535,980.19**	**0.00**	**122,745.90**	**30,416,388.30**

Total depreciation						Net book value	
31 Dec. 2013	Currency Conversion	Depreciation	Revaluation	Disposals	30 June 2014	31 Dec. 2013	30 June 2014
635,988.11	10.04	133,184.68	0.00	0.94	769,181.89	645,876.60	570,469.99
2,359,635.64	0.00	181,732.59	0.00	0.00	2,541,368.23	4.909,667.68	4,727,935.09
2,995,623.75	**10.04**	**314,917.27**	**0.00**	**0.94**	**3,310,550.12**	**5.555,544.28**	**5,298,405.08**
712,538.22	0.00	148,329.62	0.00	0.00	860,867.84	9,016,307.46	8,937,281.46
296,512.16	31.71	43,418.94	0.00	1,131.44	338,831.37	1,074,026.13	1,162,010.62
3,294,039.92	3,178.30	799,055.52	0.00	55,647.67	4,040,626.07	5,413,618.35	5,869,264.74
0.00	0.00	0.00	0.00	0.00	0.00	318,824.05	287,012.90
4,303,090.30	**3,210.01**	**990,804.08**	**0.00**	**56,779.11**	**5,240,325.28**	**15,822,775.99**	**16,255,569.72**
-237,610.78	0.00	0.00	203,233.86	0.00	-440,844.64	539,148.88	742,382.74
0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
-237,610.78	**0.00**	**0.00**	**203,233.86**	**0.00**	**-440,844.64**	**549,148.88**	**752,382.74**
7,061,103.27	**3,220.05**	**1,305,721.35**	**203,233.86**	**56,780.05**	**8,110,030.76**	**21,927,469.15**	**22,306,357.54**

Cash Flow Statement	01 Jan. 2014 to 31 June 2014	01 July 2013 to 31 Dec. 2013	01 Jan. 2013 to 30 June 2013
	EUR	EUR	EUR
Income for the period	**-1,400,003.88**	**2,624,361.50**	**-1,595,595.98**
+ Depreciation of fixed assets	1,305,721.35	1,219,999.87	1,187,116.65
– Other non-cash income	-203,233.86	-146,751.30	-11,088.25
± Loss/Profit from the disposal of assets	14,842.18	-1,301.00	-9,090.61
± Changes in provisions	4,441,931.61	1,507,304.96	-1,376,716.95
± Changes in stock	-25,894,513.29	5,846,123.46	-2,541,991.61
± Change in trade debts and other assets not attributable to investment or financing activities	-306,020.53	-6,681,237.55	6,637,111.19
± Change in trade credits and other liabilities not attributable to investment or financing activities	24,103,857.40	2,941,467.21	-5,470,952.30
= Cash flow from current business activities (operational cash flow)	**2,062,580.98**	**7,309,967.16**	**-3,181,207.86**
+ Proceeds from disposols of fixed assets	51,123.67	21,444.93	59,820.90
– Payments for investments in intangible assets	-57,753.40	-94,940.79	-211,589.63
– Payments for investments in fixed assets	-1,478,226.79	-1,280,113.83	-1,838,816.54
± Payments based on capital assets in the context of short-term cash management	0.00	-30,000.00	325,247.77
= Cash flow from investment activities (investive cash flow)	**-1,484,856.52**	**-1,383,609.69**	**-1,665,337.50**
– Payments to business owners and minority shareholders	0.00	-1,639,100.00	0.00
+ Proceeds from the raising of loans	0.00	1,020,000.00	1,598,940.16
– Loan repayments	-356,276.31	-2,192,807.83	-3,460,347.05
= Cash flow from financing activities (finance cash flow)	**-356,276.31**	**-2,811,907.83**	**-1,861,406.89**
= Changes in cash funds	**221,448.15**	**3,114,449.64**	**-6,707,952.25**
+ Currency-related changes in cash funds	11,759.54	26,848.71	-3,293.06
+ Cash at start of the period	10,110,049.52	6,968,751.17	13,679,996.48
= Cash at end of the period	**10,343,257.21**	**10,110,049.52**	**6,968,751.17**

Consolidated statement of changes in equity

	Parent company			
2G Energy AG in EUR	Subscribed capital	Capital reserve	Adjustment items from foreign currency conversion	Other cumulative consolidated profit
Status as at 1 Jan. 2013	**4,430,000.00**	**11,235,300.00**	**2,430.06**	**6,375.40**
Consolidation-related currency differences			8,395.28	
Payments to shareholders				
Consolidated profit				
Status as at 31 Dec. 2013	**4,430,000.00**	**11,235,300.00**	**10,825.34**	**6,375.40**
Status as at 1 Jan. 2014	**4,430,000.00**	**11,235,300.00**	**10,825.34**	**6,375.40**
Consolidation-related currency differences			23,121.08	
Consolidated profit				
Status as at 31 Dec. 2014	**4,430,000.00**	**11,235,300.00**	**33,946.42**	**6,375.40**

		Minority shareholders			Consolidated equity
Consolidated profit earned	**Total**	Minority capital	Consolidated profit earned applicable to minorities	**Total**	
31,830,600.09	**47,504,705.55**	**4,991.42**	**244,604.26**	**249,595.68**	**47,754,301.23**
	8,395.28			**0.00**	**8,395.28**
-1,639,100.00	**-1,639,100.00**			**0.00**	**-1,639,100.00**
894,283.78	**894,283.78**		134,481.75	**134,481.75**	**1,028,765.53**
31,085,783.87	**46,768,284.61**	**4,991.42**	**379,086.01**	**384,077.44**	**47,152,362.05**
31,085,783.87	**46,768,284.61**	**4,991.42**	**379,086.01**	**384,077.44**	**47,152,362.05**
	23,121.08			**0.00**	**23,121.08**
-1,791,705.44	**-1,791,705.44**		391,701.57	**391,701.57**	**-1,400,003.87**
29,294,078.43	**44,999,700.25**	**4,991.42**	**770,787.58**	**775,779.01**	**45,775,479.25**

Colophon

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