2014

2G Energy AG Annual Report

2G. Cogeneration.

Contents

Key figures

Results of operations

	2014	2013
	TEUR	TEUR
Consolidated net income for the year	**6,883**	**1,029**
Operating result	11,442	2,780
Financial result	-498	24
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14,032	5,524
Earnings before interest and tax (EBIT)	11,287	3,117
Profitability in %		
Return on sales	6.1	2.5
Return on equity	13.2	2.2
Return on total assets	12.2	3.5
Expense/income structure		
Net sales	186,605	126,130
Change in %	47.9	-13.9
Total operating revenue	189,556	137,510
Operating output	192,760	139,192
Cost of materials	133,972	96,939
Materials intensity in %	70.7	70.5
Personnel costs	25,458	21,471
Average number of employees	522	494
Labour intensity in %	13.4	15.6
Depreciation and amortisation	2,745	2,407
Income tax	4,060	1,775

Financial position

	2014	2013
	TEUR	TEUR
Total assets	**92,617**	**88,629**
Asset structure		
Fixed assets	22,691	21,927
Tangible fixed assets to total assets ratio	18.3	17.9
Current assets	68,706	65,355
Inventory turnover ratio		
Inventories	6.0	4.5
Receivables	8.5	5.5
Prepayments and accrued income	339	345
Deferred tax assets	880	1,002
Capital structure		
Equity	52,069	47,152
Equity ratio in %	56.2	53.2
Working capital	**31,991**	**28,832**
Financing		
Investments in plant	3,833	3,425
Dividends	1,639	1,639
Cash inflow/cash outflow from		
Operating activities	8,177	4,129
Investing activities	-3,677	-3,049
Financing activities	-2,860	-4,673
Change in liquid assets	1,639	-3,593

2G. Foreword.

Management Board of 2G Energy AG: Ludger Holtkamp, Christian Grotholt and Dietmar Brockhaus

Foreword

Dear shareholders,

What a year for business 2014 was! – 2G generated sales revenues of EUR 186.6 million, the highest level in its twenty-year corporate history, and reported an even faster rate of year-on-year earnings growth (EBIT) to reach a level of EUR 11.3 million. Following a seasonally typical and somewhat weak start to the year, new order intake in Germany took off with the announcement of the 1 August date for the coming into force of the amendment to the German Renewable Energies Act (EEG). By mid-April, we were already forced to announce a stop on accepting new orders for our combined heat and power (CHP) systems with 31 July 2014 completion dates. Capacities at our Heek site were fully utilised – in the end, we were running three-shift operations including working on Sundays and holidays. In this situation, we benefited both organisationally and on the purchasing side from the experience that we gained during the 2011 biogas boom year. I would like to take this opportunity to pay another great compliment to our employees: with great care, discipline and a high degree of commitment, our teams complied with tight production times and deadlines in order to ensure that systems were commissioned short-term on time. The second half of the year was characterised by the processing of the order book position, and by full commissioning operations. Further new order intake from Germany remained somewhat low, as expected.

The United Kingdom, as well as France and Eastern European countries, reported pleasing new order intake and sales revenue trends, by contrast. A growing number of natural gas operated systems were also in demand in the United Kingdom and Italy, enabling us to significantly boost the share of sales revenues generated with natural gas operated systems abroad from six percent to around 17 percent. Apart from the aforementioned exceptions, however, overall sales on European markets abroad and in the USA fell short of expectations. Due to the accelerated purchasing effect deriving from the EEG, business in Germany was strong in the year under review for both biogas and natural gas operated CHP modules compared to international

markets. The foreign share of sales revenues of around 21 percent nevertheless remained almost unchanged year-on-year. This gives a strong indication that the company's strategy of continuously diversifying across gas types and regions is being implemented successfully.

Given the backdrop of the continued weak economic situation in Southern Europe, we have implemented structuring measures at subsidiaries that are aimed at cost savings and new sales strategies. The first results of these measures are already evident. In Germany, in parallel fashion, 2G continued with processes to optimise cost structures in key areas, and has also realised growth investments. Communication with customers is being expanded further, especially in the service area, and the 2G sales function is receiving tools that allow it to respond more individually to various customer groups' demand profiles.

The gradual demand shift both in Germany and abroad toward natural gas operated CHP modules is also being accompanied by a change in 2G's customer structure. Biogas market customers primarily comprised agricultural operations and biogas system manufacturers. In the market for natural gas operated CHP plants, we encounter commercial and industrial customers – and not least power utilities – that wish to supply sites with their own decentralised heating and electricity generation. CHP systems' thermal output, which varies greatly and can be utilised highly efficiently, continues to offer major benefits to many customers - also after the 2014 amendment to the EEG. Firstly, they are replacing old and inefficient thermal power plants with 2G's state-of-the-art CHP technology. Secondly, energy utilities – as energy service providers for their customers – are focusing on providing decentralised energy supplies as part of their new business models. 2G is an important partner for them as a supplier of the energy generation unit in this context, and as a project manager for optimal integration of CHP plants into customers' energy systems. 2G has been firmly integrated into E.ON's global purchasing concepts for CHP solutions as part of a master agreement since 2014, for example. As a technology leader with full-range solutions expertise, 2G is very well positioned in this market segment for smaller to medium-sized CHP power plants with its 20 kW to 4,000 kW CHP performance range. 2G power plants comply with the German Energy and Water Sector Association (BDEW) directive due to their certified control electronics and software, and can be integrated easily into virtual power plants or energy service providers' larger generation units, as they can be managed and operated by remote control. In Germany, we further expanded our market share to over 21 percent in the year under review in the 20 kW to 2,000 kW capacity range, and even to above 36 percent in the 250 kW to 500 kW performance range.

A comparison of our 2011 and 2014 results shows that the early implementation of 2G's strategic further development has been running a dynamic course: the sales revenue share of natural gas operated CHP modules has grown more than fivefold from 9 percent to 48 percent, the foreign share has more than doubled from 10 percent to 21 percent, and we have boosted the sales revenue share of the service business – especially as a result of the growth in the natural gas business – from 8 percent to 20 percent. Viewed in absolute terms, the service business has almost trebled. For 2G, this means stable, continuous and calculable cash flows, independent of short-term new order intake and sales revenue trends, or regulatory factors. At the same time, we identify further margin potential in our

service business, which will see dynamic sales growth being accompanied by a return to fast earnings growth in the medium term.

Unfortunately, these business successes were not reflected in share price performance during the year under review – especially in the second half of the year. At the bottom line, the share price declined by 39 percent. A major shift in the structure of the company's share ownership was observable in the 2014 stock-market year. Investors who had invested in 2G during the years of the biogas boom that was driven by the EEG sold shares – some of them in a concentrated manner. As a consequence, we have instigated targeted communication with Central European investors who have longer investment time horizons, and who are open to the very varied possibilities facilitated by CHP technology, its application areas, and markets in Europe and America. With the successful further development of the 2G business model, a healthy balance sheet comprising sound net asset backing, technological leadership, and increasing independence from general regulatory conditions within a growing CHP market, the Management Board is of the view that convincing reasons exist to invest in the 2G share. We are confident that the share price will return to performing in line with 2G's sustainable operating success, and that its justified upside potential will unfold.

We have established important groundwork for this in both 2014 and the current business year. With the founding of 2G Rental GmbH, we are offering our customers possibilities to rent and lease our CHP power plants. Such a tool makes customers' decision-making processes about investing in CHP systems considerably easier, as the purchase of the 2G power plant is reduced to just the operating cost budget. Ongoing lease payments are more than offset by direct energy cost savings. Especially local authority energy utilities represent one of the important customer groups for this new sales model, and demand has already proved very promising after just a few months.

At the end of February 2015, 2G acquired 100 percent of the shares of 2G Cenergy in the USA. The company's previous majority shareholders have left the company in the meantime. A new management team is now responsible for its operating activities on a standard Group basis. Its sales and marketing base is to be widened, and the capacity utilisation of the local production company 2G Manufacturing is to be boosted. Our aim is to gain further market shares, and grow within this market, which remains attractive.

We are also registering rising demand in Japan and Southeast Asia. 2G has continuously developed a good market position on the Japanese market since 2004, seeing recent growth in its sales figures. On this basis, 2G signed a master agreement in early March with Fuji Electric Co., Tokyo, to sell 2G CHP power plants with electric capacity above 500 kW in Japan and the Southeast Asia region. We expect that these sales cooperation ventures will further advance our market penetration in the Far East. 2G has also entered into agreements with new sales partners in Australia. Overall, this region can certainly become a growth market for 2G over the coming years. Incentives to invest derive from the CO_2 savings effects that are achievable with CHP systems, among other factors.

2G has also reached significant milestones in-house in strengthening both its organisational structures and its quality assurance. These milestones include audits of important corporate areas as part of the integrated

management system in relation to DIN EN ISO 9001 quality management. The continuing orientation of 2G Group operating activities to environmental protection standards is to be confirmed in the 2016 financial year by certification according to the ISO 14001 international environmental management standard, as well as the ISO 50001 energy management system standard. This addition to the integrated management system allows both the statutory requirements contained in the new German Energy Service Act, as well as the efforts of the 2G Group to manage energy responsibly to be met. Externally, 2G is thereby strengthening its expertise on the growing German market for natural gas operated CHP plants, and on international markets in the context of tenders. As a consequence, 2G is also taking into account the change in the customer structure toward energy utilities, energy service providers, and large-scale industrial and commercial companies.

The 2014 amendment to the EEG has brought with it an increase in the requirements that are made of CHP power plant manufacturers. The approval of a shift away from fixed minimum compensation towards mandatory direct marketing calls for demand-integrated and demand-aligned (remote) control for fossil or regenerative fuel operated CHP plants. This poses new and more complex technical requirements for manufacturers. Without corresponding control electronics and software solutions, the operators of such CHP power plants are no longer eligible for subsidies in grid operations. Rising barriers to market entry and competitiveness criteria nevertheless also derive from higher technical standards both in Germany and the European Union, such as the Medium Voltage Directive and Low Voltage Directive that have been binding since 1 January 2014, the German Network Fee Regulation (StromNEV), as well as the German System Stability Directive that is in force from 14 March 2015. Above and beyond this, many energy utilities and service providers have developed business models based on the intelligent networking of different generation units, so-called virtual power plants. Control and software solutions already comprise a basic technical precondition that has to be met in order to participate with CHP systems on the electricity market of the future, and to qualify as a supplier for energy utilities. Drawing on an intelligent software solution, 2G has developed the „virtual power plant“ operating type for its CHP modules. Overall, the 2G system is thereby operated on a basis that is „heating-managed and electricity-oriented“ in order to significantly simplify integration within a grid group.

2G assumes that the crowding out process and redistribution of market shares among existing competitors will rapidly advance further in these circumstances. We are convinced that we are adopting a competitive position within this process, as we have already completed a lot of homework, positioned ourselves strategically at an early stage, and realised corresponding investments. The German market can certainly be regarded as a blueprint for the trends to be expected on other European markets, and in America. 2G has worked to create many opportunities over the past quarters that will help to further boost sales revenues and profitability both this year and in subsequent years:

- Along with sales of higher-output 2G power plants, diversified sales activities in Germany generated with companies from the heating installation industry should especially bolster the small capacity range of g-boxes
- The reorganisation of our US subsidiary significantly improves market access, opening up opportunities to boost our market share

- Sales cooperation ventures in Japan and Southeast Asia are creating new sales opportunities
- Structuring measures at the European subsidiaries and new sales strategies are supporting the shift away from biogas to natural gas dominated CHP markets
- As a plug-and-play provider with comprehensive CHP power plant solution expertise, 2G goes well beyond its competitors' offerings – renowned major groups focus and rely on such expertise
- 2G is a technology leader in engine mechanics, as well as control electronics and software solutions. 2G power plants can be managed and controlled, they are network-compatible, and meet modern grid stability standards
- As customised sales financing arrangements, rental and lease solutions for 2G plants support our sales work – initially in Germany
- Our high-growth service business comprises an important customer loyalty instrument, offers margin potential, and generates continuous cash flows.

Does the market offer scope for unrestricted growth under competitive conditions, or does it remain dependent on state support? For an answer, we should examine Germany's new energy policy direction. What is being discussed in Germany is complex, and impinges on supply security, climate protection and energy supplies' economic efficiency. Berlin's policymakers are concerned with topics spanning electricity market design, CO_2 emissions savings targets, grid expansion, and the amendment to the German Combined Heat and Power Generation Act (KWK-G). In other words: Germany's electricity supply system is being turned upside down. And rightly so! As 2G, we are making maximum efforts – combined with lobbying in Berlin – to secure a role for our CHP systems that does full justice to the scope of possibilities that the technology offers. In our justified opinion, this can only mean that CHP technology will be one of the most important pillars of future decentralised energy supply and location concepts. The arguments are on our side:

- Not only can CHP systems provide electricity and heating that is highly efficient and protects the climate, but they can also be connected to the general supply grid in a manner that stabilises the system as a result of their properties in terms of physics.
- CHP plants can be operated in a manner that is very viable for the future, as both fossil and regenerative primary fuel sources can be converted into electric and thermal energy in line with demand, and while saving on CO_2 emissions.
- This ideal addition to regenerative energy conversion plants for electricity production also ensures secure supplies during prolonged periods of low solar irradiation. The simultaneity of higher demand for heating in buildings on colder days with the then frequent lack of solar irradiation during the winter also argues in favour of combining CHP plants with PV plants.
- In order to appraise CHP's economic benefits, the electricity market debate should also take into consideration the potential contribution from highly efficient combined heat and power plants (CHPs) to cover heating demand in residential buildings.
- In the grid expansion that is required, up to EUR 400 million can be saved through the decentralised, highly efficient deployment of CHP systems.

Away from the political arena, 2G is concentrating mainly on its own capabilities and strengths. We aim to advance CHP technology further with innovations, and with the entrepreneurial spirit that typifies medium-sized companies. Our objective is that our customers

worldwide can operate 2G power plants with great economic efficiency in line with their locational heating/cooling and electricity demand, without the need for subsidies and support, and will be able to amortise their investment costs within a short time.

In this context, 2G has already recorded a good intake of new orders during the first three months of the current 2015 financial year. The CHP order book position stood at EUR 46.3 million as of 31 March 2015. Demand for CHP systems is good in Germany, as well as in the United Kingdom. A satisfactory order book position is also evident from Eastern European countries, as well as from France and Italy. Considered together with the growth in the service business, from today's perspective this all adds up to a good starting position to reach the sales revenue and earnings forecast.

The Management Board is very confident overall that it can once again achieve solid business trends in the current 2015 year. Our conservative planning envisages sales revenues of between EUR 140 million and EUR 160 million, and an EBIT margin of realistically between 5 percent and 7 percent. Along with growing sales revenues from the service business, combined with replacement parts sales of around EUR 50 million, the first initial positive impulses from the rental business that was launched in early 2015 through 2G Rental are expected. Above and beyond this, the significance of the business with natural gas operated CHP power plants with large industrial companies, energy utilities and the heating installation industry is also on the rise, as is the importance of selected European markets. As a result of the sales activities and sales cooperation ventures that it has launched, 2G also identifies good opportunities for near-term successes and growing sales figures for Asia and the USA.

We would like to thank our employees for their outstanding work. Without their commitment, motivation and extensive creativity, 2G would not be where it is after its twenty-year history, ranking among the top CHP plant manufacturers competing with multinational groups. You have boosted the wattage quite considerably!

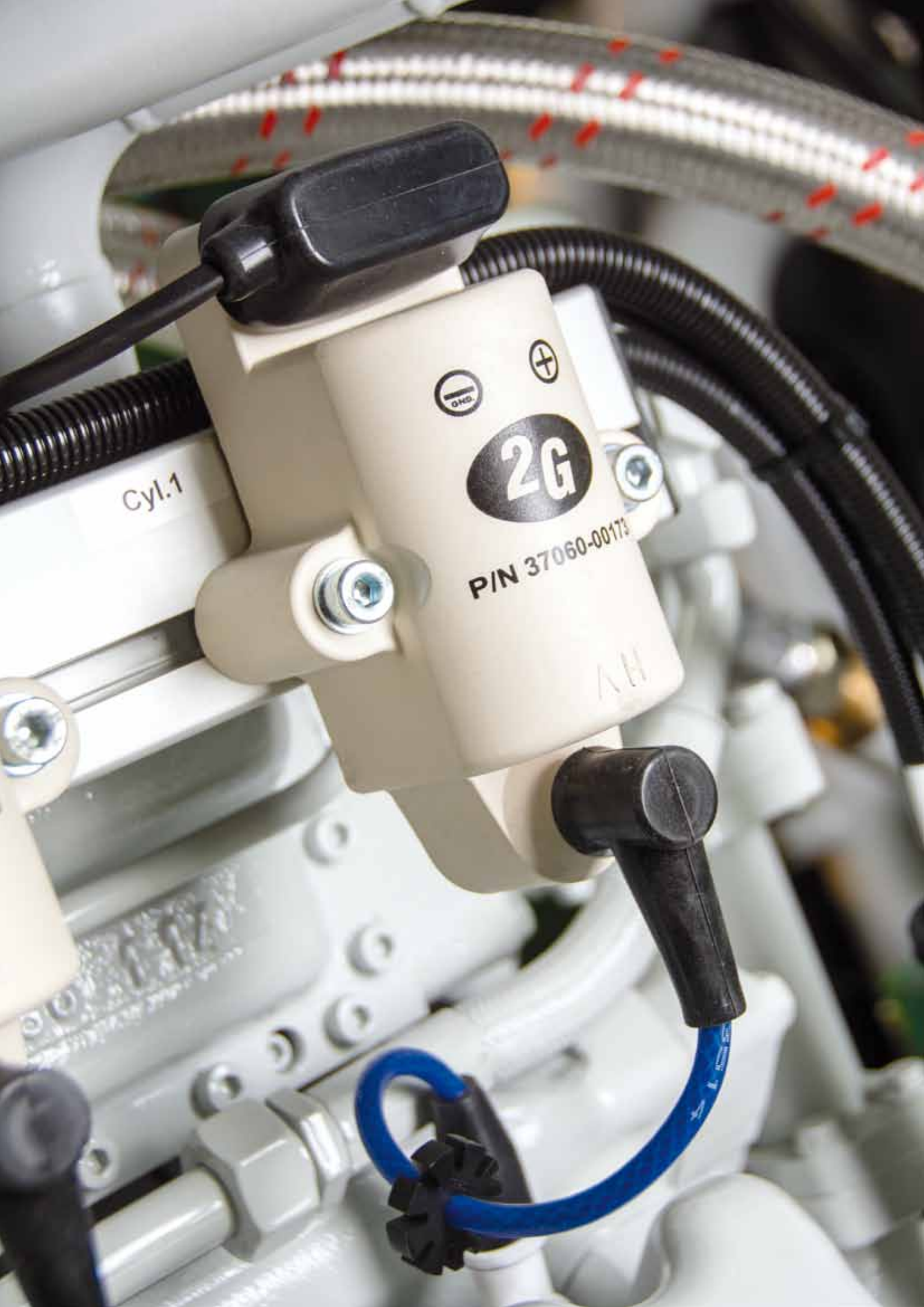
We would like to thank you, dear shareholders, for your interest in our company, its products and employees. We look forward to a continuation of an opportunities-oriented partnership over the coming years, that is also characterised by constructive criticism. We will continue to deploy all our efforts and resources to keep 2G on track and ensure that it remains a valuable company with a high-energy future.

Heek, May 2015
2G Energy AG
Yours sincerely,

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member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2G. Share.

2G Energy AG share

Following a successful stock market year in 2013, equity markets at the start of 2014 failed to continue the positive trend, and initially consolidated at a high level instead. The Ukraine crisis then peaked at the end of March, and the first set of weak economic data from Germany intensified investors' uncertainty. Central banks' decisions subsequently resulted in brighter sentiment during the second quarter. The European Central Bank (ECB) reduced its key interest rate in May to 0.15%, a historic low at the time. International equity markets then rallied. On 5 June, the DAX index of leading German shares broke through the 10,000 point level for the first time in its 26-year history. Emerging recovery trends in the Eurozone were accompanied by very robust economic growth in the USA, with the Federal Reserve's „cheap money" policy unfolding its effect there.

The price performance of the 2G Energy AG share was relatively unaffected by these factors. The share started the 2014 stock market year at a price of EUR 27.22. By the beginning of the second quarter, it appreciated by 30.0% to reach its high for the year of EUR 35.40 on 3 April. The share stayed slightly below this level until mid-May, before falling by around 12.5% from EUR 35.07 to EUR 30.70 by 18 July, the Annual General Meeting (AGM) day.

Stock market participants' uncertainty increased again during this period, and share prices gradually relinquished previous gains. Only central banks catered for positive sentiment in the meantime, especially the European Central Bank, which cut its key interest rate to a new historic low of 0.05% in early September. Along with the already familiar geopolitical crises, financial markets in early autumn were further burdened by a deterioration in economic prospects, collapsing commodity prices, and the simmering crisis in Greece. By mid-October, the main German equity index had fallen to its lowest level since September 2013.

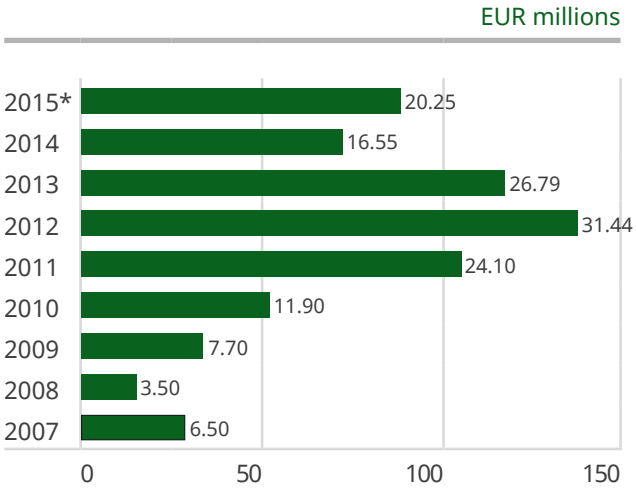
The 2G share, too, registered a significant depreciation to a price level of EUR 19.00 by mid-October. Its subsequent bounce proved unsustainable. The share price slid to a level of EUR 16.55 by the year-end, which also reflected its low for the year.

Positive US economic data and a potential shift in the turnaround in the interest rate trend in the USA restored stock markets to their upward path by the autumn. The DAX reached a new historic record level in December at 10,093 points, while the Dow Jones broke the 18,000 point barrier, thereby also making history. Statements by ECB President Mario Draghi whereby the European Central Bank would deploy repurchases of government bonds as a monetary policy tool supported stock market participants' positive assessments. Due to the dramatic collapse of the oil price and a further fall in the euro exchange rate, equity markets relinquished some of their gains at the year-end. At the end of the year, the DAX retained a minor increase of 4.3%, while the TecDax, putting in growth of 17.5%, left other German indices standing. The sector-specific indexes for 2G, the DAXsector All Industrial (down 4.8%) and the DAXsubsector All Renewable Energies (down 3.8%), fell slightly, by contrast.

The share capital of EUR 4,430,000.00, which is divided into 4,430,000 no par value ordinary bearer shares, was unchanged during the financial year under review. The market capitalisation amounted to almost EUR 73 million at the year-end (previous year: EUR 119 million).

Trading liquidity in the 2G share remains satisfactory, albeit significantly lower than in previous years. The

average daily volume on the XETRA trading platform was around 4,400 shares during the reporting year (previous year: approximately 10,300 shares). A major shift in the structure of the company's share ownership was observable in the 2014 stock-market year. Investors that had invested in 2G during the years of the biogas boom that was driven by the German Renewable Energies Act (EEG) sold shares, and some of them in a concentrated manner. They were gradually replaced by new investors with a focus on the company's continuous growth within a very promising international growth environment. The Management Board and the company's investor relations managers targeted Central European investors with both longer investment horizons and a more fundamental understanding of CHP technology, its application areas, and European and American markets.



*XETRA closing price 8 May 2015
2G Energy AG market capitalisation between 2007 and 2014 as of the 31 December, XETRA closing prices in EUR

2G continued to lend a high profile to its investor relations activities in the year under review. This contributed to a greater level of recognition among both institutional and private investors. Investor relations activities are oriented to continuous information about the 2G business model, its earnings and growth drivers, and the CHP market. IR work is aimed not only at establishing confidence in the company's strength and the Management Board's management capabilities, but also at creating the necessary transparency to allow analysts, shareholders and potential investors to subject the company to regular, comprehensible valuation. The success of such work will develop over several years, and is not short-term in nature. Interest in investing in the 2G share was also evident in many requests for roadshows in Europe and Germany in 2014, as well as invitations to investor conferences and numerous investor visits to the production site in Heek. The Management Board presented the 2G business model as part of various capital market events and roadshows in London, Edinburgh, Paris, Luxembourg, Zürich, Copenhagen, Munich and Frankfurt. 2G explained its products, technological development work, market trends and sales strategies on foreign markets. Seven investment banks and research houses overall covered the 2G share and its market environment regularly during the 2014 financial year: First Berlin, Hauck & Aufhäuser, Warburg, equinet, WGZ, natureo finance, and Solventis. All analysts see further price increase potential for 2G shares based on their valuation models. Most of the analysts issued „Buy" recommendations.

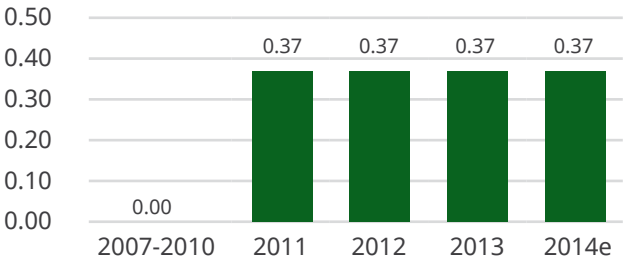
2G neither approved nor implemented any capital measures during the period under review.

Unchanged dividend proposed

2G Energy AG pursues a sustainable and stable dividend strategy that enables shareholders to participate in the

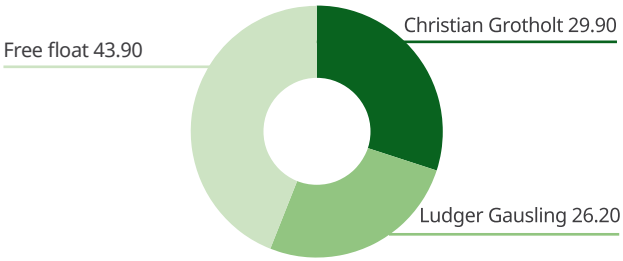
company's success and profitability. Dividends should be based on profits, and should avoid distributions from the company's net assets in order to maintain the company's financial and innovative strength for further growth. Value and growth-oriented investors are set to benefit in the long term from continuous appreciation in the company's value. Based on the unappropriated retained earnings generated in the 2014 financial year, the Management and Supervisory boards have approved a proposal to the AGM to be held on 8 July 2015 that it approve the payment of a dividend of 37 euro cents per share for the financial year elapsed (previous year: 37 euro cents per share). In relation to the 2014 year-end closing price, this corresponds to a 2.24% dividend yield (previous year: 1.38%).

Dividends 2007 - 2014e EUR



The shareholder structure of 2G Energy AG remained unchanged during the reporting year in terms of significant shareholdings. Company founders Christian Grotholt and Ludger Gausling held 29.9% and 26.2% of the shares respectively, and consequently together over 56%. The free-float comprises 43.9% of the shares.

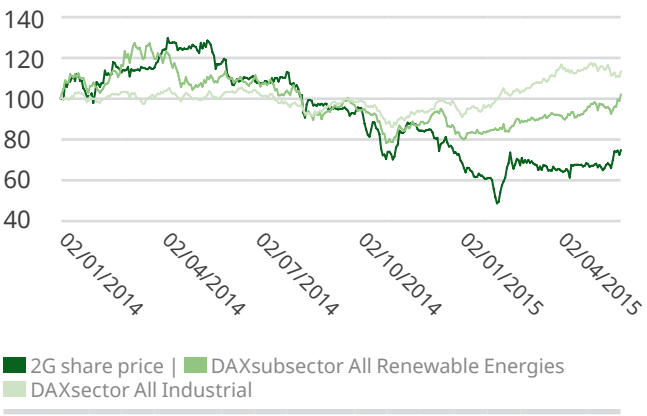
2G Energy AG shareholder structure Share %



As of 31 December 2014

As a listed company, open, continuous and prompt dialogue with all capital market participants forms an important element of 2G's corporate communications. Through transparent, compliant and factual reporting, 2G aims to make its business model, and growth and earnings potentials comprehensible to all capital market participants. 2G is convinced that this will be reflected in an appropriate valuation of its shares, which also takes account of the company's medium-term growth prospects on the international CHP market.

Performance of 2G share 2014/2015 (indexed)




2G

2G. Report by the Supervisory Board.

Report by the Supervisory Board

Dear shareholders,

Pursuant to the law and the company's bylaws, the Supervisory Board of 2G Energy AG supervised the company's Management Board regularly in its management of the company during the 2014 financial year, as well as providing critical advice in this context. The Supervisory Board also consulted with the Management Board concerning all important decisions of considerable significance for the company. The Management Board informed the Supervisory Board regularly, promptly and comprehensively about the position and business progress of the company and of its important participating interests and subsidiaries. The Supervisory Board received frequent reports about the company's financial position and performance to this end. The Management Board also provided extensive information about significant business transactions, such as trends on foreign markets, and fundamental questions relating to corporate planning.

The Supervisory Board monitored business development at 2G Energy AG on this basis, and coordinated the company's strategic orientation with the Management Board. This also included discussions about the risk position and corporate opportunities. The Supervisory Board members always had sufficient opportunity to engage critically with the reports and proposed resolutions submitted by the Management Board, and to contribute their own suggestions.

The Supervisory Board Chairman also cultivated a frequent exchange of information and ideas with the Management Board between Supervisory Board meetings, in order to inform himself about current business trends and provide consultative support to the Management Board. The Management Board always provided prompt information to the Supervisory Board Chairman about important events that are of particular significance for gauging the company's position and development, as well as for managing it.

By way of utilisation of the exemptions pursuant to Section 110 (3) Clause 2 of the German Stock Corporation Act (AktG), two regular Supervisory Board meetings were held in the 2014 financial year, on 27 May and 19 November. All Supervisory Board members attended all of these Supervisory Board meetings. No committees needed to be formed. At the meetings, the Supervisory Board took the written and verbal Management Board reports and presentations as its basis to consult in-depth about the company's economic and financial position, its operational and strategic development, and its operating segments. The Supervisory Board requested and obtained information about important specific questions relating to the company, its risk position and personnel trends, and consulted with regard to these issues. Events of extraordinary significance for the position and development of the 2G Group, as well as transactions that require Supervisory Board approval, were always discussed immediately.

Above and beyond this, the Supervisory Board Chairman frequently also discussed specific topics with the Management Board members outside the scope of meetings.

Summary of focal points of Supervisory Board consultations

The Supervisory Board discussed with the Management Board the transactions that are subject to its approval

pursuant to the law and the company's bylaws, and approved them. These included decisions and measures that are of fundamental significance for the company's financial position and performance, decisions modifying corporate structures, as well as decisions affecting personnel matters. The focal aspects of consultations in the Supervisory Board at all meetings during the period under review included corporate strategy, planning and business trends, especially sales revenue and earnings trends in Germany and abroad, the risk position, risk management, as well as the international development of markets for combined heat and power, and related expansion and investment possibilities.

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

Important topics at the Supervisory Board meeting on 27 May 2014 especially included business trends during the previous 2013 financial year, the progression of business during the first months of the current financial year, and the company's medium-term planning for liquidity, finances, investments and personnel. At this Supervisory Board meeting, the Supervisory Board primarily conducted an in-depth discussion of the separate annual financial statements, the consolidated financial statements, the management reports for both 2G Energy AG and the Group for the 2013 financial year, as well as the Management Board's proposal for the application of unappropriated retained earnings. This meeting was attended by both the Management Board and the auditor – specifically by the auditor who signed the audit certificate. All of the questions from Supervisory Board members were answered comprehensively and individual matters were discussed in detail. Following the conclusive result of the mandatory review conducted by the Supervisory Board, the Supervisory Board determined that it had no objections to raise. The Supervisory Board unanimously approved the annual financial statements and management reports for the 2013 financial year for the company and the Group, which the Management Board had submitted. The financial statements were adopted as a consequence. Following in-depth discussion, the Supervisory Board approved the Management Board's proposal for the application of unappropriated retained earnings. By way of conclusion, the Supervisory Board prepared for the 2014 Ordinary AGM, approved the agenda for it, and proposed resolutions for submission to it. The Supervisory Board also discussed the situation at the foreign subsidiaries, as well as some personnel questions, and approved Management Board proposals that required its assent.

At the second Supervisory Board meeting on 19 November 2014, the Management Board discussed business progress during the second and third quarters, the results of the half-yearly financial statements, trends on markets in North America and European countries other than Germany, as well as developments on the German market after the amended version of the German Renewable Energies Act (EEG) came into force on 1 August 2014. Board members also discussed topics relating to financial position and performance, as well as potential changes to the regulatory environment in Germany.

No changes occurred to the composition of either the Management Board or Supervisory Board during the year under review.

Audit of the separate and consolidated financial statements for the 2014 financial year

The Management Board prepared the separate financial statements, the consolidated statements and the Group management report for 2G Energy AG for the 2014 financial year in accordance with the regulations set out in the German Commercial Code (HGB). PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Osnabrück, the auditors of the financial statements elected by the AGM on 16 July 2014, audited the separate financial statements, the consolidated financial statements and Group management report of 2G Energy AG for the 2014 financial year, including the financial accounting, awarding them unqualified audit certificates. The separate financial statements, consolidated financial statements and the Group management report as well as the auditors' reports were submitted to all Supervisory Board members. The Supervisory Board discussed these documents in detail together with the Management Board and the auditors, who reported on the significant audit results and were available to provide information and explanations.

The Supervisory Board reviewed the separate financial statements, the consolidated financial statements and the Group management report. No objections were raised. Consequently, the Supervisory Board approved the result of the audit of the financial statements. The Supervisory Board approved the separate financial statements, the consolidated financial statements and the Group management report at its meeting on 26 May 2015. The separate financial statements for 2014 have thereby been adopted pursuant to Section 172 of the German Stock Corporation Act (AktG).

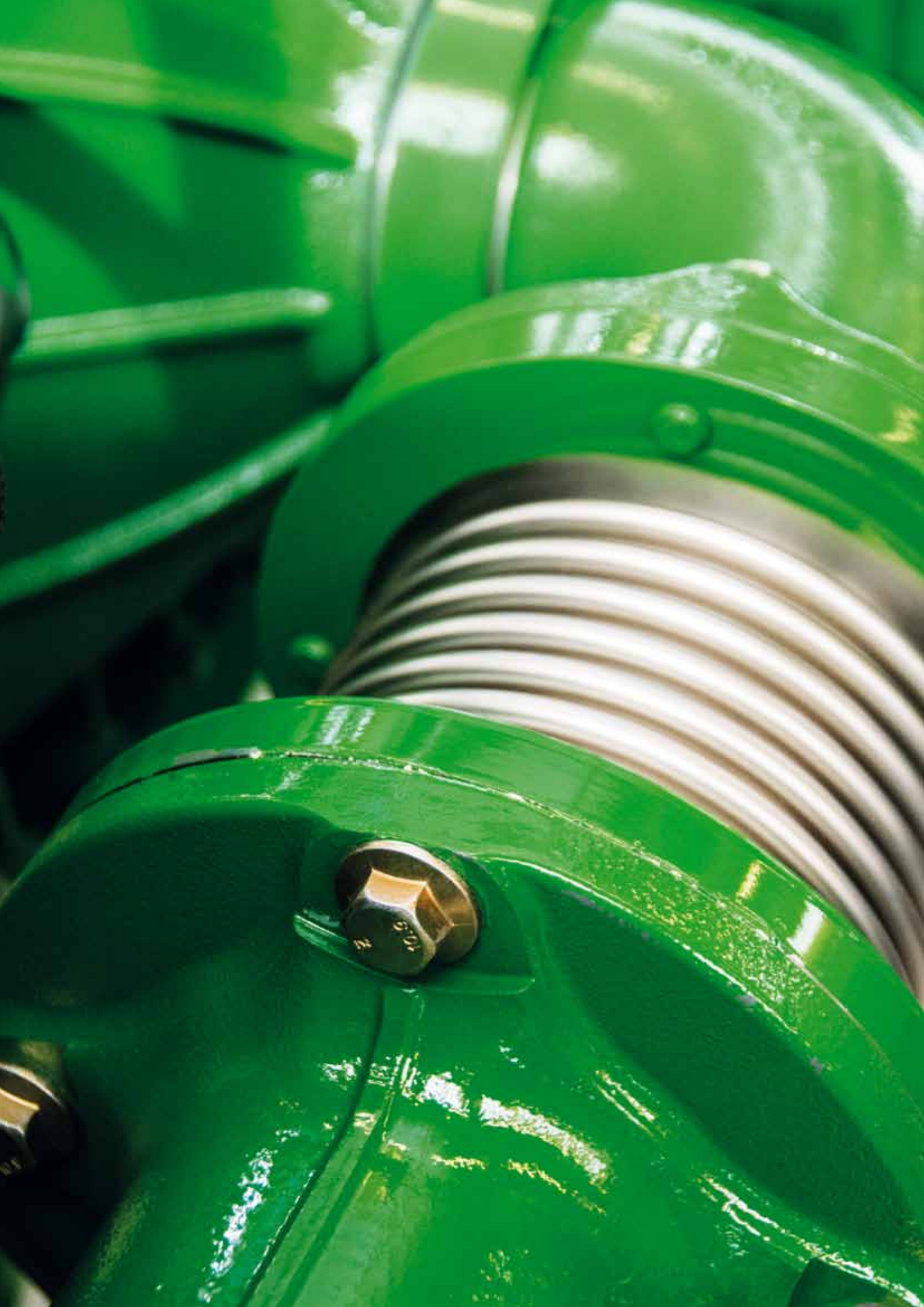
The Supervisory Board concurs with the Management Board's proposal to distribute from the unappropriated retained earnings of EUR 38,360,080.20, consisting of retained earnings of EUR 33,143,156.76 and net profit for the year of EUR 5,216,923.44, a dividend of EUR 1,639,100.00, in other words, EUR 0.37 per share, and to carry the remaining retained earnings forward to a new account.

The Supervisory Board would like to thank the Management Board and all employees at 2G Energy AG and its companies for their high level of personal input and contribution, and for their responsible and committed work.

Heek, 26 May 2015

The Supervisory Board

Dr. Lukas Lenz
Supervisory Board Chairman



2G. Group management report.

Group management report

1. The 2G Group

Operating activities and corporate structure

The 2G Energy AG Group is an internationally leading manufacturer and provider of decentralised energy supply systems. With the development, production and technical installation, as well as digital network integration, of combined heat and power systems (CHP systems), the company offers comprehensive solutions on the high growth market for highly efficient combined heat and power generation. Comprehensive after-sales and maintenance services comprise an important additional performance criterion. The product range includes CHP modules with an electric output range between 20 and 4,000 kW for operation deploying natural gas, biogas, other lean gases and hydrogen. All systems function highly efficiently, conserve resources, and reduce or neutralise CO_2 emissions in combined energy production. With more than 4,000 systems in over 35 countries, 2G power plants in various applications supply heating, cooling and electrical energy to a broad spectrum of customers that includes companies in the housing industry, commercial and industrial companies, public energy utilities and local government authorities.

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

2G Energy AG									
100 %	90 %	80 %	100 %	90 %	100 %	100 %	100 %	100 %	100 %
2G Energie-technik GmbH	2G Home GmbH	2G Drives GmbH	2G Rental GmbH	2G Solutions of Cogeneration S. L.	2G Italia Srl	2G Energy Ltd.	2G Polska Sp. z o.o.	2G Cenergy Power Systems Technologies Inc.	2G Manufacturing Inc.

Diagram 1: 2G Energy AG corporate and investment structure (as of 31 March 2015)

2G Energietechnik GmbH (2GE), which is based at Group headquarters in Heek, in Germany's western Münster region, comprises the main operating entity. The company combines the planning, sales, production, installation and commissioning of 2G CHP modules. It also centrally manages and coordinates after-sales services for CHP modules. 2G Energietechnik GmbH also maintains dependent branches in Schonstett near Munich, in Hamburg, in Wetzlar, and in Halle/ Saale. The liaison office in Istanbul, Turkey, was closed at the end of 2014.

2G Drives GmbH (2GD) is also based at the Heek site. Its business purpose is to conduct research and development in the area surrounding the 2G product range. As a technology services provider, 2GD concentrates mainly on optimising gas engines, control electronics, as well as the new and further development of hightech peripheral components. Improved efficiencies and grid integration capacity allow 2G's customers to generate greater utility and benefits. Development of software to maintain, network and control decentralised combined heat and power units is also of great significance. The extremely high efficiency ratings of in-house developed products and integration capability are key to 2G's success, and such 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-scale intelligent power plants (Virtual Power Plants / VPPs, VHPready). Two renowned and internationally recognised experts in the field of gas engine development each hold a 10% interest in 2GD.

Moreover, 2G Home GmbH (2GH) operates its headquarters in Heek. The company and its technology are also represented in the lower capacity range of heat-operated CHP modules for supply applications with sales & service for its core products, the g-box 20 and the g-box 50, combined heat and power systems for small and medium-sized businesses, hospitals, hotels and trade businesses, or housing complexes with an electric output of 20 kW or 50 kW.

2G Rental GmbH (2GR) was founded with headquarters in Heek in November 2014. The company leases or sells 2G power plant to energy service providers (contractors) or directly to customers. In a first step initially limited to the German market, 2G is thereby creating a proprietary instrument to promote sales of CHP systems produced by 2GE. Such CHP systems are constructed and commissioned on the energy consumer's land.

This enables the respective customers – communal and private energy utilities, small and medium-size companies, as well as industrial companies – to generate electricity and heating for their own requirements, without the need to organise and procure start-up investment funding themselves. Such an approach makes decision-making processes considerably easier and shorter for customers. Investment budgets are unaffected and the purchase of the 2G power plant is reduced to the operating cost budget. Ongoing lease payments are more than offset by direct energy cost savings. The German Federal Financial Supervisory Authority (BaFin) has stated that the planned lease model does not comprise a finance lease that requires its approval. 2GR explicitly excludes operation of 2G power plants. Such operation is carried out by the energy services provider or customer. 2GR remains the owner of the system for the entire project duration of between four and nine years. Alternatively, and with the same

terms, a lease or hire purchase model is developed, and a cooperation arrangement is negotiated with a vendor finance specialist.

The 2G Group continued to bolster its international presence during the course of the reporting year. 2G runs its own production facility in the USA through 2G Manufacturing Inc. (2GM), based in St. Augustine, Florida. This wholly owned subsidiary of 2G Energy AG has concluded its second full business year on the American market. Self-sourced parts and core components from Heek are fully assembled in St. Augustine into 2G power plants for the American market. Container assembly also takes place in Florida in accordance with tried and tested 2G methods. This type of production is utilised for quality assurance reasons and to optimise transport costs.

Foreign subsidiaries operating regionally as sales and service companies, and with native speakers providing local service, have been established within the Group for several years:

- 2G Solutions of Cogeneration S.L., based in Vic (Barcelona), covers Spain and also serves the French market through a liaison office in Rennes,
- 2G Italia Srl, based in Verona, responsible for Italy.
- 2G Polska Sp. Z o.o., based in Bielsko-Biala, responsible for Poland and the Baltic States, and
- 2G Energy Ltd., based in Runcorn, responsible for the United Kingdom and Ireland.

As of the balance sheet date, 2G holds a 49% interest in 2G Cenergy Power Systems Technologies Inc. (2GC), the sales and service company for the North and South American markets. Collaboration between 2G and 2GC is regulated through exclusive trade, brand and master agreements. In early 2015, 2G acquired 100% of the shares of 2GC in the USA. For more information, please refer to the report on events after the balance sheet date.

In addition, important industrial and raw material markets are secured through sales cooperation ventures in Japan, Australia, Africa and Russia, for example.

2. Business environment

Macroeconomic situation

Global economic recovery in 2014 weaker overall than expected

In its updated 2014/2015 annual survey that it published at the end of March 2015, the German Council of Economic Experts forecast 1.8% gross domestic product growth in Germany for the year under review (2013: 0.4%). They noted that, following a surprisingly good start in the first quarter 2014, the German economy slowed mid-year, although economic output reported strong growth again by the final quarter. They identify stimulating factors in this context as deriving from the lower oil price and the euro's devaluation. The experts characterised the German economy as having been in good shape in 2014.

They note that the Eurozone economic recovery that had been expected failed to materialise in the spring. Although economic output expanded slightly in the first quarter, it then stagnated in the second and third quarters. The weak trend in France and Italy contributed significantly to this stagnation, with Italy's economy shrinking again in the second quarter. Of the large economies, only Spain stayed on its recovery path. It was not until the second half the year that the Eurozone economy made slight progress, mainly due to the fall in the oil price and the depreciation of the euro.

The economic experts nevertheless emphasise that Eurozone economic output has reported hardly any growth since 2011. The reforms introduced in Ireland, Portugal and Spain have been showing positive effects since summer 2013. The experts remarked that these countries' economies have gained competitiveness, and are on a moderate upswing. Overall, the Council estimates that Eurozone GDP grew by 0.9% in 2014 (2013: -0.4%). Its growth rates thereby significantly lag the high growth rates in the USA and the UK. Both of these companies reported an advanced economic recovery in 2014, with GDP gains of 2.4% (2013: 2.2%) and 2.6% (2013: 1.7%) respectively.

Global economic recovery in 2014 fell slightly short of expectations overall. This is chiefly attributable to the continued economic weakness of the Eurozone, and slower growth in emerging economies compared with past years. The German Council of Economic Experts in its economic outlook forecasts 2.7% GDP growth for the world economy in 2014, compared with 2.6% in 2013.

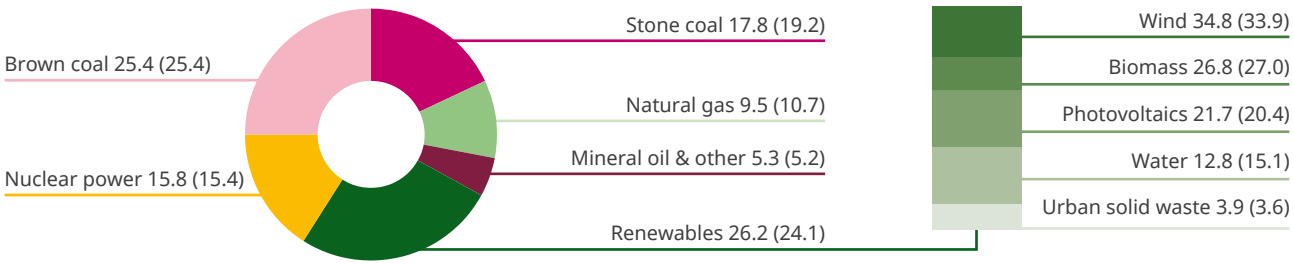
Sector trends in Germany

Renewable energies and decentralised energy production secure position on energy producer market

The German government is adhering to its new energy policy direction and the exit from nuclear energy by 2022. This has been combined with an ambitious target of almost CO_2-neutral energy supplies by 2050. The new energy policy direction comprises the electricity sector, the mobility area, and especially the heating market. The German government is establishing its energy policy on two pillars, having passed numerous acts and launched initiatives to this end in the year under review. As a central element, the 2014 reform of the German Renewable Energies Act (EEG) formed part of the first pillar. The aim is to expand renewable energies' share of electricity supplies to between 40 and 45% by 2025, and to between 55 and 60% by 2035. Energy efficiency represents the second pillar of the new energy policy direction: The aim is to consume less energy. Efficient modern technologies are to be promoted and supported to this end, because the most cost efficient and environmentally compatible kilowatt hour of energy is energy that does not need to be produced from the outset at all. Combined heat and power (CHP) technology is one of the technologies that allow substantial energy savings and CO_2 reductions to be generated immediately. The German Federal Ministry of Economics and Technology recognises the role of controllable combined heat and power as a grid-compatible, decentralised, highly efficient and environmentally compatible power plant technology as part of its new energy direction. The target of increasing the CHP share in power generation to 25% by 2020 has formed part of the German Combined Heat and Power Generation Act (KWKG) since 2012. The outlook section of this management report includes some key aspects in this context, and information about plans to amend acts in the future.

Renewable energies' share in gross power generation increased by 2.1% year-on-year to 26.2% in 2014, according to data published by the German Association of Energy and Water Industries (BDEW). This corresponds to 160.6 billion kWh of electricity production. Renewable energies' share of gross electricity consumption grew to 27.8% in 2014 (2013: 25.4%), although production output fell by 3% overall, according to the BDEW. Consequently, for the first time, renewable energies also comprised Germany's most important electricity source last year, even ahead of lignite, according to the German Federal Ministry for Economic Affairs and Energy (BMWi).

Gross electricity generation by energy sources in Germany 2014 Share %



( ) Previous year

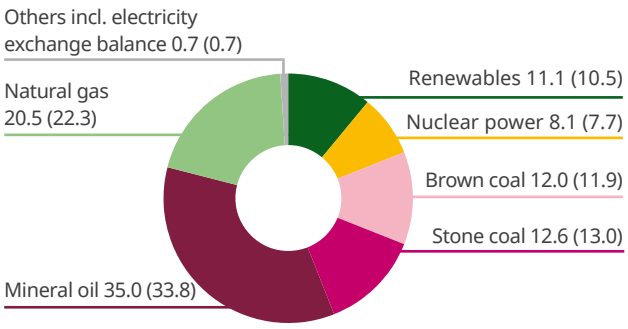
Diagram 2: Gross electricity production by energy sources in Germany 2014, total 614.0 billion kW, as of March 2015
Source: Renewable Energies Agency

Provision of heating from renewable energies declined especially due to milder weather, and associated significantly lower heating consumption overall, from around 142 billion kWh in 2013 to just under 131 billion kWh in 2014. Overall German heating consumption of 9.9% in 2014 was approximately at the previous year's level. On the whole, however, the growth of renewable energies in the heating market will have to accelerate in order to reach the target of 14% of total heat consumption by 2020, as set by the German government in its integrated energy and climate programme.

Renewable energies in Germany do achieve one particular target every year, however: they help reduce greenhouse gas emissions. Greenhouse gas avoidance of around 148 million tonnes of CO_2 equivalents resulted overall from deploying renewable energies in 2014, according to data from the German Ministry for Economic Affairs and Energy. Almost 109 million tonnes of CO_2 equivalents are attributable to the electricity sector, of which around 80 million tonnes are due to electricity volumes that are entitled to compensation under the German Renewable Energies Act (EEG). Utilisation of renewable energies in the heating sector avoided around 34 million tonnes of CO_2 equivalents of greenhouse gases.

Energy consumption in Germany in 2014 was down 4.7% year-on-year, including due to mild weather, thereby reaching its lowest level since German Reunification. The sole exception comprised energy consumption from renewable energy sources, which was up. The overall energy mix has changed only slightly, however. Fossil fuel sources' share of total consumption.

Structure of primary energy consumption in Germany 2014 Share %



( ) Previous year

Diagram 3: Structure of primary energy consumption in Germany in 2014
Source: Energy Balances Working Group (AGEB), press release 10 March 2015

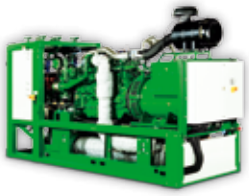
Restructuring of the energy system has gained dynamics with the new energy policy direction in Germany. The strategic shift announced by energy utility E.ON at the end of November 2014 comprises a symbolic milestone in this context: E.ON is exiting its classic energy production business with large-scale power plants. E.ON will concentrate in the future on renewable energies, energy grids, and customer solutions within decentralised structures. Along with E.ON, other large energy utilities such as RWE and STEAG are increasingly orienting their business models to decentralised energy supplies with their own subsidiaries and regional service offerings, as well as retrofitting existing supply structures. 2G has realised such projects in the year under review, including with the latter companies.

2G has established a good competitive position with energy utilities' purchasing and technical teams thanks to its expertise in both the technology and manufacturing of CHP power plants, as well as in project management that allows CHP systems to be integrated optimally into customers' energy systems. As part of a master agreement with E.ON, 2G has been firmly integrated into its global purchasing concepts for CHP solutions since 2014. Decentralised energy supply also entails relying on smaller generation units and a large number of generation units, however. 2G is very well positioned as a technology leader in this market segment with its 20 kW to 4,000 kW CHP performance range. With their certified control electronics and software, 2G power plants comply with the VHPready standard, and can be integrated easily into virtual power plants or energy service providers' larger generation units, as they can be managed and controlled (remotely).

CHP market

In gas-operated CHP systems, energy is gained from biomass, gas from purification plants, and landfill gas or natural gas. In addition to their high efficiency level as a result of the simultaneous generation of power and heating/cooling, their advantage lies in their very good net CO_2 balance, high number of operating hours – irrespective of volatile external input factors – and their resultant ability to supplement or offset generation fluctuations from wind farms or solar parks. CHP power plants are already utilised today for control and system services, and are integrated into existing grids. This allows them to make a stabilising contribution to offset the fluctuating electricity production from renewable energies that is fed into existing grids. Besides the supply security argument, combined energy production offers a further important advantage compared with the separated generation of electricity and heating/cooling: efficiency. Although neither Germany nor Europe can influence global

energy markets, they can nevertheless exert very significant influence over resource and production efficiency in energy production. Given these factors, too, the potential of combined heat and power can be gauged as very high.

> 20 kW*	**2G CHP modules**	< 4.000 kW**
20 to 50 kW	50 to 550 kW	750 to 4.000 kW
		
Standard CHP modules	Modifications developed by 2G • Gas engine • Control electronics, software • Customised solutions	Customised solutions, incl. project planning
Plug & Play | Rental & Leasing | Service		

*no single-family homes | **no large-scale power plants
Diagram 4: CHP output range of 2G Energy AG
Source: 2G Energy AG

Framework conditions to date in Germany envisage a target of expanding CHP electricity production to 25.0% by 2020, while the relevant share amounted to 16.2% in 2014. The 98 TWh of electricity that are currently generated annually with CHP need to be raised by around 50 TWh by 2020 through constructing additional CHP systems with an output of 10 gigawatts in order to reach this expansion target. Support schemes such as the German Combined Heat and Power Generation Act (KWKG) are due to be updated and amended in 2015/2016.

The Federal Office for Economic Affairs and Export Control (BAFA) has recorded a total of around 6,300 new natural gas operated CHP plants (supported by the CHP Generation Act) for 2014 (2013: around 6,800 plants) that have been installed in Germany, with electric capacity of around 1,260 MW (2013: 1,300 MW). Output ranges up to 10 kW and above 1 MW were tending to fall. Registrations in the performance range above 10 kW and up to 1 MW for natural gas operated CHP power plants have grown. To these are to be added CHP plants in Germany operated by biogas,

landfill gases and gases from purification plants, which are EEG-supported. The German Biogas Association reports construction of an additional 94 systems for 2014 (2013: 335 plants), with electric capacity of 316 MW (2013: 191 MW).

Sales of CHP plant manufacturers operating in Germany continued on a positive trend with significant year-on-year growth in Germany and abroad in the year under review, according to estimates for 2014 from the German Institute for Applied Ecology. CHP sales are characterised by the following trends: at 61% (2013: 63%), the share of exported CHP capacity is again significantly higher than the share of fossil fuel based capacity sold in Germany at 23% (2013: 25%), and biogenic capacity at 16% (2013: 12%).

The latter in 2014 accounted again for the lowest proportion of total capacity sold. Overall, CHP sales reached a new record level with 2.4 GW of installed electric capacity.

CHP systems sold in Germany and abroad in MW

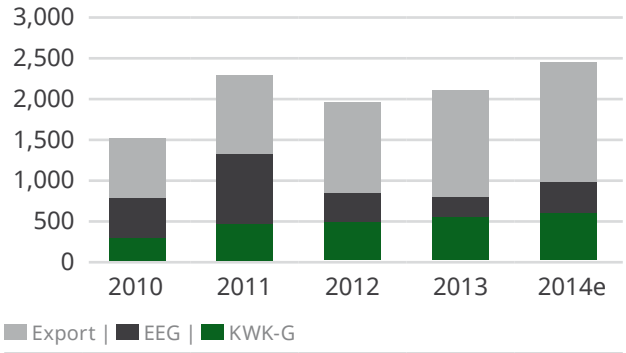


Diagram 5: CHP systems from companies active in Germany, sold in Germany and abroad in MW 2010 – 2014e: Biogas operated CHP systems supported by the EEG, natural gas operated CHP systems supported by the KWK-G , Source: Energie & Management, Öko-Institut (German Institute for Applied Ecology), November 2014

Over the past years, 2G has continuously expanded its market share – in relation to installed electric capacity – in Germany in the area of natural gas operated CHP systems, in its core capacity range from 20 kW to 2,000 kW. The company's market share in Germany was also recorded above 20% in the year under review (previous year: around 13%). In the 250 kW to 500 kW capacity range, 2G's market share has almost doubled from just under 20% (2013) to around 36%.

2G market share for natural gas CHP plants (250 kW - 500 kW) in Germany in %

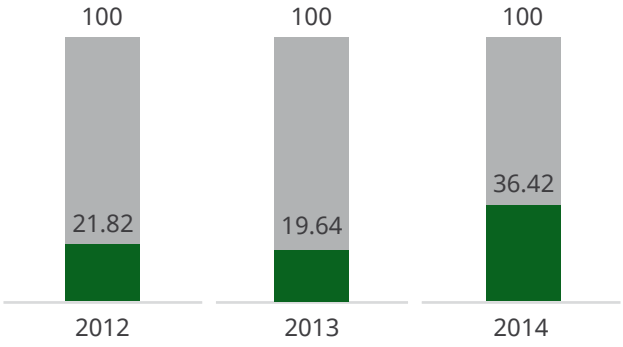


Diagram 6: Trend in 2G's market share in German CHP market 2012 – 2014 for natural gas operated CHP power plants in the 250-500 kW capacity range
Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), as of February 2015

2G market share in natural gas CHP plants (20 kW - 2,000 kW) in Germany in %

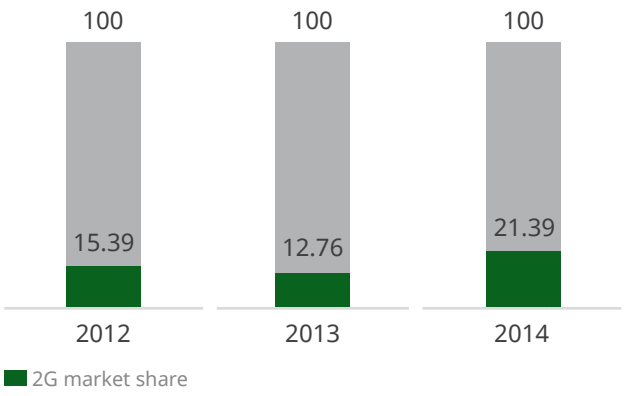


Diagram 7: Trend in 2G's market share in German CHP market 2012 – 2014 for natural gas operated CHP power plants in the 20 kW – 2,000 kW capacity range
Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), as of February 2015

No comparable data source that allows a corresponding market share analysis exists for the biogas market in Germany.

The study of the potentials of CHP published in October 2014 by Prognos on behalf of the German Federal Ministry for Economic Affairs and Energy shows that 40% of energy supplies in Germany can be covered by CHP. Such coverage currently stands at around 16%. The study identifies growth primarily in 2G's target segment between 20 kW and around 5 MW. Achievable operating utilisation and the proprietary electricity utilisation ratio are critical to the profitability of a CHP system. CHP projects are economically attractive if systems achieve high utilisation in terms of time (high and constant heating demand), and where a significant proportion of the electricity produced can be consumed by the operator.

The value of the global CHP market is estimated at around USD 70 billion in the 100 kW to 20 MW capacity range. Of this amount, around 10% is attributable to gas operated CHP plants, equivalent to a market volume of approximately USD 7 billion in other words. Some 40%, or USD 3 billion, of this amount is attributable to engine-driven CHP systems. 2G sees its own market share at around 5%, which is to be expanded to 10% in the medium term. 2G will consolidate and boost its international activities to this end. A structured sales partnership model with calculable costs and risks will allow the company to tap further foreign markets.

Biogas

The technical specifications of biogas-operated CHP plants are designed to achieve as high a level of electric efficiency as possible. Dependent on the existing infrastructure, heating tended to be an ancillary product until the introduction of the German Renewable Energies Act (EEG) in 2012. Heating, or cooling generated through an absorber, however, can be emitted as a high-value product with corresponding cost-effectiveness, if the possibility exists for direct use (livestock management, thermal and process heat, drying, cold storage house, air conditioning), or given the availability of a local heating grid. In the context of the Renewable Energy Sources Act 2012, the operators of new plants are required to use 60% of heat.

In Germany, biogas and power generation respectively are subsidised through the Renewable Energy Sources Act (EEG). Demand for biogas systems has fallen considerably since the amendment to the EEG on 1 January 2012. High substrate prices and problems with the acceptance of biogas plants have influenced this decline. Remuneration structures were streamlined

again, and reduced significantly, when the amended EEG came into force as of 1 August 2014. Annual construction of new bioenergy systems to produce electricity was restricted to 100 MW of installed electrical capacity (gross). The plants now receive basic remuneration. As of 1 August 2014, obligatory direct marketing was introduced for bioenergy systems on a stepped basis depending on installed output. Direct marketing according to the EEG is now possible only with the help of the market premium. The green electricity privilege has been abolished. Plants must be remotely controllable in order to qualify for the market premium. 2G CHP modules meet this condition for most of the CHP systems on offer through purchasing certification according to the low and medium voltage directives. 2G has thereby secured access to both the market for new biogas systems as well as to the promising market for repowering investments. The guidelines have been binding since 1 January 2014 for the commissioning of CHP systems, and also cater for significant rationalisation among competitors on the German market.

Repowering of biogas systems

In combination with the amended EEG 2014, framework conditions have also been re-regulated for the repowering of existing biogas systems, with the investment hurdle that has existed date having been abolished. Once biogas operated CHP systems have reached the end of their basic life-cycle of around 60,000 operating hours (around six to eight years), operators face a choice between a general overhaul, or replacement investments in combination with a technical re-dimensioning of the respective plant. The new regulation was based on a ruling passed by the German Federal Supreme Court (BGH) in October 2013 relating to the definition of the term „plant“ in the context of biogas plants. Accordingly, the so-called „expanded plant term“ also applies for replacement investments and redimensioning as apply to EEG remuneration rates for the year of the commissioning of the (old) biogas system.

Biogas systems with remuneration entitlement according to the EEG 2000, 2004, 2009 or 2012 are limited in terms of the potential expansion and flexibilising of their electricity production („superstructures“ as part of repowering). Each kilowatt-hour of electricity that exceeds the plant's maximum rated output is compensated only at the monthly market value. The commissioning year of the system is decisive to determine maximum rated output. All plants can continue to utilise the flexibility premium. Such entitlement no longer applies if the aggregate additional construction to the plant park in Germany exceeds an additional installed electric capacity of 1,350 MW. The capacity installed in the plant park by 31 July 2014 forms the reference for this „output cap“.

In its sector forecasts published in November 2014, the German Biogas Association assumes that 94 new plants will be installed in 2014 (2013: 335 new plants). Together with plant upgrades (repowering), this would represent an increase in installed electrical output in 2014 of 316 megawatts (installed electrical output 2013: 3,543 MW, 2014e: 3,859 MW). Of this, around 150 MW of capacity would be added as part of plant upgrades to create flexible electricity production („superstructure“). Compared with 2013, improvement in performance rose by just under 9% (2012 compared with 2011: 8%) while new power plant construction fell by just under 72 %. The base of biogas systems that has been established in Germany over the past approximately quarter century

Development of number of biogas plants and of total installed electrical power 2000 - 2015e

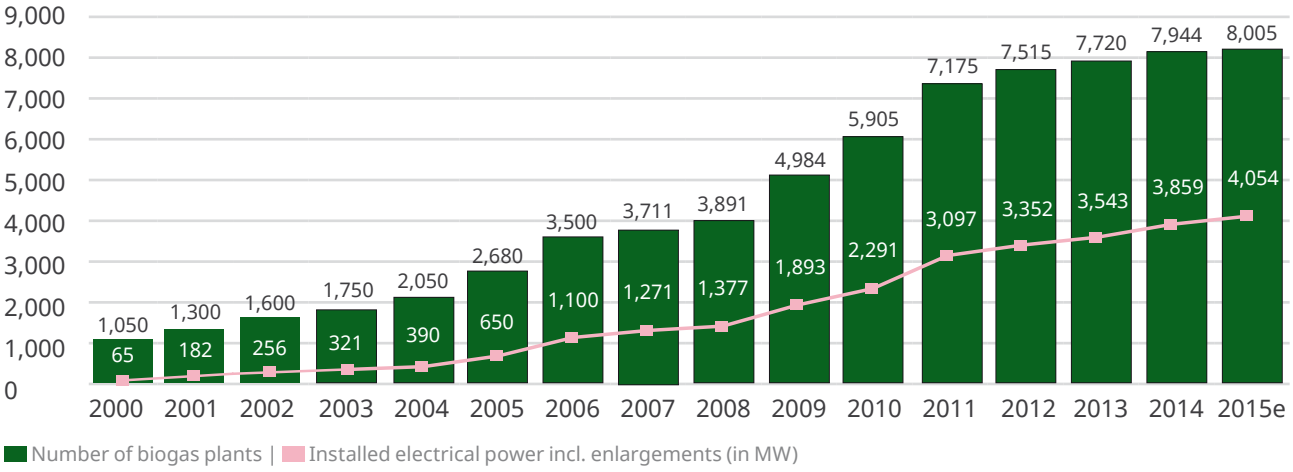


Diagram 8: Trend in number of biogas systems and total installed electric capacity 2000 – 2015e
Source: German Biogas Association, 2014/2015 forecasts, as of November 2014

supplies a notional 7.9 million households with biogas electricity, and 17.6 million tonnes of CO_2 emissions are saved, according to data from the German Biogas Association. The association is of the view that, within a flexible electricity market, the flexible fuel source of biogas assumes a special role within the renewable energies mix. Firstly, biogas can be stored, thereby supplementing fluctuating energy suppliers such as wind and solar through energy generation from CHP power plants. Secondly, electricity from modern biogas operated CHP systems can also be deployed as balancing energy, thereby also helping to offset natural volatilities, irrespective of the weather or time of day. As of 2014, around 2,200 of the total of almost 8,000 biogas systems are registered at the German Federal Grid Agency for flexible plant operation. Biogas consequently makes 1.2 GW of flexible electric power plant capacity available.

According to the European Biogas Association (EBA) over 14,500 biogas plants with an electric output of 7.9 GW are installed in Europe (status: end of 2013). In its „EBA Biogas Report 2014“ published in December 2014, the EBA notes that – similar to Germany and Italy – the biogas sector in many countries faces significant modifications to support schemes, or that such changes have already occurred. The EBA believes that stagnating markets should be assumed as a consequence. Although an expansion of biogas plants of 18% was still registered in 2013 in Hungary, Slovakia and Poland, growth trends tended to be moderate in important biogas countries such as the United Kingdom, France and Sweden, with the EBA noting that support had already been discontinued in Cyprus and the Czech Republic, while biogas system operators face upper expansion limits in Germany and Austria.

On European markets, biogas continues to represent an important fuel for CHP plants, and generally receives state subsidies to varying degrees. Demand for biogas plants also increased in Asian markets and in the USA.

German biogas plant builders, who rank among the leading biogas plant builders worldwide, are supported in their export efforts by various promotional and financing initiatives, such as by KfW subsidiaries and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). 2G benefits from this as a supplier of the connected CHP systems for operation with various lean gases, such as biogas, gas from purification plants, and landfill gas.

Generally speaking, biogas-operated CHP plants for generating energy utilising efficient CHP technology in the respective countries perform an important door-opening and awareness-raising function for the CHP principle (simultaneous generation of power and heat). A similar development to Germany after the end of the 2011 biogas system boom was observable in Italy in 2013 and in the UK in 2014, for example: support for biogas systems was modified and reduced in terms of structure and level respectively, resulting in an evident demand shift towards natural gas operated CHP plants. A similar development is foreseeable for other countries in the future. Germany serves to a certain extent as a blueprint for the CHP markets in other regions.

The generation of energy from biogas is still relatively expensive compared with other forms of energy generation harnessing natural gas or renewable energies from wind and solar power, for example. Economical operation of biogas plants, whose substrates originate primarily from renewable resources, is unlikely in the foreseeable future without subsidies. The operation of a CHP plant with gases from a purification plant, methane or landfill gases is configured as required based on locally available raw materials as waste materials, and is more economically viable. With respect to the operation of biogas plants, however, state remuneration models and regulatory requirements still exert a major influence on the development of the biogas sector in individual countries.

Natural gas

Within the framework of the targets that the German government has set for its new energy policy direction, natural gas can make an important contribution to realising them successfully. Natural gas represents a multitalented energy supplier on the electricity and heating markets, and among all fossil fuel sources enjoys a very good net carbon dioxide impact due to its low CO_2 emissions in combustion within technical applications, and thanks to its high efficiencies. The existing, well-expanded natural gas infrastructure for generation, transportation, distribution and storage in Germany and many European countries can already be utilised for the new energy policy direction.

Transmission networks of around 40,000 km form the backbone of the entire gas transportation system in Germany. These are defined as transmission networks in the meaning of the German Energy Act (EnWG). The natural gas distribution network is over 470,000 km long. The entire German natural gas network is more than 530,000 km long. Its potential for sustained energy supplies for the new energy policy direction has already become evident over recent years with the expansion of natural gas operated combined heat and power systems. In Germany alone, the installed

electric capacity of natural gas operated CHP systems has risen annually by around one quarter from 2009 on . The power-to-gas method, with the conversion of regeneratively produced electricity into hydrogen or methane, also allows sensible utilisation of electricity surpluses from renewable energies, allowing them to be stored in large volumes in the existing natural gas infrastructure. If required, such gases can be subsequently reconverted into electricity and heating through CHP power plants. 2G is already involved in a pilot project with renowned industrial companies to utilise hydrogen to this end, and has collected important empirical data for engine technology with hydrogen fuel in this still-young technology area.

Natural gas operated CHP plants can be controlled according to both electricity and heating demand, and can be regulated in terms of output. Natural gas operated CHP systems can be operated with a high degree of efficiency, and can be deployed flexibly. Operators also receive a CHP allowance for power from combined heat and power generation systems, which is used in the supply premises itself (industrial operations, swimming pools, apartment blocks etc). A so-called EEG levy is to be paid on a proportional basis for new plants for self-utilised electricity with the coming into force of the amended 2014 EEG as of 1 August, which also slightly lengthens the amortisation period for CHP power plants. For operators, however, the economic viability of a natural gas operated CHP system depends significantly on having heating and cooling requirements that are as continuous and as high as possible, and which can be covered by the CHP power plants.

Demand for natural gas operated CHP modules continued to rise in Germany in 2014, as in previous years. As a consequence, natural gas operated CHP plants remained on their growth trend during the year under review (2014: +9%; 2013: +13%). The market share of the natural gas segment is forecast to have stayed at a high level, and significantly larger than that of the biogas segment, standing at around 60% (2013: 67%), according to the results of the Energy & Management/ German Institute for Applied Ecology survey from November 2014 (see diagram 5). The higher level of sales of natural gas operated CHP plants has been supported firstly by the improved subsidies resulting from the 2012 amendment to the German Combined Heat and Power Generation Act (KWK-G), and secondly by the rise in the EEG levy, from which CHP plants operated for proprietary energy consumption were exempt until 31 July 2014.

Whereas average electricity prices for industrial and private customers have increased significantly in past years, the price increase for natural gas has been relatively moderate, by contrast. This trend is supported by a good supply situation and high supply security. In addition, the (Brent) crude oil price halved during the second half of 2014 to USD 57.56 at the end of the year. Due to gas prices being tied to oil prices, this price fall will impact gas prices with an approximately six-month delay. The spread between the electricity price and the natural gas price is also referred to as the „spark spread“, with the delta forecast to remain stable in the future, or tending to widen.

Decentralised energy supply comprises a further advantage to the operation of CHP systems with natural gas. Natural gas operated CHP plants can relieve the pressure on power grids to be reconfigured as part of the new energy policy direction on the basis of in general already existing supply logistics for

natural gas provision and for feeding excess heat into local and district heating grids. Heating and electricity are generated directly where they are to be utilised, in line with demand. In conjunction with other renewable energy forms – 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 politically 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. These 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.

Combining individual decentralised power plants can result in differences between the electricity demand of the individual power plant and the heating demand of the local consumer. Whereas CHP plants in the past were operated exclusively either on a purely electricity-managed basis or purely heating-managed basis, 2G has created a valuable alternative with its newly created „Virtual Power Plant“ operating type through new control technology developments. With this variant, the 2G power plant operates primarily according to the heating demand of the customer or site. Given a request from a virtual power plant, controls allow an immediate switch of priorities, placing the focus exclusively on electricity generation. Overall, the 2G power plant is consequently operated on a basis that is „heating-managed and electricity-oriented“.

Natural gas prices remain stable long-term despite regional differences

Natural gas plays an important role as a bridging fuel source in the new energy policy direction toward lower-CO_2 energy systems in Germany, Europe and worldwide. Trends in natural gas prices are important in this context. A study by the German Institute for Economic Research (DIW) shows that a permanent discrepancy exists between regional natural gas prices in Europe, Asia and the USA. Natural gas prices in the USA are relatively low due to the shale gas boom, whereas they are around four to five times higher in Asia. European natural gas prices are recorded between these levels, and also diverge sharply within the single market, according to the DIW‘s experts. Previous expectations that the natural gas market would globalise (similarly to the crude oil market) have failed to materialise, according to the DIW. The institute sees the opposite as having occurred, in fact: regional natural gas markets with specific market and price mechanisms have emerged. This is also reflected in the very different spark spreads (relation between price of electricity and the price of gas) in individual EU countries, which are between two and five, and a spark spread in the USA of between seven and eight.

The German Association of Energy and Water Industries (BDEW) suggests in a study that the continued expansion of natural gas subsidies means that worldwide coverage of more than 200 years can now be assumed. Global resources have been upgraded further over recent years. Assuming overall moderate price growth for natural gas – even if varying from region to region – consequently appears plausible.

Electricity prices remain at high level for users

Electricity prices in Germany have increased further for consumer households and small- and medium-sized industrial operations. The proportion of government-imposed special charges (taxes and levies) on electricity prices in Germany has risen considerably in this context. This trend is particularly evident in the average household customer price for electricity. In 2013, the share of taxes, charges and levies amounted to 50% of the electricity price. Special government-imposed charges have also risen for larger consumers such as industry over the same period, with the share amounting to 42% in 2013. This is particularly true for the absolute level of charges: whereas the proportion of taxes, charges and levies amounted to just 0.59 cents/kWh in 2000, they amounted to 5.73 cents/kWh by 2013 for industrial customers without EEG relief, rising further to 6.82 cents/kWh in 2014 (in each case excluding electricity tax).

The average electricity price (including electricity tax) for industry in 2014 increased by 0.45 cents/kWh to 15.56 cents/kWh, corresponding to 3.0% year-on-year

Average electricity price for industrial customers (incl. electricity tax) 2000 - 2014 Cent per kWh

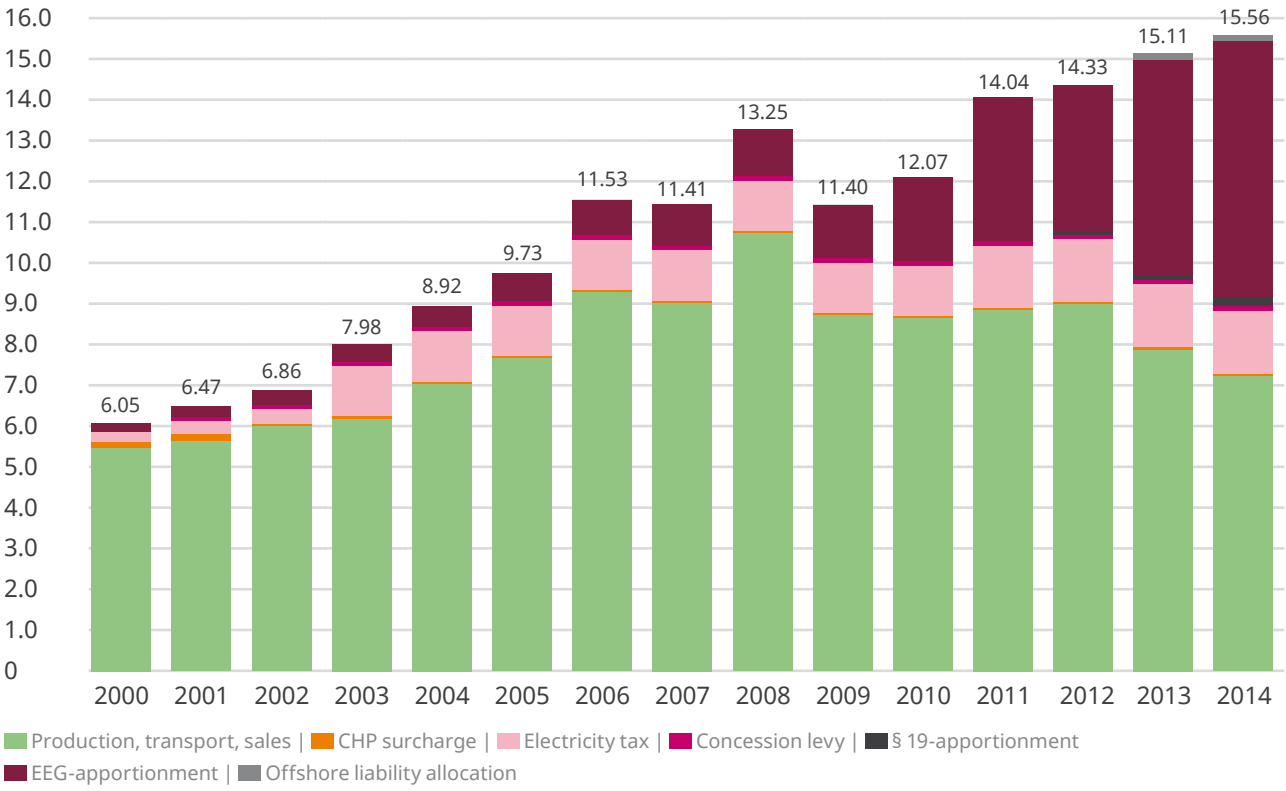


Diagram 9: Average electricity price for industry 2000 – 2014 (including electricity tax) in Germany in cents per kWh (annual consumption 160 to 20,000 MWh), medium voltage supplies (intake 100 kW / 1,600 h to 4,000 kW / 5,000 h)
Source: BDEW, Energy Information, industrial electricity prices, April 2014

growth, according to data from the German Energy and Water Sector Association (BDEW). Although costs for purchasing electricity on the market – as a component of the final electricity price – were reduced again significantly, by 8%, as in previous years (13% reduction in 2012 compared with 2013), these cuts were more than offset by the markedly higher EEG levy, and further rises in other levies, charges and taxes.

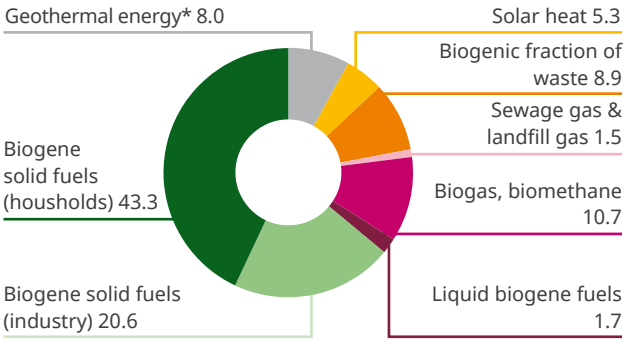
For years, two key effects have characterised the decline in electricity prices on the Leipzig EEX electricity exchange. Changes within the producer structure are impacting price formation on the electricity market, according to the Renewable Energies Agency. This is evident not only in the rising EEG levy (differential costs between EEG feed-in compensation and electricity market price), but also in a price-reducing effect on spot wholesale electricity trading prices, characterised by preferential feed-in and marketing of EEG electricity volumes.

The so-called spark spread, the difference between the electricity price and the gas price, is the decisive factor for deciding whether to invest in a CHP power plant. Based on the outlined developments on gas and electricity markets in 2014, a spark spread of generally 2.5 or greater has arisen for markets of relevance to 2G – as in previous years. Although generator prices for electricity are falling, taxes and levies are resulting in foreseeable stable, or slightly falling, electricity prices overall for users. Combined with the price scenario for natural gas (overall stable to slightly falling prices for natural gas), this suggests a further stable or beneficial trend for 2G's business in the spark spread in terms of economic viability of CHP power plants.

Heating

Around 40% of total energy consumption flows into heating generation. This bears great potential for the deployment of renewable energies and efficient technology, and consequently also for climate and environmental protection. Renewable energies' share of the heating market has remained relatively low to date. Also due to mild weather, especially during the first quarter, its share in 2014 stood at 9.9%, corresponding to 131 billion kWh of heating provision (previous year: 142 billion kWh). More than 70% of chiefly solid biomass (bioenergy in the form of wood pellets, wood off-cuts and scrap wood and biogenic waste material) is utilised directly or by means of combined heat and power generation in the decentralised provision of heat from renewable energies. Moreover, biogas and other lean gases, such as gas from purification plants and landfill gases, represent a good addition to natural gas in the heating market. Lean gases' share has risen slightly from 10.2% in the previous year to 12.2% in the year under review, resulting from the further expansion of electricity generation from biogas with combined heating utilisation.

Use of heat from renewable energies in Germany 2014 Share %



* near surface geothermal energy, geothermal heat, deep geothermal energy

Diagram 10: Heating consumption from renewable energies in Germany 2014 | Source: German Federal Ministry for Economic Affairs and Energy (BDEW) (publisher): Renewable Energies in 2014, as of 27 February 2015

Natural gas already plays an important role in combined heat and power generation. Around 50% of all largest CHP plants are natural gas operated, according to the German Federal Ministry for Economic Affairs and Energy (BDEW). The share is even higher in the field of micro/mini combined heat and power generation. The advantages of district heating and natural gas are often exploited together in large municipal plants. The simultaneous production of heat and power makes these plants particularly efficient, and they have a beneficial net CO_2 impact.

The German government's integrated energy and climate programme plans to increase the share of renewable energies in the heating market to 14% by 2020. The multi-level decentralised utilisation of heat for energy supply in the housing industry, in companies as process or thermal heat, or by regional energy providers (such as public utility companies/ local authorities) in local and district heating grids is particularly important for CHP systems.

Regulatory environment

The 2014 reporting year was characterised in regulatory terms mainly by the 2014 amendment to the German Renewable Energies Act (EEG) that came into force as of 1 August 2014. The amendment rung in a shift away from fixed minimum compensation within the EEG support scheme. Mandatory direct marketing was introduced for all plants with installed capacity of 500 kW up, and for all plants of 100 kW up from 2016. In other words, plant operators are required to sell the electricity that they produce through direct marketers on the electricity exchange, and now receive just the so-called market premium from the network operator. The latter is derived from the difference between a statutorily fixed value (applicable value) and the average monthly market value.

The most significant changes relate to electricity produced with biomass. As new biogas plants above 100 kW can now only claim remuneration for half of their installed output, the German Biogas Association believes that the construction of new biogas systems will more or less come to an end. Further details about regulations relating to the repowering of biogas systems have already been explained above in the corresponding chapters.

For natural gas operated CHP systems, the EEG has set a charge on proprietary electricity utilisation by means of a proportionate EEG levy: this amounts to 30% of the EEG levy of EUR 0.0617 in 2015, 35% in 2016, and 40% from 2017.

Along with specific regulations on the remuneration structure and the mandatory levy for proprietary electricity utilisation, the regaining of planning and investment security is especially important for the further development of the CHP market. Above and beyond this, from the manufacturer side it must be emphasised that CHP power plants are deployed only where energy demand and where customer utility and benefit economically justify utilisation of a CHP system – and not in order to generate income from temporary, fixed-term subsidies. Such misallocation of investments in the past has shown that when support schemes expire, or unplanned and politically induced amendments are introduced, operating situations can arise that are not financially viable, or require the complete discontinuation of operating activities.

In sum, the 2014 act amendment has marginally

extended the amortisation period of a natural gas operated CHP system by a few months.

American market

Great potential is ascribed to the American market. At the end of 2012, 82 GW of output from around 4,100 installed CHP plants was available in the USA. These plants originated primarily from an investment boom between 1982 and 2005 that was boosted by favourable regulatory framework conditions. Installed output represents 8% of US electricity generation capacity. Due to the higher availability, however, CHP plants actually contributed to 12% of electricity generation in the USA. Natural gas serves as the primary fuel: see diagram 11. Measured in terms of output, 87% of CHP plants in the USA are installed for industrial applications where the average plant size is 52.5 MW. The supply of buildings accounts for 13% where the average plant size is 4.8 MW.

CHP system capacity by operating feedstock type in the USA Share %

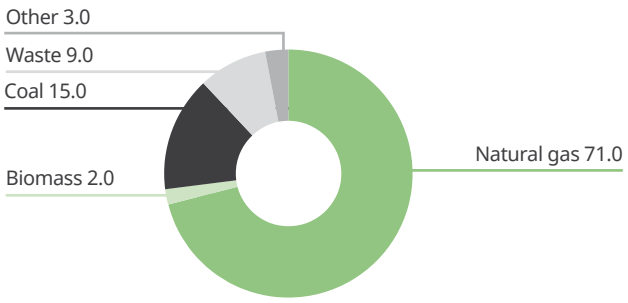


Diagram 11: CHP system capacity by operating feedstock type in the USA
Source: SMC Research, March 2014

The average CHP plant size sold by 2G in the USA amounts to around 450 kW. 2G regards itself as well positioned on the American market with its offered performance range between 100 kW and 4,000 kW, as demand for small- and medium-sized plants offers good growth prospects. In both the natural gas and biogas areas, 2G has sold some plants in the upper capacity range between 800 kW and 2,000 kW in the past two business years. These include some CHP systems for the recycling and waste disposal industry, as well as for operation with biogas. Interest in natural gas operated CHP power plants is experiencing constant growth, especially in industry. 2G has already realised some reference projects with renowned customers.

Four factors are considered growth drivers for the CHP market in the USA:

- The benefits of CHP technology are being recognised increasingly in political circles at federal, state and municipal levels, and are supported in various ways
- Against a backdrop of extreme weather and an ailing public sector infrastructure, the supply reliability and grid stability of decentralised independent power and heat generation plants are gaining significance
- Tighter emission regulations, environmental specifications and energy efficiency standards are prompting new and replacement investment in power stations
- Shale gas deposits secure domestic supply, and a higher spark spread supports the economic efficiency calculation for investments in CHP plants

This should not obscure the fact that the US market is characterised by heterogeneous structures, and by various factors and investment subsidies at federal, state and district level. CHP projects are primarily supported on a targeted basis, and financial resources are available for research and development projects for decentralised energy supply. To this are added temporary tax benefits. Despite such state-led efforts to accelerate CHP market growth, unfavourable

overall conditions are hampering the unfolding of larger investment activities. Measures to improve grid connection, grid integration, and the regulation of fees incurred by suppliers (standby and backup charges), are extremely important to market growth in this context. While standardised processes, transparent fees and binding schedules are important for connection to the power grid, standby and backup fees should take appropriate account of the benefits of a CHP plant for the entire system, and should not be prohibitively high. Requirement for harmonisation still exists in the USA in this context, and uniform federal standards need to be created.

Proposed solutions for this problem include, for example, standards for standby rates, which would be beneficial for CHP projects, to be developed by the State & Local Energy Efficiency Action Network (SEE Action), the Department of Energy (DOE) and the Environmental Protection Agency (EPA).

The advantages and concepts of a decentralised energy supply utilising a raw material that is likely to be abundantly available in the USA in the foreseeable future – namely natural gas – stand right at the top of the reliability of energy supply agenda for an increasing number of industrial companies, public agencies, and sensitive supply and research institutions. An ailing infrastructure and frequent extreme weather phenomena (storms, heat waves and cold spells) have contributed to this in recent years. Hurricane Sandy in 2012 was a key event for the densely populated states of New Jersey, New York and Connecticut, which were the most severely impacted by the hurricane. The risks and costs of a lack of grid stability in this case: at the peak of the storm, 2.6 million factories, business premises and private residences in New Jersey were without power, in addition to 2.1 million in New York and 0.6 million in Connecticut. Moreover, the costs arising from the failure of power supplies and the physical damage, economic performance losses alone were valued at USD 5.7 billion. During the disaster, local CHP plants provided a stable power supply for colleges, hospitals, wastewater treatment plants, large housing complexes and so on.

Microgrids and district energy form a central line of thrust for improving the reliability of supply both for critical public facilities and for factories, office buildings and large housing complexes. These comprise local power and heat generation systems for a narrowly defined, low-voltage distribution network, which ensures supply that is independent from the central power grid. Consequently, microgrids formed a priority in New York after Hurricane Sandy in the context of the Special Initiative for Rebuilding and Resiliency. The target of reaching an installed capacity of 800 MW by 2030 was set during this initiative.

As part of the Climate Action Plan, the expansion of the biogas industry is to be stepped up with the Biogas Opportunity Roadmap that was presented in August 2014. A total of 239 biogas plants are currently in operation in the USA, although the potential is estimated at 11,000 plants, according to a study produced by the EPA, DOE and the US Department of Agriculture (USDA). The prospect of several state measures to promote expansion has been held out. Market conditions can improve in the medium term, with growth in the market for biogas, landfill gas and gas from purification plants receiving tangible stimulation.

US Biogas Opportunity Roadmap in MW

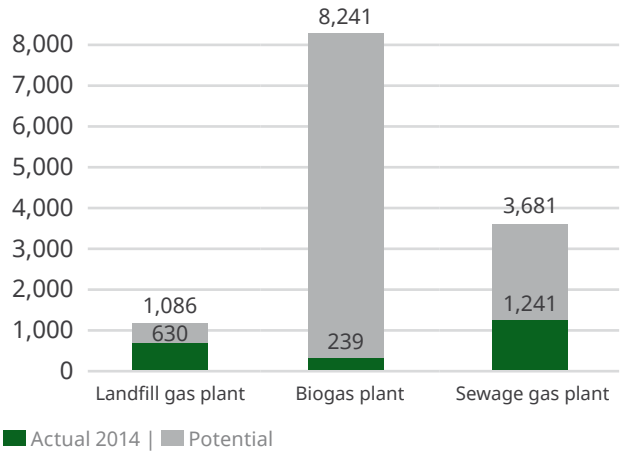


Diagram 12: US Biogas Opportunity Roadmap
Source: CHP market USA, SMC Research, September 2014

The shale gas boom and reliability of supply are closely linked in the USA. Oil- and gas-based primary energy resources that have been tapped in recent years in the USA have led to considerable investment in new industrial production facilities. Many experts are talking of a new era of reindustrialisaton in the USA. At the same time, the USA is experiencing an energy revolution that is significantly different from the European path. Awareness about fossil fuel source utilisation, affected by climate change, is resulting in a shift away from coal as a fuel source towards natural gas. Fracking technology-enabled shale gas exploration comprises a „game changer" in the US energy market. Low gas prices are resulting in a higher level of electricity produced from gas, and declining levels of electricity produced from coal. Gas power plants that can be regulated and decentralised CHP power plants are playing an important role in the production mix. Modern, complex industrial production operated in many areas using hightech machinery (lasers, for example) without reliable electricity supplies is disadvantageous and impractical, however. Decentralised, privately run CHP plants offer striking advantages in terms of investment costs, profitability and efficiency (industrially usable process heating/cooling in addition to electricity), including compared with state-implemented replacement of the extensive supply infrastructure.

Overview of the 2014 financial year

In FY 2014, 2G generates the highest sales revenues in the company's history

The 2014 financial year was characterised by the amendment to the German Renewable Energies Act (EEG), which did not come into force until 1 January 2012 – both ahead of and during the legislative process, as well as after it came into force on 1 August 2014. The transformation and realignment process in the German and European markets for CHP systems also continued. Following a start to the year that was characterised by a reticence to invest, new order intake for biogas and natural gas operated CHP plants leaped once the ruling on the valid date for the 2014 EEG was announced. Already by mid-April, 2G implemented a stop on accepting new CHP orders with completion dates up to 31 July 2014. Tight production times and deadlines for quick commissioning in compliance with the cut-off date were adhered to with great care and discipline. The second half of the year was also affected by processing this order book position and by full commissioning operations. Among European markets, the UK, in particular, reported pleasing new order intake and sales trends. In parallel, structuring measures aimed at cost savings and new sales strategies were implemented at subsidiaries in stagnating or changing markets, such as Italy, Spain and France. The loss-making situation at 2G Manufacturing Inc. (2GM)

was also reduced considerably through capacity adjustments, and as a consequence of the favourable euro to US dollar exchange rate trend.

In addition, greater demand for natural gas operated CHP power plants was registered in the UK and Italy. This is accompanied both in Germany and abroad by a shift in the customer structure away from agriculture towards industrial customers, municipal entities and large energy utilities that wish to make themselves less dependent on rising energy prices through decentralised proprietary electricity and heating supplies based on natural gas operated CHP power plants.

The continued weak economic situation in Southern Europe, reductions to support and feed-in regulations, and market entry and financing barriers, affected sales of CHP systems in Europe. Business trends in the USA also fell short of expectations in 2014.

In the year under review, 2G implemented processes to optimise cost structures in key areas, and realised growth investments. Firstly, for example, organisational structures have been better aligned to new order intake, some of which has still been seasonal to date. Secondly, 2G is positioning itself at an early stage on new national and international markets, preparing itself for greater demand for CHP technology.

Such steps include:

- strengthening and expanding national and international sales and marketing,
- reorganising the Service business area and expanding the international service network,
- training and qualifying staff,
- strengthening and aligning organisational structures to international standards, and
- continuous improvements to standardise working processes and certification measures.

The high order book position, which is tied to certain deadlines, and the foreseeable process of realising it in terms of sales revenues and earnings during the third and fourth quarters of 2014, prompted the Management Board to raise the sales revenue forecast at the end of September. For the full 2014 financial year, the Management Board increased the sales revenue forecast to a level above EUR 165 million (forecast from end of May 2014: between EUR 145 million and EUR 165 million), and confirmed its estimate of an EBIT margin between six and eight percent. These sales revenue and earnings forecasts were achieved, and a significant overhang of orders worth around EUR 42.3 million (62% of which comprise partially completed work) were transferred to the 2015 financial year.

The competitive situation has changed as a result of the continuing transformation and concentration process in the sector, as reported. Some smaller market participants are no longer present in the market, while new competitors are not entering the market due to high market entry barriers (such as a lack of references, certification, registration, software development, and instrumentation and control technology), as well as insufficient financial resources.

2G Group
Total output, turnover, EBIT
EBIT margin

EUR millions
in %

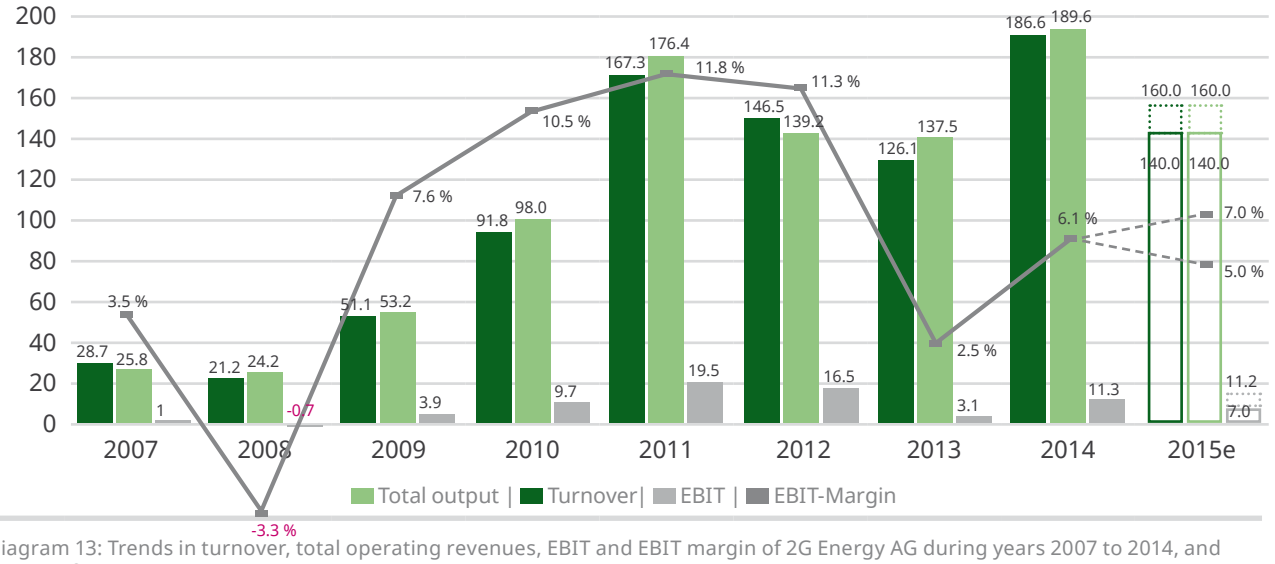


Diagram 13: Trends in turnover, total operating revenues, EBIT and EBIT margin of 2G Energy AG during years 2007 to 2014, and forecast for 2015e

3. Results of operations

Sales revenues

Sales revenues reach highest level in company's history

In the 2014 financial year, consolidated sales revenues of EUR 186.6 million (previous year: EUR 126.1 million) exceeded the forecast, and reached a new record level in 2G's company history. The previous year's sales revenues were surpassed by 47.9%, and the forecast of higher than EUR 165.0 million was exceeded by 13.0%. Taking into account increases in inventories of around EUR 2.9 million (previous year: around EUR 11.3 million), total operating income grew to around EUR 189.6 million (previous year: EUR 137.5 million). An order overhang of around EUR 42.3 million as of 31 December (previous year: around EUR 46.0 million) was transferred to the 2015 financial year. The increase in other operating income to EUR 3.2 million (previous year: EUR 1.7 million) is connected with income from insurance compensation (EUR 1.2 million; including fire damage in Heek), and currency translation income (yen and US dollar; EUR 1.2 million).

Distribution of sales revenues

It became clear at the start of the 2014 financial year that the German government that had been newly constituted in autumn 2013 wished to implement an amendment to the Renewable Energies Act (EEG) with effect as of 1 August 2014.

The contents and effects of the amended EEG were not fixed until later, resulting in tangible a reticence

to invest and place orders for 2G power plants in Germany at the start of the year. This situation changed swiftly when customers became aware that only a limited time window until the 31 July cut-off date was available to ensure that 2G power plants would be produced, delivered and commissioned (short-term) in time. New order intake accrued to such an extent within an extremely short period that by mid-April 2014 production capacities for deliveries until the end of July 2014 were exhausted, and the company had to announce a stop on accepting further orders. In order to produce the CHP systems that had been ordered on time, all steering and adaptation possibilities along the supply and value chain were exploited, including three shift operations, and weekend and holiday working. Numerous full commissioning operations for 2G power plants were implemented during the second half of the year.

On foreign markets in the 2014 financial year, sales to agricultural customers in the United Kingdom accounted for the predominant share. UK-based 2G Energy Ltd. developed into the largest foreign branch, delivering a sales revenue contribution of around EUR 14.9 million (previous year: EUR 1.7 million). Consequently, the company made a significant contribution to the full-year utilisation of 2G's production capacities at Group headquarters in Heek. The trend in 2G's US business that is included in the consolidated financial statements remains at a low level of EUR 6.3 million (previous year: EUR 4.0 million). The new order intake and sales revenue forecasts of the US business and sales management team were not met. Sales on other foreign markets performed in line with expectations. In Southern Europe, a significant reluctance to invest continues as a consequence of insufficient incentives, and the fact that biogas operated CHP projects offer little financial viability. At the same time, however, the process of transformation towards utilising natural gas operated CHP plants has started. 2G Italia Srl grew its sales revenues by EUR 1.9 million, from EUR 2.4 million in the previous year to EUR 4.3 million, through sales measures and through concluding sales cooperation ventures that are aimed at a stronger focus on the natural gas market. It is not anticipated that the level of sales of around EUR 11 million that was achieved in 2012 can be reached again in the near future. 2G has tapped further sales markets, and has meanwhile successfully installed several thousands of CHP systems in 35 countries worldwide.

The Service & After-Sales areas are growing continuously, generating a combined sales revenue share of EUR 51.6 million (previous year: EUR 35.9 million). In particular, servicing of 2G systems is registering significant expansion as a result of the installed base of new plants. At EUR 37.2 million, 2G generated an approximately 36% higher sales revenue contribution in the year under review compared with the previous year. The decentralised service structures that are required and the small parts business make great demands of service efficiency, plant availability, and consequently customer satisfaction. 2G reallocated its service areas in the 2014 financial year, improved technical resources, added personnel, and established a network with regional and trained service partners. The core expertise of large-scale plant inspections remains with 2G's customer service operations.

As a result of strong business in Germany – especially demand for natural gas operated 2G's power plants – the foreign share of sales revenues is almost unchanged year-on-year at around 21% (previous year: 22%). In terms of gas types, consolidated sales revenues were 52% attributable to biogas (previous year: 62%)

and 48% attributable to natural gas (previous year: 38%) operated 2G power plants. International sales continued to dominate business with biogas operated CHP systems, accounting for 82% (previous year: 93%). A demand shift towards natural gas operated CHP plants is nevertheless identifiable in already developed markets such as Italy, the UK and the USA. In Germany, sales of 2G power plants were 40% attributable to biogas (previous year: 49%) operated systems, and 60% to natural gas (previous year: 51%) operated systems. 2G sold a total of 608 CHP units in the 2014 financial year (previous year: 445 units). While the share of the After-Sales business was up by two percentage points year-on-year to 8%, the Service share fell from 22% to 20% of total sales revenue. Due to the considerable year-on-year sales revenue growth, comparisons of the percentage figures are less meaningful. The absolute figures contained in the following table show how significantly the Service and After-Sales businesses have grown.

Composition of sales revenues and additional key indicators

	2014			2013		
	Germany	Abroad	Total	Germany	Abroad	Total
Sales revenues, in EUR millions	147.6	39.0	186.6	98.0	28.1	126.1
CHP modules	97.6	37.4	135.0	64.4	25.8	90.2
of which biogas	39.2	31.1	70.3	31.6	24.1	55.7
of which natural gas	58.4	6.3	64.7	32.8	1.6	34.5
of which syngas	0.0	0.0	0.0	0.0	0.0	0.0
Service	36.1	1.1	37.2	25.7	1.8	27.4
After-Sales	13.9	0.5	14.4	8.0	0.5	8.5
CHP modules Units	484	124	608	347	98	445
CHP modules Ø value per unit (in EUR /unit)	201,595	301,584	221,988	185,574	263,050	202,636
Electric capacity sold, in kW			166,090			119,993
Electric capacity sold, Ø kW per unit			273			270

Percentage composition of sales revenues by product areas

	2014			2013		
	Germany	Abroad	Total	Germany	Abroad	Total
Turnover, in %	79%	21%	100%	78%	22%	100%
CHP modules	52%	20%	72%	52%	20%	72%
Service	19%	1%	20%	20%	2%	22%
After Sales	8%	0%	8%	6%	0%	6%

Group results

EBIT margin up significantly year-on-year to 6.1%..

2G achieved consolidated earnings before interest and tax (EBIT) of EUR 11.3 million (previous year: EUR 3.1 million). 2G significantly improved on the previous year's loss-making situation at the foreign branches through cost-curbing and organisational measures, as well as capacity adjustments. 2G reduced the loss at its 2G Italia Srl subsidiary by EUR 1.2 million, cutting it from EUR -1.3 million to EUR -0.1 million. At 2G Manufacturing Inc., USA, the loss was also reduced considerably, by EUR 1.8 million, from EUR -2.3 million to EUR -0.5 million. This loss reduction arose particularly from the favourable trend in the euro to US dollar exchange rate, with an effect of around EUR 0.8 million. Business at 2G Energy Ltd. in the United Kingdom and Ireland performed in line with expectations in the year under review, contributing a profit of EUR 0.9 million to consolidated earnings, and consequently comprising the most successful foreign branch. While the remaining companies mainly achieved breakeven results, 2G Drives GmbH contributed EUR 1.9 million to consolidated earnings. This outstanding result should be seen in quantitative terms together with the new order intake trend at 2G, the resultant demand for modified gas engines with proprietary developed engine components, as well as efficiency-enhancing components. The Group EBIT margin of 6.1% (previous year: 2.5%) is thereby within the forecast range for 2014.

Due to the German Commercial Code (HGB) accounting regulations that are applied, work-in-progress continued to be valued solely at cost in the year under review. The sales revenue and earnings effects from work-in-progress are transferred into the subsequent financial year when the work is completed.

The cost of materials ratio of 70.7% of total operating revenue (previous year: 70.5%) remained constant year-on-year due to identical order-related manufacturing and value creation, as well as an unchanged purchasing structure. The sales record for the 2014 financial year has a particular quality, as it is not generated through a reduction of work-in-progress.

Thanks to the high level of business activity and capacity utilisation, the personnel cost ratio fell from 15.6% to 13.4% of total operating revenue.

Selling & marketing, operating, administrative and other expenses of EUR 19.1 million (previous year: EUR 15.5 million) developed as follows:

- Sales and marketing expenses: EUR 5.2 million (previous year: EUR 3.9 million)
  Along with a slight increase in trade fair and travel expenses, outgoing freight costs rose to EUR 3.1 million in the financial year under review, in line with sales (previous year: EUR 2.0 million).
- Operating expenses: EUR 5.5 million (previous year: EUR 4.5 million)
  The higher level of expenses arises from an increase in energy, insurance and vehicle costs, higher expenses for hardware and software maintenance, as well as for the purchasing of tools and small equipment.
- Administrative expenses: EUR 2.2 million (previous year: EUR 2.1 million)
  Administrative expenses are almost unchanged year-on-year. Slight temporary shifts have occurred within the cost types. Increases occurred in terms of fees, contributions, telephone, Internet, office requirements, further training and working attire. Legal and advisory costs, as well as costs for financial statements, auditing and financial bookkeeping fell, by contrast.
- Other expenses: EUR 6.2 million (previous year: EUR 5.0 million)

These expenses are comprised of an allocation to the warranties provision, and in the previous year also included anticipated losses related to incomplete contracts (EUR 3.1 million/previous year: EUR 2.0 million), receivables losses and credits relating to other accounting periods (EUR 2.6 million/previous year: EUR 2.2 million), currency exchange rate differences (EUR 0.1 million/ previous year: EUR 0.3 million), and other expenses (EUR 0.4 million/previous year: EUR 0.5 million) for losses from fixed asset disposals, further training measures, and overburden and waste removal measures etc. The receivables losses and credits relating to other accounting periods of EUR 2.6 million derive from the addition of specific and general valuation allowances to receivables at 2G Italia (EUR 0.3 million), as well as at 2G Energietechnik (EUR 0.3 million). The remaining EUR 2.0 million relate to credits for the previous year‘s sales.

After including the result of EUR -0.2 million (previous year: EUR 0.3 million) from equity accounting the interest in 2G Cenergy Inc., USA, and the year-on-year unchanged net financial result of EUR -0.3 million, which results mainly from loan interest payments and commissions for guarantees of bills of exchange, as well as income taxes, of EUR 4.1 million (previous year: EUR 1.8 million), the Group reports a consolidated net profit of EUR 6.9 million (previous year: EUR 1.0 million).

Proposal for appropriation of profit

With regard to the 2014 year, 2G Energy AG reports unappropriated retained earnings of EUR 38,360,080.20 on the basis of German Commercial Code (HGB) accounting regulations. The Management and Supervisory boards propose to the Annual General Meeting that it approve the payment of a dividend of EUR 0.37 per share, as in the previous year. Based on 4,430,000 dividend-entitled shares on 31 December 2014, the cash dividend corresponds to a payout amount of EUR 1,639,100.00. The Management and Supervisory boards will propose to the Annual General Meeting that it carry forward the remaining amount to a new account. Consequently, the 2G Group is further strengthening its financial stability and independence, and expanding its financial foundations for its planned sales growth.

4. Financial position

Operating cash flow improves further

The financial management of the 2G Group is focused on securing liquidity for all Group companies.

The following condensed cash flow statement presents the financial position of the 2G Group:

Cash flow from operating activities improved to EUR 8.2 million in the year under review, and is connected with the net profit of EUR 6.9 million, less EUR 2.7 million of depreciation, amortisation and extraordinary write-downs applied to fixed assets, as well as a EUR 3.1 million higher level of capital tied up in inventories. The cash inflow arising from a reduction of customer receivables (EUR 1.3 million) was applied especially to reduce trade payables (EUR 1.0 million).

Expenditures for investments of EUR 3.8 million were realised (previous year: EUR 3.4 million), and are composed as follows:

- EUR 0.5 million to acquire intangible assets (IT licences, and rights arising from the takeover of the former Lichtblicke sales),

Cash flow statement

	31/12/2014	31/12/2013
	TEUR	TEUR
Net profit	**6,883**	**1,029**
Depreciation, amortisation and fixed asset write-downs	2,745	2,407
Change in provisions	1,182	131
Other non-cash expenses/income	155	-158
Loss/gain from asset disposals	41	-10
Change in inventories	-3,082	3,304
Change in trade receivables and other assets that are not allocable to investing or financing activities	1,276	-44
Change in trade payables and other liabilities that are not allocable to investing financing activities	-1,022	-2,529
Cash flow from operating activities	**8,177**	**4,129**
Cash flow from investing activities	**-3,677**	**-3,049**
Cash flow from financing activities	**-2,860**	**-4,673**
Liquid assets on December 31 *	**11,394**	**10,110**

* Reported less short-term bank overdraft drawdowns

- EUR 0.4 million for reconstruction work on plant property (main warehouse),
- EUR 2.9 million connected with the purchase of machines, vehicles, and operating and office equipment.

The previous year's investment spending continued to relate mainly to the operating expansion at the site in Heek. As part of financing activities, financial liabilities were repaid in a net amount of EUR 1.2 million in the year under review.

After taking into account currency-related changes in cash equivalents (EUR -0.4 million), the Group reports overall liquid assets of EUR 11.4 million as of the balance sheet date, after deducting EUR 0.5 million of current bank borrowings (previous year: EUR 0.3 million). Liquidity in the form of bank deposits amounted to EUR 11.9 million as of 31 December 2014. The solvency of the 2G Group was secured at all times. Free lines of credit were also available from banks if required.

5. Net assets

Equity ratio rises to over 56%.

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

Assets

	31/12/2014	31/12/2013
	TEUR	TEUR
A. Fixed assets	22,691	21,927
B. Current assets	68,707	65,354
C. Prepayments and accrued income	339	344
D. Deferred tax assets	880	1,002
Total assets	**92,617**	**88,629**

Equity and liabilities

	31/12/2014	31/12/2013
	TEUR	TEUR
A. Equity	52,069	47,152
B. Provisions	11,191	10,009
C. Liabilities		
I. Bank borrowings	6,144	7,232
II. Other liabilities	23,213	24,235
Total assets	**92,617**	**88,629**

The total assets of the 2G Group increased to EUR 92.6 million as of the 31 December 2014 balance sheet date (+4.4% year-on-year) as a result of a higher level of inventories, reflecting effects related to the reporting date.

Fixed assets of EUR 22.7 million (previous year: EUR 21.9 million) include intangible assets of EUR 5.4 million (EUR 5.6 million), which particularly reflect goodwill at 2G Energietechnik GmbH, less amortisation.

Tangible fixed assets include land and buildings of EUR 8.8 million (previous year: EUR 9.0 million), which serve the purpose of the business and capacity reserves for the extension, consolidation and optimisation of production. Machinery, technical equipment and other assets to the value of EUR 7.8 million (previous year: EUR 6.5 million) particularly include crane systems, special tools and equipment, the vehicle fleet, and requisite factory and office equipment, which are depreciated and renewed regularly. The company also rendered prepayments for plant and systems under construction of EUR 0.3 million (previous year: EUR 0.3 million), which are connected with restructuring work at the main warehouse, and the area of G-Box series manufacturing.

Financial assets of EUR 0.4 million (previous year: EUR 0.5 million) mainly comprise the equity accounted interest in 2G Cenergy Inc. Florida, USA.

Raw materials and supplies of EUR 23.5 million (previous year: EUR 20.4 million) increased as a result of equipping the main and service warehouses, and also reflect effects related to the reporting date.

Work-in-progress measured on the basis of reasonable and careful commercial judgement comprised a value of EUR 26.4 million on the balance sheet date (previous year: EUR 23.5 million). In this context, prepayments received of EUR 20.3 million (previous year: EUR 17.7 million) were deducted openly from orders being processed.

Receivables and other assets fell by EUR 1.1 million year-on-year, from EUR 26.8 million to EUR 25.7 million. Receivables from associates amounted to EUR 0.7 million (previous year: EUR 0.2 million). Other assets of EUR 2.9 million (previous year: EUR 3.5 million) arise mainly from tax reimbursement claims deriving from current sales activities. Working capital (difference between current assets and short-term liabilities) increased to EUR 32.0 (previous year: EUR 28.8 million).

As a result of profit retention, the equity of the 2G Group rose to EUR 52.1 million as of 31 December 2014 (previous year: EUR 47.2 million), and the equity ratio increased to 56.2% as of the reporting date (previous year: 53.2%). The equity capital difference from currency translation is an offsetting item that arises as part of Group consolidation. Depending on the accounting policy, either the average rate for a financial year, the rate on the balance sheet date, or the historical rate is to be applied to the measurement of individual balance sheet items.

When forming tax provisions (EUR 0.9 million) and other provisions (EUR 10.3 million), the obligations that are determined accordingly, and contingent risks (for warranties, for example), are taken into account according to the principle of due commercial prudence.

Bank borrowings were repaid in an amount of EUR 1.1 million in the year under review, from EUR

7.2 million to EUR 6.1 million, as scheduled. These loans for the co-financing of business operations expansion at the headquarters in Heek and for vehicle financing are backed by standard bank collateral security. Sufficient lines exist at banks for standard bank sureties, guarantees and credit terms, and as a potential cash reserve. Prepayments received for work-in-progress amounted to EUR 12.8 million (previous year: EUR 11.3 million), and trade payables were again reduced significantly due to the good liquidity (EUR -1.9 million). Other liabilities of EUR 4.7 million essentially result from current wages and tax liabilities.

Overall statement on the business situation

The Group achieved good results in the 2014 financial year. Across all corporate areas, 2G handled with professionalism the challenges posed by the special labour and utilisation situation arising from the 2014 amendment to the German Renewable Energies Act (EEG), which came into effect on 1 August 2014. The experience and knowledge gained from the 2009 to 2011 biogas market boom helped the company in planning and organisation in this context.

2G is the largest German manufacturer of CHP systems, and is meanwhile recognised in the large-scale industrial area, as well as in the energy and residential housing sectors. With its sector experience and product range, 2G is positioned on a diversified basis and within relevant sub-markets, and along with its new plant business is also increasingly generating calculable and secure revenues from its service business. This allows seasonal capacity utilisation fluctuations to be even better offset and managed. Two further group companies, 2G Energy and 2G Rental GmbH, were successfully integrated into the Enterprise Resource Planning (ERP) system (Microsoft Dynamics NAV 2013). Sustained and Group-wide processes have strengthened 2G in the year under review in its efforts towards greater flexibility in order to be able to rapidly adapt quality management, structures, organisation and commercial activity to market conditions, as well as to boost cost efficiency or realise investments. 2G's solid finances form the foundation for these activities and objectives.

Non-financial performance indicators

Research and development

Tapping future prospects through innovation

2G has developed a leading technological position in the market for combined heat and power generation systems in the 20 kW to 4,000 kW output class in recent years, through consistent and intensive research and development efforts. This is reflected not only in thermal and electric efficiencies that rank among the highest within the international competitive environment, but also in state-of-the-art control electronics and software-based remote control possibilities, as well as in reduced maintenance intervals. Customer benefits lie in the efficiency, availability, controllability and useful life of the CHP modules, as well as reduced maintenance costs.

Overall, 2G CHP systems consequently ensure short investment and amortisation periods, low maintenance costs, as well as high and sustainable economic efficiency. R&D activities are concentrated at Group subsidiary 2G Drives GmbH.

Rising demands are made on CHP plants by customers, energy service providers, grid operators and regulatory

authorities. 2G confronts these challenges, and sets technological standards itself with its own research and development work. Along with higher efficiencies, the complexity of installation conditions is also rising constantly, limits for immissions and emissions are becoming more stringent, and customer requirements in terms of operations characterised by low interruption and maintenance are increasing.

Against this backdrop, 2G focused its R&D activities in the year under review on the following areas, among others:

- Optimisation of 2G systems' noise protection hoods to achieve above-average insulation rates, thereby allowing modules to also be installed at properties with high noise protection requirements
- Further development of spark plugs allowing 2G systems to operate significantly below nitric oxide emission limit values
- Series production readiness for a cylinder head that meets the highest standards in terms of wear resistance for inlet and outlet valves, as well as delivering optimal cooling properties for the spark plug
- Series production readiness for improved piston rods and main bearings to further meet balancing-energy market requirements for load changes, and to reduce wear and tear of materials
- Further development of a knock control that identifies knocking combustion and regulates the engine to the knock limit, so that the plant is not shut down during disruption
- Through further developing secure remote-controlled possibilities for 2G plants, software development has enabled operating data recording and appraisal to occur within the so-called „2G Power Plant". This enables 2G service technicians to prepare good remote analyses, receiving early automatic notification of any disruptions affecting availability

As in the previous year, build series 4 of the agenitor series formed a particular focus of development activities in the year under review. Following successful field tests, the R&D teams have pushed further ahead with developing pistons, spark plugs, cylinder heads and turbochargers. The modified gas engines exhibit above-average efficiencies.

Such high efficiency can be achieved only by operating the engines within a small window between emission guideline compliance, spark failure operation and knock limit. A key task to date has consequently been to further develop all systems, as described above, within these areas.

Overall, the objective of 2G's R&D work is to increase the economic efficiency of 2G power plants, and consequently customer benefits, through optimisation measures, and mechanical and electrical innovations, and to continually boost customer satisfaction. 2G thereby secures its position as a technology leader, with its attractive and highly developed products enabling the company to expand its market position in Germany and abroad.

Moreover, individual R&D projects and development projects are carried out in cooperation with other companies. As a result of close cooperation with a globally recognised specialists and development cooperation ventures with experienced research institutions and universities (Institute for Internal Combustion Engines and Thermodynamics at Graz University of Technology, Münster University of Applied Sciences), empirical data and new information is integrated into development, thereby making the technology sustainably reproducible. Such cooperation ventures allow 2G to drive ahead with technical

innovations and optimisation measures on a targeted basis.

These projects are sponsored by the German Federal Ministry of Economics and Technology's ZIM programme (Central Innovation Programme for Small and Medium-Sized Businesses).

Environmental protection and occupational safety

2G is committed to environment and climate protection

The 2G Group is committed to comply with the most stringent health, safety and environmental standards over and above statutory requirements. 2G places great emphasis on all employees and companies working for the Group being aware of, and complying with the respective standards, legislation and formalities with regard to health and safety, and the protection of the environment. This applies to development and production as well as to the life cycle of CHP modules, together with service and maintenance. The integrated management system that the Management Board of 2G Energy AG has installed ensures that such objectives are implemented effectively.

The bases for day-to-day conduct are:

- the Protection of Health and Safety document and Accident Prevention Regulations in accordance with corresponding European Union legal requirements and guidelines,
- 2G Energy AG internal guidelines on Human Resources Management and Development, Management of Health and Safety at Work, Employee Suggestion Scheme, Addiction Prevention, Maintenance and Repair and Waste Management.

Including the key points: risk identification – optimisation of procedures – documentation and communication, a course of action is established that leads to consistent improvement of activities.

High quality standards across all areas of 2G Energy AG represent a decisive factor in guaranteeing success and customer satisfaction.

Continuous DIN EN ISO 9001 certification process

Permanent performance controlling of compliance with standards is realised through regular supervisory audits conducted by TÜV NORD CERT GmbH, Essen, of the operating and strategic areas of production and sales for the relevant Group company 2G Energietechnik GmbH according to the DIN EN ISO 9001 quality management standard. The company plans to gradually extend this quality benchmark to other corporate areas and other Group companies. Group parent company 2G Energy AG is already integrated into certification. Internally, audits comprise an important instrument to identify improvement potentials, optimise processes, and ensure the replicability of products and working processes through standardisation and documentation. Externally, 2G thereby strengthens its expertise on the growing German market for natural gas operated CHP plants, and also on international markets in the context of tenders. 2G is also thereby taking into account the change in the customer structure towards energy utilities, energy service providers, and large-scale industrial and commercial companies. During the current 2015 financial year, certification is being expanded to the Service area and to 2G Drives.

Already planned expansion of integrated management system

Certification based on UK standard OHSAS 18001 for occupational safety management schemes will occur during the current 2015 financial year in order to confirm 2G's already existing and practised occupational safety and occupational protection concept. This allows 2G's existing concept to be combined with the integrated management system.

The continuing orientation of 2G Group operating activities to environmental protection standards is to be confirmed in the 2016 financial year in certification according to the ISO 14001 international environmental management standard. The in-house environmental protection measures that have been implemented form a good, advanced basis for the forthcoming certification.

An energy management system in compliance with ISO 50001 is to be set up during the same 2016 period, as the contents are related to the environmental management system, as well as due to statutory provisions relating to energy audits for non-SMEs. This addition to the integrated management system allows both the statutory requirements contained in the new German Energy Service Act (EDL-G) as well as the efforts of the 2G Group to manage energy responsibly to be met. Customers, users and decision-makers can also become more aware of the possibility of efficient energy utilisation through highly efficient CHP plants, which will also favour investments in 2G products. The German Chamber of Industry and Commerce (DIHK) estimates that the EDL-G affects 50,000 to 120,000 companies in Germany.

Order book position, and cost and price trends

Order book position has grown considerably

The order book position for orders for 2G power plants amounted to around EUR 49 million as of 31 March 2015. A comparison with the level of around EUR 102 million as of the previous year's reporting date is not meaningful due to the particular business trends ahead of the amendment to the German Renewable Energies Act (EEG). Orders from customers in America through 2G's companies there also need to be taken into consideration. Further information can be found in the report on events after the balance sheet date. The foreign share of orders amounted to 28% on the aforementioned balance sheet date (previous year: 17%). Natural gas operated CHP systems comprise a 42% share of the Group-wide order book position, and biogas operated CHP plants a 58% share.

The transformation and realignment process among CHP plant providers and regulatory changes have boosted customers' sensitivity to the price-performance relationship. Projects are also put out to tender by energy suppliers and large companies, in part multinational industrial or commercial enterprises, or are assigned in the context of auctions. As investing in combined heat and power generation is profitable, 2G sets itself apart with its range of services as a quality leader, system supplier and service provider. Customers are afforded a high level of investment, installation and operating security. The convincing technical concept of 2G power plants enables customers to accept its systems' slightly higher prices. The comprehensible financial solidity of the CHP provider also plays an increasingly major role for customers for both biogas operated CHP systems and natural gas operated CHP systems. In other words, the significant factors affecting a decision in favour

of a particular provider include product technology, contemporary control possibilities, service network, recognised quality standards, as well as corporate financial strength and the resultant probability that the provider will remain on the market. 2G is well-positioned in all these aspects, and upholds compliance with these quality criteria at a competitive level through technical specification sheets and new projects.

On the purchasing side, stability prevails due to energy and oil price trends, as well as the US dollar to euro exchange rate. Given its central purchasing department, master agreements with suppliers, and order volume grouping, 2G is in a good negotiating position to ensure cost stability.

Employees

Attractive employer

As a result of the company's conviction that committed, professionally competent, loyal, and healthy employees comprise one of 2G's key strengths, its employees identify strongly with the products and services, and comprise guarantors of the company's success and profitability. Constructive ideas and suggestions for ongoing improvement of working processes in both commercial and technical areas were submitted and implemented. The training and further training of our workforce in both technical and commercial areas of the company is valued highly. Early responsibility and varied career opportunities (in Germany as well as abroad) enable the 2G Group to offer its employees attractive career development opportunities. The company will consequently be able to satisfy most of its future requirements in terms of qualified, well-trained employees and managers from among its own ranks. Furthermore, 2G is committed to canvassing schools and colleges for the best candidates. 2G offers young academics the option of anchoring their dissertations to work experience in the area of research and development, software and project development. By conducting a large number of recruitment initiatives, 2G consequently positions itself on the market as an attractive employer that is enthusiastic about technology and environmental issues, and that pursues a successful international business model.

2G employees by age group Number

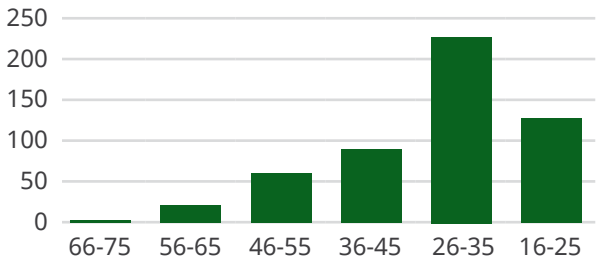


Diagram 14: Age structure of employees in all 2G Group companies (Germany) by age group, total 580 employees

As of 31 December 2014, the Group employed 580 staff (previous year: 518 employees), of whom 89 were female, and 54 were part-time (previous year: 34 employees). Due to the reorientation and strengthening of sales and service units around the 2G power plants and international business alignment, 2G appointed 62 new employees in order to achieve its growth targets. The average age of the workforce is 34.

The distribution over the individual Group companies is presented in the table on page 62:

Number of employees by subsidiaries

	Numbers of employees	Of which trainees	Of which part-time	Of which temporary
2G Energietechnik GmbH	424	33	13	33
2G Home GmbH	41	2	1	1
2G Drives GmbH	40	0	0	4
2G Solutions GmbH	7	0	1	0
2G Italia Srl	9	0	0	0
2G Polska Sp. z. o. o.	2	0	0	0
2G Energy Ltd.	16	0	0	0
2G Energy AG	14	0	1	0
2G Manufacturing Inc.	27	0	0	0
Total	**580**	**35**	**16**	**38**

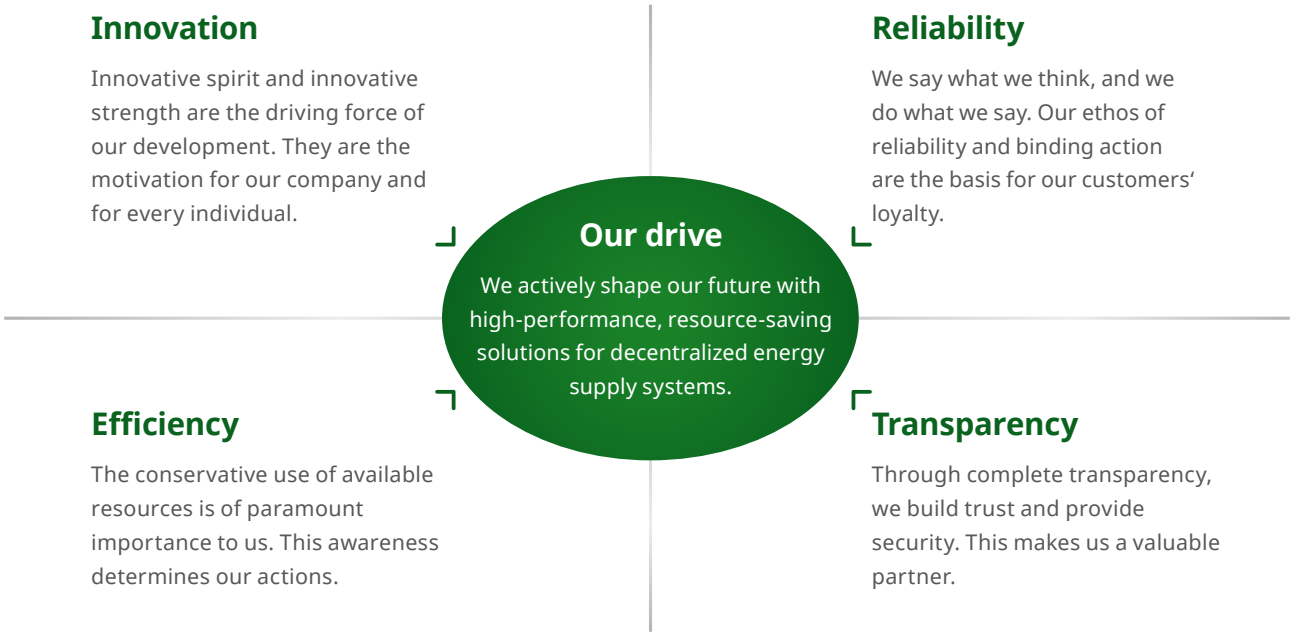
Investment in tomorrow's employees

Every year, 2G trains young employees in technical and commercial trainee positions as junior staff. It consequently fulfils its regional and social responsibility to offer good job prospects to young people. 2G trained 34 young employees in 5 different job profiles during the reporting year. Trainees can also take advantage of a dual course of study, in Electrical Engineering (Bachelor of Science) or Business Administration (Bachelor of Arts), for example. All the trainees who completed their training were also offered an employment contract.

2G mission statement

2G launched a process to develop a corporate mission statement in 2014, which has now been concluded successfully, and which clearly formulates 2G's understanding of itself, as well as the basic principles underpinning daily activity at the company.

This corporate culture establishes internal orientation, and defines for the public what 2G stands for, and what can be achieved together with 2G, whether as shareholders or customers. The 2G mission statement provides a positive support to current change processes, and creates a foundation for the further development of organisational structures. The following values and principles are intended to direct activity at 2G:



6. Report on events after the reporting date

Events after the balance sheet date

The following events of key significance for 2G Energy AG occurred after the 31 December 2014 balance sheet date.

Full takeover of 2G Cenergy Inc., USA

2G Energy AG acquired the remaining 51% interest in 2G Cenergy Power Systems Technologies Inc., St. Augustine, Florida, USA, on 26 February 2015. It previously held a 49% interest in the US sales and service company for 2G's power plants. The previous majority shareholders of 2G Cenergy have meanwhile left the company. 2G Cenergy will be fully consolidated within the Group for the first time as of 30 June 2015 as a result of this increased investment interest.

2G aims to realign its operating activities on the US market and leverage synergies through this takeover of 2G Cenergy. Its sales and marketing base is to be widened, and the capacity utilisation of its wholly-owned subsidiary 2G Manufacturing Inc., St. Augustine, is to be boosted. Based on existing expertise and an installed base of already more than 100 systems, a good starting position is in place to bolster the company's competitive position on the American market and gain further shares in a market that remains attractive. This should make sustainably positive contribution to the Group's success and profitability.

Contract manufacturing and cooperation venture with the Vaillant Group

2G and Vaillant GmbH, Remscheid, Germany, have concluded a cooperation venture to contract manufacture the g-box 20. From September 2015, Vaillant will market under its proprietary EcoPower 20.0

brand the highly efficient CHP plants that can be operated with either natural gas or liquid gas, and offer efficiencies greater than 104%. During the first quarter 2015, 2G has thereby expanded its OEM (Original Equipment Manufacturer) business with a renowned international company from the heating, ventilation and air conditioning technology area.

Collaboration with vendor finance specialists

2G and a global provider of leasing and financing solutions for companies are working together in a so-called preprogram phase, offering lease and hire purchase arrangements in Germany for 2G natural gas and biogas operated power plants. This cooperation venture enables 2G Rental GmbH, a wholly owned subsidiary of 2G Energy AG, to offer its customers simple processing for the financing and refinancing of 2G power plants. The leases are set out on a four to seven year calculation basis.

As a CHP system manufacturer, 2G is thereby now also offering its customers a lease solution to realise combined heat and power generation concepts by way of alternative to direct purchasing and rental transfer for use. Major scope for manoeuvre exists in the structuring of the partial payment and financing variants, and this business processing has no effect on 2G's balance sheet. Under the slogan of „Innovation Without Investing", the CHP system lease model will be available on the market immediately through 2G's sales operations, especially in the technically standardised 2G CHP output class between 20 kW and 550 kW, as well as in the higher output range in the case of standardised container solutions.

These valuable 2G systems are generally to be returned to the manufacturer at the end of the lease duration. The company aims to establish a secondary market for 2G power plants in the medium and long term, to be served by re-accepting such plants for complete overhaul. This will enable business with customers in emerging economies who have been unable – or have not wished – to invest to date due to the quality-price level of the new plant business.

7. Corporate responsibility

Risks and opportunities

Business activities are inseparably connected with risks. Corporate success is characterised 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 financial and operational targets as planned, and within the narrowest bounds as the risk of jeopardising the company as a going concern. Due to increasingly global business activities and the growing number of markets, locations and employees, the timely and detailed procurement, management and processing of information is becoming an increasingly more demanding task. For this reason, 2G operates a qualified information system (2G Facts) with the aim of securing the company's success and profitability long-term. This entails having information of relevance to decisions and management available at the right place, at the right time and on a secured basis. It also comprises analysing risks, and minimising or eliminating them through appropriate measures, as well as the exploitation of opportunities. Risks are explained in the order of their importance. At the time of producing this report, the management was not aware of any risks that might jeopardise the 2G Group as a going concern.

Management of risk and opportunities

2G is involved in business across the world, and is consequently exposed to many external and internal influences. For this reason, all corporate decisions are made against the background of the respective associated risks and opportunities. 2G has operated an Enterprise Resource Planning (ERP) system since 2010 to map processes with data analyses to monitor risks to the company. With the exception of 2G Solutions of Cogeneration SL, Spain/France, 2G Polska Sp z o.o., Poland, and 2G Energy Ltd., Great Britain, all 2G Group companies are integrated into the ERP system. The company plans to gradually fully integrate all Group companies in consideration of cost-benefit aspects, and depending on the scope of operating activities.

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 higher instance, or as part of regular Group-wide reporting duties. All risks are measured on the basis of their event probabilities and potential financial effect. The current risk portfolio of the Group and the individual companies is determined and made available to the Management Board on the basis of this information. Significant changes in the assessment of known risks as well as new significant risks are reported immediately. Deliberate and controlled handling of opportunities and risks consequently comprises a central management element in the 2G Group. 2G has recognised and accepted new challenges and opportunities resulting from internationalisation and through the expansion of its production depth. The consistent saving of resources and rising efficiency of 2G power plants has led to improved profitability and greater customer benefits. In this manner, the consistent orientation of development and production towards environmental and climate interests can provide and open up new attractive market opportunities worldwide for the 2G Group.

For 2G‘s business, the management has assessed the following risks as relevant for the company‘s further development, and measured them as to their event probability and loss level. The following risks were identified as bearing reportable risk factors 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:

Business-related risks

The total revenues and the results of the 2G Group are based on a large number of worldwide markets and different 2G products in varying performance classes, application areas and operating gas types. This diversification should contribute towards minimising risks since the 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.

Political and regulatory risks

As an internationally active company, 2G is exposed to political and regulatory changes in many countries and markets. A trend towards actively promoting alternative and renewable energies began in 2011 after Fukushima, with the commitment to phase out nuclear power in many countries. However, this trend stalled in some countries due to the ongoing euro crisis and the associated ailing economy. Uncertainties surrounding the statutory provisions for subsidising combined heat and power systems may have a negative impact on the profitability of 2G products, and may delay or even jeopardise the success of market developments and the sale of new systems. Close communication with policymakers and active measures to explain the advantages of CHP technology serve as preventative risk control instruments. The destabilisation of political systems and the potential imposition of trade barriers, as well as changes to currency exchange rates, may also 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.

Research and development risks

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

Product quality 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 minimise such risks. This starts with the qualification of our suppliers and continues with comprehensive quality requirements for the materials and semi-finished products used, as well as long-term strategic cooperation in the case of preliminary products, and an HR policy that is strongly geared to quality consciousness.

Financial risks

As an internationally active company, 2G is exposed to various financial risks. Such risks primarily include liquidity risks, default risks, currency and market price risks.

In order to secure itself as a going concern, a company must be able to fulfil its commitments arising from operational and financial activities at all times. 2G manages its liquidity across the entire Group centrally through 2G Energietechnik GmbH in Heek in order to minimise any liquidity risks.

Default risks can arise both in connection with financial investments, the drawing down of borrowings,

financing commitments, or through the rental transfer for use of 2G power plants, and in the case of operating receivables. The impact of the Eurozone financial crisis continues to entail a heightened level of default risk. 2G consequently carefully checks all the positions of customers and trade partners in the specific related countries, and takes precautions against default risk where required. 2G minimises these risks through its active 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, 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 excellent credit ratings.

The euro has comprised the main currency within the 2G Group to date. With a few minor exceptions, invoicing and the procurement of goods have not been associated with any noteworthy currency risks. The company will inevitably be exposed to currency and interest risks in the future as it increases its international presence and business activities in different currency and interest rate regions. In addition, both temporary and sustainable currency opportunities can arise through exporting plants and core components at favourable exchange rate (e.g. USD/EUR parity).

As a result of its global group structure, and associated financial transactions, trade receivables and payables, as well as anticipated future cash inflows and outflows from sales and costs denominated in foreign currencies, 2G will also be affected by these market price risks and opportunities. 2G plans to minimise any currency risks or financing costs caused by fluctuations in exchange or interest rates. Financial transactions, outstanding operating receivables, and obligations are to be conservatively exchange-rate hedged in the main.

Legal risks

2G is also exposed to litigation risks. These include risks in the areas of product liability, competition and antitrust law, patent law and environmental protection. As a research-based technology company, 2G has a growing portfolio of industrial property rights, such as patents and brand names. These may become the target of attacks and infringements. 2G generally strives to minimise and manage all legal risks.

Wherever possible and practical, the company limits liability and loss risks through insurance cover, whose type and scope are constantly adjusted in accordance with current requirements.

Human resource risks

The future success and growth of all 2G companies is highly dependent on its employees. 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 characterised by intensive competition. Competition is additionally intensified by the scarcity of qualified specialists in the sectors in which 2G operates and by demographic challenges in global markets. As a consequence, sourcing, recruiting and retaining qualified specialists and talents within 2G represents one of the key priorities for the company. 2G is extremely committed to training its own staff and

recruiting qualified specialists to supervise training. In addition, 2G offers its employees a catalogue of voluntary social benefits in order to additionally boost its attractiveness as an employer.

Corporate growth risks

2G aims to continue its growth both in Germany and abroad 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 takeover candidates, and the raising of the necessary financial resources are required in order to exploit such opportunities. The meaningful expansion of appropriate organisational structures is also required, especially in the areas of financial accounting, controlling, personnel, and sales and marketing. Strong growth, acquisitions and strategic alliances are inherently connected with integration and execution risks. Tools utilised by the management to measure growth opportunities and risks include forward-looking planning, and analyses through regular target/actual comparisons.

IT risks

IT risks with an impact on operating results occur when information is 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.

Data protection violations due to incorrect authorisations generate a negative external impression. Increasing dependency on IT, as well as the growing networking of IT landscapes, require companies to invest heavily in maintenance and upgrades. 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 organisational 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, we can assume that the probability that a serious IT risk materialises is low. 2G works with external data protection officers to back up and protect personal information.

Environmental and safety risks

2G is a company maintaining production operations and is exposed to risks of possible personal injury, as well as damage to property and its image. We minimise the risks to individuals and the environment by auditing, advising and training in matters of environmental protection, as well as occupational health and safety. 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.

Overall statement on risk situation

The risk strategy has the character of that of a medium-sized company, and is deliberately opportunity-orientated. The company's management focuses on organisational and especially financial stability, whereby plans can be diverged from in the company's interest. Taking existing steering and controlling measures into account, neither one of the specific risks is gauged as a going concern risk, nor does the company identify an aggregate going concern risk given the simultaneous occurrence of several individual risks, and, from today's perspective, it does not identify any such going concern risks for the future.

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.

8. Outlook

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

Group focus over the next two financial years

2G Energy AG is persistently pursuing its objective of playing a key role in shaping the CHP market as an internationally leading developer and manufacturer of combined heat and power plants. 2G aims to continue to grow profitably. The strategic guidelines for consistently developing business activities in markets, which are, as far as possible, independent of state incentives, and broadly establishing growth both geographically and technologically, will also determine business activity over the next two years. First and foremost, organic growth will continue to be advanced in Germany and abroad. 2G will adapt its organisational, sales and service structure abroad such that it is more in line with regional conditions, in order to facilitate faster responses within the Group to changes in individual markets, and allowing risks of losses and default risks to be limited. The service standards that 2G sets for itself, and the service commitment that it makes to its customers, enjoy a high priority. Overall, foreign business will focus on Central and Eastern Europe, Japan and Southeast Asia, and North America. The company's business activities are not focused on acquisitions. Cooperation arrangements with partners with a good national network that enable faster market entry or more effective market penetration for the 2G product portfolio can prove more promising instead. This could allow service that is close to customers to be rapidly and additionally installed into markets through service partners, accompanied by plant training sessions, along with the company's own customer service.

Production capacities, administration and the technological configuration of the product portfolio are already prepared for, and focused on, continuous organic turnover growth. Based on this, the Management Board is endeavouring, as a matter of urgency and emphasis, to further improve the EBIT margin over the next two years.

Future macroeconomic situation

In the updated economic forecast that it published an the end of March 2015, the German Council of Economic Experts forecast 1.8% GDP growth for Germany, including on the basis of the lower oil price, the depreciation of the euro, and favourable financing terms for businesses.

Although Eurozone economic activity expanded in early 2015 – supported by a low oil price level and continued euro devaluation – structural problems in some member states are far from having been remedied, according to the Council. Given the changed conditions, the experts assume a continued slow recovery in the Eurozone, forecasting 1.3% GDP growth.

This recovery process nevertheless significantly lags growth in the USA and the UK, for which the economists forecast stronger GDP growth rates of 3.0% and 2.5% respectively.

The forecast for industrialised nations is accompanied by moderate economic growth trends in emerging economies in 2015. The overall world economy should grow by 4.8% according to the forecasts.

The forecasts for Germany and the Eurozone as published by the German Council of Economic Experts are subject to the proviso of medium-term risks, especially in relation to financial stability as a result of the ECB's easier monetary policy. Since March 2015, the ECB has been buying predominantly public sector bonds with a monthly value of EUR 60 billion („quantitative easing") as a response to falling consumer price inflation and weak economic trends. The Council notes that the expansionary effect of monetary policy will prove to be only temporary, and that quantitative easing cannot replace structural reforms. Risks to economic development and growth consequently arise especially from the reduced incentives to reform, and from risks to financial stability.

The Council sees further significant risks to global economic trends arising from a marked escalation in the conflict between Ukraine and Russia, a crisis-type intensification of the economic situation in China due to the sharp increase in borrowing and construction activity over recent years, as well as turbulence on financial markets, and capital flight out of emerging economies due to rising interest rates in the USA.

Despite the risks and economic scenarios that have been outlined, 2G Energy AG enjoys the prospect of a largely benign macroeconomic environment in its target markets. Given the aforementioned restrictions, however, the optimistic outlook for business trends, the extent to which investments can be planned, and the implementation of strategic decisions, are somewhat short- to medium-term in their orientation. Overall, 2G is anticipating that the positive economic growth to date in the regions and industries that are important to the company will continue in 2015 and 2016.

Future sector situation

After somewhat quieter business in Germany in the fourth quarter 2014 following the deadline-related effects in the first three quarters due to the amendment to the German Renewable Energies Act (EEG), a solid demand situation is emerging for the German market during the current financial year.

This is particularly true of natural gas operated

CHP plants for customers with high and continuous demand for process heat and/or cooling. For 2G, this also shifts the customer spectrum towards medium and large industrial and commercial companies from the capital goods and food manufacturing industries, the chemical and pharmaceutical sectors, as well as municipal entities and energy utilities. Along with technological expertise, 2G's strong competitive position on this market is also based on its experienced project and plant management. Such know-how is in particular demand in larger units when integrating CHP power plants into existing energy infrastructures and customers' energy management systems. 2G has already successfully implemented numerous high profile reference projects, and regularly participates in corresponding tenders with good results. 2G nevertheless also identifies attractive growth opportunities in the market for natural gas operated mini CHP systems with electric capacity between 20 kW and 50 kW. The German government's Mini CHB Impulse Programme, which came into force on 1 January 2015 and which offers improved support for CHP systems up to and including 20 kW, can also make a contribution in this context. 2G is actively addressing new customer groups with a bolstered sales function, and for the first time with rental and lease offerings to realise energy generation concepts harnessing combined heat and power, and is also reducing the investment threshold for its power plants.

This will continue to exert a positive impact on the growth of the service business in the future, as concluding a service agreement with 2G is obligatory in both the rental and lease models. The rapidly advancing shift in the customer structure through higher sales of natural gas operated CHP power plants is also boosting the number of service contracts, as such customers generally conclude a full service agreement. The 2G plant population is reporting constant growth worldwide. The company will continue with its reorganisation of its service business in Germany 2015, with significantly enhanced efficiency. In the medium term, 2G is working on establishing factory customer services, and on outsourcing simpler services to selected service partners that have been qualified through relevant training measures. These types of intensified structures also serve as a blueprint outside Germany. As a consequence, 2G anticipates a further rising sales revenue contribution from its service business, which is largely independent of trends in support frameworks on individual markets. A continuation of the approximately 41% average sales revenue growth rate (CAGR) over the last three years is entirely conceivable in this context. Due to a steeper learning curve, margins in the service business will prospectively rise only in the medium term.

2G assumes that competition in the service business will become more intensive short-term. Newly arisen and smaller service companies are currently recruiting technicians from biogas plant manufacturers and CHP system packages that have disappeared from the market, and are offering plant services on favourable terms. This situation is still having a limiting effect on margin trends. The already high level of technical standards, minimum statutory requirements, and growing digitalisation of service processes (e.g. maintenance records), as well as high customer requirements (evidence of certification, 24/7 service availability), will rationalise the current market situation again, however. 2G will meet these criteria with the expansion of DIN EN ISO 9001 certification in 2015, thereby setting new sector-wide service standards. As a consequence, the Management Board expects to be

able to increase its service margin in the medium term.

Following the amendment to the German Renewable Energies Act (EEG), 2G assumes that it will receive only individual orders for new plants in the German market for biogas operated CHP systems. The German Biogas Association forecasts only around 8 MW of installed electric output from new systems in 2015. Due to the EEG 2014 regulations, primarily slurry operated biogas plants will be connected to the grid in this context. Along with other modules, 2G has correspondingly positioned itself at an early stage in this market with its „filius R04", which offers 75 kW electric output.

The biogas repowering business could develop significantly more vigorously, as last year's significant legal investment hurdles have been removed. The legislatively fixed maximum additional output of 1.35 GW that is additionally created through repowering biogas operated CHP power plants can also cater for further investments in biogas operated CHP systems over the coming years. This is generally accompanied by a plant expansion along with plant flexibilisation. Purely arithmetically, from the 2004 to 2008 years, around 2,000 CHP plants with around 1,000 MW of capacity will be available for repowering once they have reached lifetime output of around 60,000 operating hours (reached after around six to eight operating years). With regard to the current business year, the German Biogas Association assumes that around 10% of existing plants will be expanded, thereby boosting overbuilt output by around 179 MW. Attractive market opportunities arise for 2G in this context, as 2G's modules meet all requirements for regular operation with 2G's proprietary control electronics and software, as well as requisite certification, such as for the Medium Voltage Directive. Customers for biogas operated CHP systems are also setting greater store by power plant quality and efficiency, as well as suitable heating concepts. Moreover, service quality and plant availability are playing a significantly greater role in investment decisions than even just a few years ago. The company also has good arguments on its side:

With its twenty-year company history, internationally oriented business, the breadth of its 2G power plant product portfolio, as well as its stock market listing, 2G offers its customers the continuity, stability and a high transparency level that they seek among CHP plant manufacturers.

As far as markets outside Germany and overseas are concerned, the Ecoprog Institute is anticipating annual new installations between 400 and 500 MW on average by 2016. Especially in the UK, France and Eastern Europe, 2G is assuming further new plant business for biogas operated CHP power plants. Demand for CHP systems operated with landfill gases or gases from purification plants is also growing in Europe. 2G has realised numerous reference projects with special, technologically high-end filter solutions, gas preparation and mixing systems, and storage units.

The 2014 amendment to the German Renewable Energies Act (EEG) steps up the requirements made of CHP power plant manufacturers. The approval of a shift away from fixed minimum compensation towards mandatory direct marketing stipulates (remote) control (that can be integrated and aligned with demand) of fossil or regenerative fuel operated CHP plants. This poses new and more complex technical requirements for manufacturers. Without corresponding control electronics and software solutions, the operators of such CHP power plants are no longer eligible for subsidy

in grid operation. Rising barriers to market entry and competitiveness criteria nevertheless also derive from higher technical standards both in Germany and the EU, such as the Medium Voltage Directive and Low Voltage Directive that have been binding since 1 January 2014, the German Network Fee Regulation (StromNEV), as well as the System Stability Directive that is in force from 14 March 2015. 2G assumes that the crowding out process and redistribution of market shares among existing competitors will rapidly advance further in these circumstances.

For both this and the following financial year, 2G expects that reduced support in the biogas segment, respectively the burden on the natural gas segment through participation in the EEG levy, will not weaken demand substantially. Constant market growth should nevertheless largely derive from demand for natural gas operated CHP plants. The natural gas segment remains attractive for larger CHP modules that function as decentralised supply units for municipal entities, energy utilities, and medium and large-sized industrial and commercial companies with a requirement for process heat and cooling. CHP modules will also be attractive to businesses and medium-sized manufacturing companies that were previously exempt from the EEG levy as a highly efficient, secure and economic energy supply of heating/cooling and power. Not least, combined heat and power generation constitutes a technology for integrating fluctuating renewable energies, with their erratic, load-incongruent feed-ins, into the grid. And CHP continues to possess high potential to substitute classic ageing power plant technology without combined heat and power.

As a consequence, CHP offers an easily accessible and substantial contribution to complying with the climate target of a 40% reduction in greenhouse gas emissions by 2020. CHP offers the flexibility in the electricity market design of the future to make an important contribution to grid stability, and to additionally save CO_2 on the heating side, as well as conserve resources as an efficiency technology.

This appraisal of the 2G Management Board of the growth markets and potentials in Germany is also reflected in the October 2014 study conducted by Prognos on behalf of the German Federal Ministry for Economic Affairs and Energy (BMWi). It serves as the basis for the amendment to the Combined Heat and Power Generation Act (KWK-G), among other purposes. The study anticipates growth over the next five years primarily in the mid CHP capacity range up to 5 MW in selected properties from the sectors of manufacturing, wholesale/retail, and services, such as in hotels or hospitals, and in non-EEG-exempt industrial sectors with high demand for electricity and heating. The study also points out, however, that only a slight increase in CHP net electricity generation can be expected by 2020 under the framework conditions that have existed to date, and that the actual outcome will fall far short of the 25% target. The study provides recommendations for the further development of the German Combined Heat and Power Generation Act (KWK-G)

It remains to be seen whether the KWK-G will also be realigned as part of implementing the EU Energy Efficiency Directive. To date, no coordination of subsidies has existed for highly-efficient combined heat and power generation through the KWK-G and the EEG levy. The amendment to the KWK-G that was originally announced for 2015 has been postponed in favour of the restructuring (green/white paper process) of the electricity market design. The Management

Board finds this incomprehensible, as CHP will play a key role in both the Electricity Market 2.0 and a capacity market. It is also unclear whether the German government will adhere to its 2010 target of increasing the share of combined heat and power generation in power generation in Germany to 25% by 2020 (2014: around 16%). Arithmetically, this would result in annual expansion potential of approximately 1,600 MW. Since the specific legislative process has only just commenced, it remains to be seen when and how the details will be regulated once the act enters into force.

Overall, 2G assumes that demand for CHP plants in Germany will be temporarily weakened. The German Institute for Applied Ecology forecasts that German manufacturers will grow CHP exports in 2015 compared with 2014. As far as capacity sales in Germany are concerned, the Institute assumes a decline compared with 2014.

The growth of foreign markets in Europe for CHP modules depends essentially on economic growth, subsidy terms and conditions in the biogas segment, and the spark spread in the case of natural gas operated CHP plants. With regard to these plants in an electric output range between 10 kW and 400 kW, a study produced by Delta & Energy Environment identifies Italy, Poland, Great Britain and France in addition to Germany as growing markets with attractive subsidy terms and conditions for biogas plants, and good prerequisites for natural gas operated CHP plants. Both Poland and the United Kingdom have their own significant shale gas deposits. The study assumes expansion in the countries mentioned, including Germany, of around 650 MW in 2015; expansion is likely to stand at approximately 1,300 MW in 2020.

USA

2G continues to identify the market for CHP plants in the USA as one of the most important future growth markets in strategic terms. With the full takeover of 2G Cenergy Inc., Florida, St. Augustine, in February 2015, the Group has strengthened its opportunities to substantially expand its market share there. In addition to this, 2G will realign its business structures and broaden its sales base during the current year. The aim is also to leverage synergies, and boost capacity utilisation at its wholly-owned subsidiary 2G Manufacturing Inc., St. Augustine. In a first step, 2G will concentrate on regions and applications where an increase in growth dynamism is identifiable. This particularly includes the observable supported expansion of microgrids on the East Coast area that was heavily affected by Hurricane Sandy. Utilities are also entering the market that no longer regard the CHP solution as a competitor, but instead as an addition to their own offerings. California has also launched a support scheme for microgrids. East Coast states and Illinois are promoting CHP investments within public-sector facilities. Around one quarter of CHP projects in the USA that are being implemented or planned are located in Texas and Louisiana. Such state-level efforts are flanked by new initiatives at federal level. New Energy Savings Performance Contracts with a volume of USD 2 billion have been announced as part of the Climate Action Plan (17% reduction of greenhouse gas emissions by 2020). Expansion of the biogas industry is to be accelerated with the Biogas Opportunity Roadmap. An initial interim report on the progress that has been achieved is to be published in August 2015. Good prospects for stronger expansion of CHP in the USA

exist as a result of the creation of standards, as well as uniform framework and support conditions. In April 2015, shortly after taking over 2G Cenergy Inc., 2G already received an order in Rhode Island for a biogas plant with 3.2 MW of electric output. In response to specific customer enquiries, 2G has also submitted offers for 2G power plants with electric capacity of 30 MW.

Asia-Pacific region

In the Asia-Pacific region, 2G has entered into agreements with new sales partners in Japan and Australia over recent months. This region can certainly become a growth market for 2G over the coming years. Incentives to invest derive from the CO_2 savings effect that is achievable with CHP systems, among other factors. In Australia, CHP power plants are gradually substituting coal power plants, for example. In Australia's Victoria state, CHP plants must be integrated into new building constructions from a certain dimension. Japanese technology providers, too, are realising targeted projects in Southeast Asia with CO_2 emission avoidance potentials, such as through CHP plants, in order to thereby generate emissions allowances for Japanese industry that enable Japan to meet its CO_2 reduction target. In early March, 2G signed a master agreement to sell 2G CHP power plants in Japan and the Southeast Asian region with Fuji Electric Co., Ltd., Tokyo, Japan. 2G expects that these sales cooperation ventures will further increase its market penetration in the Far East. The master agreement ensures exclusive sales rights for 2G power plants in the 600 kW to 2,000 kW capacity range for Fuji Electric, as long as an agreed minimum acceptance volume of CHP systems is reached. 2G has continuously developed a good market position on the Japanese market since 2004, with recent growth in sales figures..

Solid year of transition anticipated for sales in 2015

Industry discovers benefits of 2G power plants

2G recorded satisfactory new order intake during the first three months of the current 2015 financial year. The order book position stood at EUR 49 million as of 31 March 2015. Although the order book position was at a markedly higher level of EUR 102 million as of the previous year's respective date, the figure is not comparable due to significant extraordinary effects. By way of comparison, as of 31 March 2013, the order book position amounted to EUR 46.5 million.

The Management Board is very confident overall that it will be able to once again report solid business trends in the current 2015 year. Cautious planning envisages sales revenues of between EUR 140 million and EUR 160 million.

Along with growing sales revenues from the service business, combined with replacement parts sales of around EUR 50 million (2014: around EUR 38 million), the first initial positive impulses from the rental business that was launched in early 2015 through 2G Rental GmbH are expected. In addition, business with large industrial companies from highly varied sectors, as well as energy utilities, is growing in importance, along with the significance of other foreign markets. Following the operating success in the United Kingdom, 2G assumes growing sales figures especially for Asia and the USA as a result

of varied activities. Some of these are already evident in the current financial year, but should gain significantly greater weighting over coming years.

Perspective earnings trend

The earnings forecast for the 2015 financial year includes a 5 to 7% EBIT margin, around the previous year's level.

In the Management Board's view, business results will be affected by the fact that, in the German business, investments in CHP power plants in 2014 were accelerated due to the coming into force of the amendment to the German Renewable Energies Act (EEG). In addition, a wait-and-see approach is evident among some potential customers in relation to the amendment to the German Combined Heat and Power Generation Act (KWK-G), which the German government has announced for the start of the 2016 financial year. Despite this interim phase, 2G is maintaining capacities and resources at the ready for the sales revenue growth that is anticipated to resume in 2016. The company is also retaining the flexibility to be able to service larger order peaks that arise short-term.

The margin on the service business will not emerge until the medium term as the result of a steep learning curve, and the foreign business will gradually make a more significant contribution to sales revenues and earnings.

„Decentralised" is the magic formula – 2G is on track

2G is the largest German manufacturer of highly efficient CHP plants that supply balancing energy and can be integrated into grids. The combined generation of electricity, heating, cooling and steam is highly economically viable, with total efficiencies of above 90%. 2G power plants are a genuinely multitalented players in decentralised energy supplies as the result of intelligent software solutions. Either heating-managed or electricity-managed operation can be selected depending on application area. Flexible, heating-managed but electricity-oriented operation is also possible as part of supply security (the German „Energy Policy Triangle" is the key term in this context), and the system-relevant establishment of virtual power plants.

2G has meanwhile achieved a significant market position with a market share in the relevant German natural gas market of more than 21%, and of more than 36% especially in the 250 kW to 500 kW capacity class. 2G maintains its position in many applications within the competitive environment, and has also established itself among energy utilities and in large-scale industry through numerous references, among other areas. With its broad international positioning as well as restructuring in the service segment, 2G has additionally positioned itself in high-margin business areas. The company also offers

sales financing instruments that make customers' investment decisions easier, offer them additional benefits, and further improve the attractiveness of working together with 2G. 2G power plants can be integrated smoothly into virtual grids, and can be managed through control centres.

2G has thereby generated numerous opportunities for itself, and created the preconditions for future sales revenue and earnings growth. These opportunities and potentials are there to be exploited in the future.

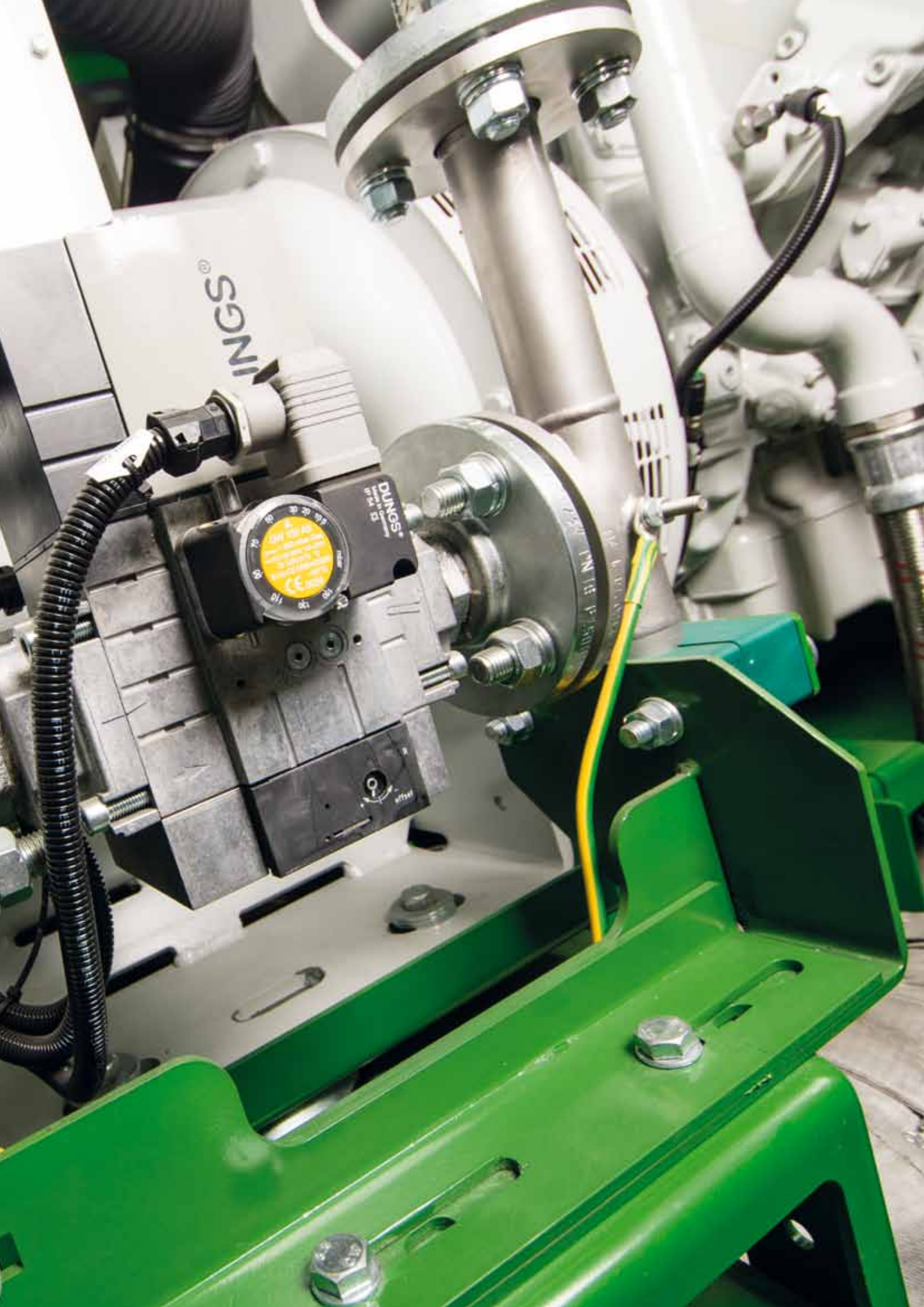
The Management Board retains its medium-term forecast comprising a sales revenue target of up to EUR 300 million, and an achievable EBIT margin of up to 15% by 2020.

Heek, 18 May 2015

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member


DUNGS

2G. Consolidated balance sheet.

Consolidated balance sheet of 2G Energy AG

Assets

	31/12/2014	31/12/2013
	EUR	EUR
A. Fixed assets		
I. Intangible fixed assets		
Purchased concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	769,967.24	645,876.60
Goodwill	4,546,202.51	4,909,667.68
Prepayments rendered	73,965.00	0.00
	5,390,134.75	**5,555,544.28**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-party land	8,794,212.46	9,016,307.46
Plant and machinery	1,222,878.45	1,074,026.13
Other factory and office equipment	6,557,666.63	5,413,618.35
Prepayments rendered and plants under construction	332,547.77	318,824.05
	16,907,305.31	**15,822,775.99**
III. Financial fixed assets		
Participating interests in associated companies	383,980.68	539,148.88
Other participating interests	10,000.00	10,000.00
	393,980.68	**549,148.88**
	22,691,420.74	**21,927,469.15**
B. Current assets		
I. Inventories		
Raw materials and supplies	23,519,340.87	20,423,722.97
Work-in-progress	26,414,612.31	23,518,521.95
Finished goods and merchandise	923,737.84	901,965.75
Prepayments rendered	635,711.87	941,287.17
Prepayments received for orders	-20,336,406.57	-17,710,741.46
	31,156,996.32	**28,074,756.38**
II. Receivables and other assets		
Trade receivables	21,983,846.08	23,075,946.12
Receivables due from participating interests	738,792.01	244,504.02
Other assets	2,934,148.19	3,484,051.23
	25,656,786.28	**26,804,501.37**

Assets

	31/12/2014	31/12/2013
	EUR	EUR
III. Securities	**30,000.00**	**30,000.00**
IV. Cash in hand and bank balances	**11,862,712.95**	**10,445,376.48**
	68,706,495.55	**65,354,634.23**
C. Prepayments and accrued income	**339,390.01**	**344,753.15**
D. Deferred tax assets	**879,953.21**	**1,002,414.81**
Total	**92,617,259.51**	**88,629,271.34**

Equity and liabilites

	31/12/2014	31/12/2013
	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. Equity difference from currency translation	-316,729.14	10,825.34
IV. Consolidated net income	35,947,762.27	31,092,159.27
V. Minority interests	772,769.13	384,077.43
	52,069,102.26	**47,152,362.04**
B. Provisions		
Tax provisions	918,775.57	119,691.79
Other provisions	10,272,513.05	9,889,744.42
	11,191,288.62	**10,009,436.21**
C. Liabilities		
Bank borrowings	6,144,209.79	7,232,351.08
Prepayments received for orders	12,833,895.94	11,325,961.05
Trade payables	5,616,962.17	7,529,864.26
Liabilities to participating interests	62,158.93	43,987.56
Other liabilities	4,699,641.80	5,335,309.14
	29,356,868.63	**31,467,473.09**
Total	**92,617,259.51**	**88,629,271.34**

2G. Consolidated profitand loss account.

Consolidated profit and loss account of 2G Energy AG

	01/01 to 31/12/2014	01/01 to 31/12/2013
	EUR	EUR
Net sales	**186,605,118.25**	**126,129,691.66**
Increase in work-in-progress	2,874,472.79	11,272,169.96
Other own work capitalised	76,042.45	108,306.61
	189,555,633.49	**137,510,168.23**
Other operating income	3,204,069.86	1,682,310.93
	192,759,703.35	**139,192,479.16**
Cost of materials		
a) Costs of raw materials and supplies, and for purchased merchandise	107,636,868.11	81,003,861.26
b) Costs of purchased services	26,335,215.79	15,935,286.61
	133,972,083.90	**96,939,147.87**
Personnel costs		
a) Wages and salaries	20,808,896.83	17,573,541.66
b) Social security, pension and other benefits	4,649,560.43	3,897,888.04
	25,458,457.26	**21,471,429.70**
Depreciation and amortisation, applied to tangible and intangible fixed assets	2,744,673.86	2,407,116.52
Other operating expenses	19,069,486.39	15,494,052.96
	11,515,001.94	**2,880,732.11**
Income from associated companies	-155,168.20	337,300.43
Income from other participating interests	0.00	200.00
Other interest and similar income	59,029.61	85,112.79
Interest and similar expenses	402,326.88	398,173.42
	-498,465.47	**24,439.80**
Profit on ordinary activities	**11,016,536.47**	**2,905,171.91**
Taxes on income	4,060,361.74	1,775,342.73
Other taxes	72,780.04	101,063.65
Total consolidated net profit for the year	**6,883,394.69**	**1,028,765.53**
Share of net profit attributable to other shareholders	-388,691.69	-134,481.75
Consolidated net profit attributable to 2G shareholders	**6,494,703.00**	**894,283.78**
Consolidated total unappropriated retained earnings	31,092,159.27	31,836,975.49
Dividend payment	-1,639,100.00	-1,639,100.00
Consolidated net retained earnings	**35,947,762.27**	**31,092,159.27**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2G. Notes to the consolidated financial statements

Notes to the consolidated financial statements for the 2014 financial year of 2G Energy AG

A. General information about the consolidated statements

1. Basic information

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

The company is entered in the commercial register of the Coesfeld District Court (commercial register sheet number 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 or efficient use of electrical energy, and provide after-sales services associated with CHP systems. One subsidiary is responsible for optimising gas engines, and for manufacturing and marketing Otto-spark-ignition-gas engines.

3. Accounting policies

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

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

The Group's functional currency is the euro. All amounts are consequently presented in euros or thousands of euros (TEUR). Foreign companies' balance sheet items are translated at the respective exchange 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. Consolidation scope and shareholdings

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

Subsidiary

	Interest in %	Subscribed capital in TEUR	Equity in TEUR	Profit/loss for year in TEUR	Initial consolidation
2G Energietechnik GmbH Heek, Germany	100	1,000	2,832	0	30/06/2007
2G Drives GmbH, Heek, Germany	80	25	3,977	1,933	24/03/2010
2G Home GmbH, Heek, Germany	90	125	-201	26	31/12/2007
2G Rental GmbH, Heek, Germany	100	50	49	-1	31/12/2014
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90	3	-181	3	31/01/2008
2G Italia Srl, Vago di Lavagno (Verona), Italy	100	10	236	-143	15/03/2011
2G Energy Ltd., Runcorn, United Kingdom	100	1	442	920	19/09/2011
2G Polska Sp. Z o.o., Bielsko-Biala, Poland	100	1	-163	-87	07/11/2011
2G Manufacturing Inc., St. Augustine (FL), USA	100	1	-3,398	-513	27/02/2012
2G CENERGY Power Systems Technologies Inc., St. Augustine (FL), USA	49	268	606	-505	18/11/2009

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 to plan and install combined heat and power systems, trade in components for CHP systems, and provide after-sales services associated with CHP systems.

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

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

Apart from 2G CENERGY Power Systems Technologies Inc., all of the subsidiaries are included in the consolidated financial statements, as the parent holds a majority of their voting rights.

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

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 31 December 2014 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 recognised 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 capitalised and depreciated straight-line over a prospective useful life of 20 years pursuant to Section 309 (1) of the German Commercial Code (HGB). The length of depreciation periods depends on the lifecycle of the acquired companies' products.

Interests in subsidiaries which are included in the consolidated financial statements, but which are not held by 2G, are reported as minority equity 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 recognised through profit or loss if they comprise year-on-year changes. Otherwise, they are recognised directly in equity. Minor offsetting differences were recognised in the reporting year.

Treatment of unrealised results of intragroup transactions

Unrealised 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 recognised at the 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 statement were also to form a single entity in legal terms.

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

Consolidation of income and expenses

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

Equity valuation

Equity is measured according to the equity method if the company is regarded as an associate. This means that the parent company is able to exercise a significant influence on the subsidiary's commercial and financial policies. Pursuant to Section 311 of the German Commercial Code (HGB), such significant influence should be presumed in the case of participating interests, with equity accounting being applied as a consequence.

Interests in associates are measured at the level of their proportioned equity pursuant to Section 312 of the German Commercial Code (HGB). Equity valuation for the consolidated financial statements was performed applying the book value method on the acquisition date.

C. Information on accounting policies

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

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

Valuation methods were applied unchanged compared with the previous year with the following exception:

The calculation of sales revenues from full maintenance contracts was amended to a presentation that better corresponds to actual circumstances. If this calculation method had already been applied on the previous year's reporting date, additional sales revenues of TEUR 1,198 would have been reported in the 2013 financial year (previous year), and a TEUR 1,198 lower level of prepayments received. As a consequence, these sales revenues, as well as the related expenses,

no longer apply with respect to previous periods.

Valuation details are as follows:

1. Intangible fixed assets
Acquired intangible fixed assets are recognised at acquisition cost and, if they comprise depreciating assets, less straight-line amortisation.

2. Tangible fixed assets
Tangible fixed assets are recognised 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.

3. Financial assets
Financial assets are recognised 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). Interests in associates are measured at the level of their proportionate equity pursuant to Section 312 of the German Commercial Code (HGB).

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

Work-in-progress and finished goods are recognised at the lower of cost or fair value. In addition to directly attributable specific costs of materials and production, production costs also include materials and production overheads, as well as general administrative costs to the extent that they can be allocated to production. Borrowing costs are not included in production costs. Merchandise is recognised at the lower of cost or fair value. Prepayments rendered are recognised 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 recognised at nominal value. Appropriate specific valuation allowances are applied to all risky items. General default and credit risk is reflected through general valuation allowances.

6. Short-term investments
Other securities are recognised at cost. Where required, the lower fair value on the balance sheet date is recognised in compliance with the principle of lower of cost or market.

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

8. Prepayments and accrued income
Prepayments and accrued income are recognised at cost.

9. Equity
Equity is measured at nominal value.

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

11. Other provisions
Other provisions are created for contingent liabilities at

their settlement value in accordance with reasonable commercial judgement, and taking into account all identifiable risks and contingent liabilities.

12. Liabilities

Bank borrowings, prepayments received for orders, trade payables, liabilities to participating interests, and other liabilities are recognised at their settlement amounts.

13. Prepayments received

Prepayments received include advance payments for new plants and systems, 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 and systems 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 recognised in sales revenues according to percentage of completion. Any surplus prepaid amount is accrued as a prepayment received.

14. 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 (DRS 18 TZ 25).

15. 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).

16. Derivative financial instruments

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

Derivative financial instruments

Type	JPY currency forward
Amount	TEUR 99
Due date	12 March 2015
Fair value	TEUR 1 (market valuation)

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, amortisation and extraordinary write-downs applied for each balance sheet item during the financial year.

2. Financial assets

Financial assets include interests in associates (TEUR 384) and other participating interests (TEUR 10).

Besides the proportionate net result for the proportionate current year, the reduction in the equity accounted interests in the associate 2G CENERGY Power Systems Technologies Inc. derives from writing down hidden reserves resulting from initial consolidation,

and the goodwill that arose. The goodwill included in the book value of the participating interest stood at EUR 19 on the balance sheet date.

3. Inventories

Inventories amounted to TEUR 31,157 as of the balance sheet date. Along with raw materials and supplies (TEUR 23,519), they comprise work-in-progress (TEUR 26,415), finished goods and merchandise (TEUR 924), and prepayments rendered (TEUR 636).

Pursuant to Section 268 (5) of the German Commercial Code (HGB), prepayments received for orders (TEUR -20,336) were deducted openly from the inventories item.

4. Receivables and other assets

Specific and general valuation allowances of TEUR 2,421 were applied to trade receivables.

Receivables due from participating interests arise entirely from deliveries and services.

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

5. Deferred tax assets

Deferred tax receivables of TEUR 880 arise from tax loss carryforwards (TEUR 206) at 2G Polska Sp z o.o., 2G Home GmbH and 2G Solutions S.L. No deferred tax assets were formed in relation to the loss carryforwards of 2G Italia Srl. and 2G Manufacturing 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 inventories deriving from intragroup deliveries and services as of the balance sheet date (TEUR 564), and temporary differences (TEUR 110). These temporary differences arise mainly from recognising 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 realised over the coming financial years.

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

6. Consolidated equity

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

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

In a resolution passed at the Annual General Meeting on 2 September 2010, the Management Board was authorised to increase the company‘s subscribed share capital during the period until 1 September 2015, with Supervisory Board approval, once or on several occasions, by up to a total of EUR 2,215 by issuing new ordinary bearer shares against cash and/or non-cash capital contributions (Approved Capital 2010).

An amount of TEUR 35,948 is available to shareholders for distribution in the year under review. Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 880.

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.

7. 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

	31/12/2013	Consumption	Release	Addition	31/12/2014
Warranty obligations	5,051	3,737	0	5,101	6,414
Residual work on completed plants/ outstanding invoices	2,968	2,893	30	2,012	2,057
Amounts owed to staff	1,156	1,139	6	1,282	1,293
Professional association contributions	279	276	5	297	297
Costs of preparing and auditing financial statements	135	129	6	92	92
AGM and annual report	41	41	0	46	46
Anticipated losses related to incomplete contracts	197	197	0	44	44
Archiving of business documents	29	29	0	29	29
Litigation costs	34	0	34	0	0
Total	**9,890**	**8,440**	**82**	**8,903**	**10,273**

8. Liabilities

Liabilities consist of the following:

Residual terms, in TEUR (previous years' amounts in brackets)

	Total	Up to 1 year	1 to 5 years	More than 5 years
Bank borrowings	6,144 (7,232)	2,312 (2,278)	3,115 (4,031)	718 (923)
Prepayments received for orders	12,834 (11,326)	12,834 (11,326)	0 (0)	0 (0)
Trade payables	5,617 (7,530)	5,617 (7,530)	0 (0)	0 (0)
Liabilities to participating interests	62 (44)	62 (44)	0 (0)	0 (0)
Other liabilities	4,700 (5,335)	4,591 (5,335)	109 (0)	0 (0)
Total	**29,357** **(31,467)**	**25,416** **(26,513)**	**3,223** **(4,031)**	**718** **(923)**

The following collateral instruments are connected with bank borrowings:

- EUR 2.63 million land charge, Benzstrasse, Heek
- Collateral assignment of a crane system

Liabilities to participating interests arise entirely from deliveries and services.

Other liabilities comprise tax liabilities of TEUR 2,674 (previous year: TEUR 3,732), and social security liabilities of TEUR 72 (previous year: TEUR 139).

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 turnover, in TEUR

	Germany	Abroad	Total
CHP systems	97,572	37,396	134,969
Service + replacement parts	36,140	1,098	37,238
After-sales + other	13,934	465	14,399
Total	**147,646**	**38,959**	**186,605**

2. Other operating income

Other operating income comprises TEUR 1,582 of income related to other accounting periods (previous year: TEUR 1,114) that consists mainly of insurance compensation payments and loss compensation payments (TEUR 1,233), the elimination of specific and general valuation allowances applied to receivables (TEUR 188), and the release of provisions (TEUR 82).

Other operating income includes income of TEUR 1,249 from currency translation (previous year: TEUR 43).

3. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	2014	2013
Operating expenses	5,451	4,534
Administration expenses	2,183	2,088
Sales and marketing expenses	5,199	3,924
Other	6,237	4,948
Total	**19,069**	**15,494**

Other operating expenses comprise TEUR 2,921 of expenses related to other accounting periods (previous year: TEUR 2,247) that consists mainly of valuation allowances applied to receivables, the application of specific and general valuation allowances to receivables, and receivables losses.

Other operating expenses include expenses of TEUR 122 from currency translation (previous year: TEUR 320).

4. Personnel expenses

Social security contributions and pension and benefit expenses include TEUR 402 of pension expenses (previous year: TEUR 374).

5. Taxes on income

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

Income from deferred taxes, in TEUR

	2014	2013
Deferred tax expenses	326	54
Deferred tax income	424	311
of which attributable to loss carryforwards (net balance)	386	271
Income from deferred taxes	**97**	**257**

F. Additional information

1. Cash flow statement

Cash and cash equivalents shown in the cash flow statement include cash at banks and in hand, less short-term liabilities of TEUR 468 (previous year: TEUR 335).

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

Christian Grotholt and Ludger Gausling notified the company in accordance with Section 20 of the German Stock Corporation Act (AktG) that they each own more than one quarter of the shares in 2G Energy AG.

Both notifications were submitted to the electronic Federal Gazette (Bundesanzeiger) on 30 July 2007.

3. 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.

4. Other financial obligations

Other financial obligations existed in relation to contracts as follows:

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

	Up to 1 year	1 to 5 years
Servicing contracts	0 (31)	0 (0)
Rental contracts	209 (71)	104 (156)
Lease contracts	5 (24)	0 (6)
Total	**214** **(126)**	**104** **(162)**

5. 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

	2014	2013
Wage earners	265	259
Salaried staff	257	235
	522	**494**
of whom part-time employees	45	32

6. Management Board

The Management Board is currently composed as follows:

Management Board

	Period
Mr. Dipl.-Ing. Christian Grotholt, Business executive, Ahaus	since 17 June 2007
Mr. Ludger Holtkamp, Business executive, Gronau	since 17 June 2007
Mr. Dipl.-Betriebsw. (FH) Dietmar Brockhaus, Business executive, Havixbeck	since 1 July 2013

7. Supervisory Board

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

Supervisory Board

	Period
Dr. Lukas Lenz (Chairman) Lawyer, Hamburg	since 17 July 2007
Mr. Heinrich Bertling (Deputy Chairman) Tax adviser, Gronau	since 28 August 2012
Mr. Wiebe Hofstra Senior Manager Van der Wiel Holding BV, Drachten/NL	since 17 July 2007

8. Directors' compensation

Compensation of TEUR 623 was paid to the Management Board in the financial year under review (previous year: TEUR 575), and compensation of TEUR 20 to the Supervisory Board (previous year: TEUR 20).

9. Auditor's fee

Other operating expenses include the fees expensed for the auditor of the financial statements. The auditor's fees totalled TEUR 84 and relate exclusively to audit services.

10. 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 retained earnings of EUR 38,360,080.20 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 5,216,923.44 for the year and EUR 33,143,156.76 of net retained profits, are to be distributed in an amount of EUR 1,639,100.00, and an amount of EUR 36,720,980.20 is to be carried forward to a new account.

11. Exemption rules

Utilisation 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, 18 May 2015

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member

Consolidated statement of changes in fixed assets

Consolidated statement of changes in fixed assets, in EUR

	Cost					
	01/01/2014	Currency translation	Additions	Transfers	Disposals	31/12/2014
Intangible fixed assets						
Purchased concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	1,281,864.71	408.40	410,838.03	0.00	8,595.10	1,684,516.04
Goodwill	7,269,303.32	0.00	0.00	0.00	0.00	7,269,303.32
Prepayments rendered	0.00	0.00	73,965.00	0.00	0.00	73,965.00
	8,551,168.03	**408.40**	**484,803.03**	**0.00**	**8,595.10**	**9,027,784.36**
Tangible fixed assets						
Land, land rights and buildings, including buildings on third-party land	9,728,845.68	0.00	76,187.15	0.00	0.00	9,805,032.83
Plant and machinery	1,370,538.29	4,075.91	82,461.34	161,842.67	0.00	1,618,918.21
Other factory and office equipment	8,707,658.27	44,393.83	3,013,843.94	0.00	590,246.52	11,175,649.52
Prepayments rendered and plant under construction	318,824.05	0.00	175,566.39	-161,842.67	0.00	332,547.77
	20,125,866.29	**48,469.74**	**3,348,058.82**	**0.00**	**590,246.52**	**22,932,148.33**
Financial fixed assets						
Participating interests in associated companies	301,538.10	0.00	0.00	0.00	0.00	301,538.10
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**
Total	**28,988,572.42**	**48,878.14**	**3,832,861.85**	**0.00**	**598,841.62**	**32,271,470.79**

Depreciation, amortisation and extraordinary write-downs						Book value	
01/01/2014	Currency translation	Additions	Extra-ordinary write-ups	Disposals	31/12/2014	01/01/2014	31/12/2014
635,988.11	239.30	286,914.39	0.00	8,593.00	914,548.80	645,876.60	769,967.24
2,359,635.64	0.00	363,465.17	0.00	0.00	2,723,100.81	4,909,667.68	4.546,202.51
0.00	0.00	0.00	0.00	0.00	0.00	0.00	73,965.00
2,995,623.75	**239.30**	**650,379.56**	**0.00**	**8,593.00**	**3,637,649.61**	**5,555,544.28**	**5,390,134.75**
712,538.22	0.00	298,282.15	0.00	0.00	1,010,820.37	9,016,307.46	8,794,212.46
296,512.16	2,435.77	97,091.83	0.00	0.00	396,039.76	1,074,026.13	1,222,878.45
3,294,039.92	19,168.32	1,698,920.32	0.00	394,145.67	4,617,982.89	5,413,618.35	6,557,666.63
0.00	0.00	0.00	0.00	0.00	0.00	318,824.05	332,547.77
4,303,090.30	**21,604.09**	**2,094,294.30**	**0.00**	**394,145.67**	**6,024,843.02**	**15,822,775.99**	**16,907,305.31**
-237,610.78	0.00	0.00	-155,168.20	0.00	-82,442.58	539,148.88	383,980.68
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**	**-155,168.20**	**0.00**	**-82,442.58**	**549,148.88**	**393,980.68**
7,061,103.27	**21,843.39**	**2,744,673.86**	**-155,168.20**	**402,738.67**	**9,580,050.05**	**21,927,469.15**	**22,691,420.74**

Consolidated cash flow statement

		01/01 to 31/12/2014	01/01 to 31/12/2013
		EUR	EUR
	Net profit for the period	**6,883,394.69**	**1,028,765.52**
+	Depreciation, amortisation and fixed asset write-downs	2,744,673.86	2,407,116.52
=	**Gross cashflow**	**9,628,068.55**	**3,435,882.04**
±	Other non-cash expenses/income	155,168.20	-157,839.55
±	Loss/gain from fixed asset disposals	40,609.29	-10,391.61
±	Change in provisions	1,181,852.41	130,588.01
±	Change in inventories	-3,082,239.94	3,304,131.85
±	Change in trade receivables and other assets not attributable to investment or financing activity	1,275.539.83	-44,126.36
±	Change in trade payables and other liabilities not attributable to investment or financing activity	-1,022,463.17	-2,529,485.09
=	**Cash flow from operating activities**	**8,176,535.17**	**4,128,759.30**
+	Proceeds from fixed asset disposals	155,493.66	81,265.83
-	Payments for investments in intangible fixed assets	-484,803.03	-306,530.42
-	Payments for investments in tangible fixed assets	-3,348,058.82	-3,118,930.37
±	Cash inflows/cash outflows due to financial investments as part of short-term cash management	0.00	295,247.77
=	**Cash flow from investing activities**	**-3,677,368.19**	**-3,048,947.19**
-	Payments to company owners and minority shareholders	-1,639,100.00	-1,639,100.00
+	Proceeds from raising of loans	0.00	2,618,940.16
-	Loan repayments	-1,221,155.43	-5,653,154.88
=	**Cash flow from financing activities**	**-2,860,255.43**	**-4,673,314.72**
=	**Net change in cash and cash equivalents**	**1,638,911.55**	**-3,593,502.61**
	Currency-related change in cash and cash equivalents	-354,589.23	23,555.65
+	Cash and cash equivalents at start of period	10,110,049.52	13,679,996.48
=	**Cash and cash equivalents at end of period**	**11,394,371.84**	**10,110,049.52**

Composition		
Liquid assets	11,862,712.95	10,445,376.48
Short-term bank borrowings	-468,341.11	-335,326.96
	11,394,371.84	**10,110,049.52**

Consolidated statement of changes in equity

Consolidated statement of changes in equity, in EUR

	Parent company			
	Subscribed share capital	Capital reserves	Adjustment item from foreign currency translation	Other accumulated consolidated earnings
Balance on 01/01/2013	**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 for the year				
Balance on 31/12/2013	**4,430,000.00**	**11,235,300.00**	**10,825.34**	**6,375.40**
Balance on 01/01/2014	**4,430,000.00**	**11,235,300.00**	**10,825.34**	**6,375.40**
Consolidation-related currency differences			-327,554.48	
Payments to shareholders				
Consolidated profit for the year				
Balance on 31/12/2014	**4,430,000.00**	**11,235,300.00**	**-316,729.14**	**6,375.40**

		Minority shareholders			Consolidated equity
Retained earnings	**Total**	Minority capital	Retained earnings attributable to minority interests	**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**
	-327,554.48			**0.00**	**-327,554.48**
-1,639,100.00	**-1,639,100.00**			**0.00**	**-1,639,100.00**
6,494,703.00	**6,494,703.00**		388,691.69	**388,691.69**	**6,883,394.69**
35,941,386.87	**51,296,333.13**	**4,991.42**	**767,777.71**	**772,769.13**	**52,069,102.26**


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2G. Auditor’s report.

Auditor’s report

We have audited the consolidated financial statements prepared by the 2G Energy AG, Heek, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the parent Company‘s Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § (Article) 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with (German) principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company‘s Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with (German) principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group‘s position and suitably presents the opportunities and risks of future development.

Osnabrück, 18 May 2015

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