H1 2016

2G Energy AG Half-year report

Contents

2G. Foreword.

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

Foreword

Ladies and Gentlemen,
dear Shareholders,

What stage have we reached with Germany's new energy policy? Are we on the most direct path to achieving the goal of the UN Conference on Climate Change in Paris in December 2015 of keeping global warming to significantly below 2 degrees Celsius? Questions that, given the report in recent weeks on possibly the world's warmest year since meteorological records first began, are not without a degree of urgency.

At least in terms of the goal of lowering greenhouse gases, the new energy policy has not been a success story so far. This is attributable, on the one hand, to the still ongoing attempt to compensate nuclear plants which are being shut down by upping the production of coal-based electricity and, on the other hand – which is more serious – to the fact that greenhouse emissions as a parameter for converting to new sources of energies does not have a price component which can be taken seriously. Although the EU has regulated trading in CO_2 allowances, experts believe that the price per ton of CO_2 would need to be a good 15 times higher than the average over the last four years of 6.40 EUR/tCO_2 in order to have a steering effect.

After all, the US and China ratified the Paris climate agreement at the summit of the most important industrial and emerging markets (G20) in Hangzhou, China, at the start of September. China accounts for one quarter of the world's greenhouse emissions, and the US for 15 %. Taken in total the Group of Twenty is responsible for three quarters of all greenhouse emissions. Although a study prepared by the international Climate Transparency Consortium shows that the increase in the G20's energy-related emission of greenhouse gases, which rose by 56 % between 1990 and 2013, appears to have come to a halt, converting from a fossil-fuel based economy to a green economy is not developing enough momentum according to this study. Fossil fuel sources continue to dominate the existing energy systems, and the new installation and expansion of renewable energies power plants is insufficient to compensate the growth in economic activity. As part of the study, the Federation of German Industry (BDI) also appealed to the G20 to promote climate protection through an initiative for a strong CO_2 price signal.

In our opinion, three major drivers are emerging for climate protection on an international scale: decarbonisation, a decentralised energy supply and the digitalisation (3Ds) of the energy industry. The decarbonisation (CO_2-neutral production and CO_2-neutral consumption) continues to top the agenda, as already mentioned. Innovative technology and green investments must be promoted. The single measure of introducing a globally applicable CO_2 price would steer the flow of capital in this direction. The market-proven combined heat and power technology already offers resource efficiency today, as well as a high degree of effectiveness and significant avoidance of CO_2 in energy production and, in addition, can be operated using renewable fuels. CHP technology is therefore a means of choice for achieving the climate targets, also because state-of-the-art combined heat and power produces electricity and heat/cooling decentrally at the location where it is consumed, and natural gas, as well as biogas, sewage and landfill gas or hydrogen can also be used as fuel. This increases an operator's flexibility and independence, enhances the efficiency of the energy supply, lowers energy costs and improves the CO_2 footprint of a company. Consequently, this all adds up to enough motivation. Since nowadays no economically crucial process takes place in a black box. The digitalisation of producing energy delivers huge systemic flexibility, while increasing the efficiency of output. Furthermore, digitalisation reduces service and maintenance costs through remote control and diagnosis, the byword here being predictive maintenance, and optimises plant performance under changing environmental conditions. Digitalisation is also a prerequisite for contractors and energy suppliers to access facilities in operation remotely in the context of virtual power plants.

The further expansion of cogeneration against the backdrop of three Ds also reinforces the energy policy target triangle of supply security, economic feasibility and climate protection.

2G operates on international scale, as the advantages of 2G power plants are compelling for the world at large. However, each country functions differently, and political power defines very different framework conditions and priorities in energy policy and for climate protection. For this reason, we are convinced that it is important for 2G to use the 2G partner concept to set in place a structural basis that goes beyond its own independent subsidiaries in selected markets. The objective is to enable direct customer contact and individual market access through our partners across the globe. We strengthen our network through the commercial and cultural know-how of our partners, keep risks for the Group to a minimum, and win new customers all over the world.

2G views the ongoing internationalisation of its business through the 2G partner concept, forging ahead with digitalising its CHP power plants, lowering CO_2 emissions in the combustion process further, and leveraging the advantages of a decentralised supply energy as important building blocks of its work in the coming quarters. In the foreseeable future, the CHP market is set to become a dynamic growth market on an international scale. With the aspiration of a technology leader, 2G has positioned itself to participate to an above-average extent in this growth.

Heek, September 2016
2G Energy AG

Yours sincerely,

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member

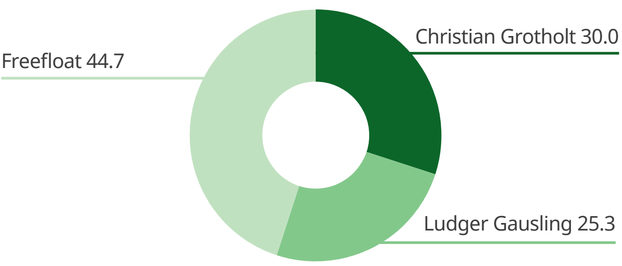
2G. Share.

2G Energy AG share

The 2G Energy share displays a sideways movement at a low level

The 2G share price trended down in the first half of 2016. The opening price of the share in January stood at EUR 21.45, which proved to be its highest level over the period under review. Five weeks later the 2G share reached its low for the period of EUR 17.12, which corresponds to a downturn in a range of 20.2 % between the lowest and highest prices. Positive corporate news about high order book positions and growing international business lifted the share price in the following months to between EUR 18 and EUR 19. In June the share price slip marginally and closed the first half-year at EUR 17.50. 2G's market capitalisation amounted to around EUR 78 million as of 30 June 2016. Following a new low of EUR 16.71 posted in July, the share price had recovered slightly to around EUR 18 by mid-September 2016. All in all, the 2G share declined by 18.4 % during the first half of the year. The DAX German equity index dropped by 5.9 % over the same period, and the DAXsubsector All Renewable Energies industrial group index to which 2G is also allocated decreased by 21.5 %.

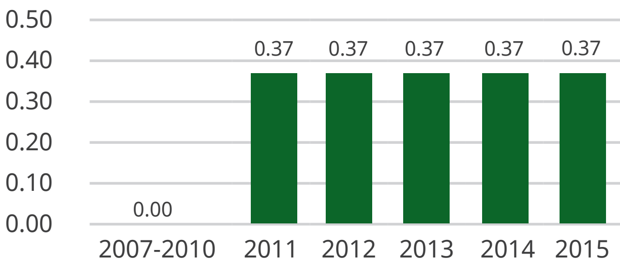
2G Energy AG shareholder structure Share %



As of 15 September 2016

Turnover in the 2G share on XETRA, tradegate and the regional stock exchanges averaged around 8,000 shares a day during the first half of the year (H1 2015: 30,000). Some 35 % of turnover in the 2G share was traded via XETRA, 16 % through tradegate, and 48 % through the German regional stock exchanges. In the first half of 2015, distribution was reported at 40 %, 12 % and 48 % respectively.

Dividends 2007 - 2015 EUR



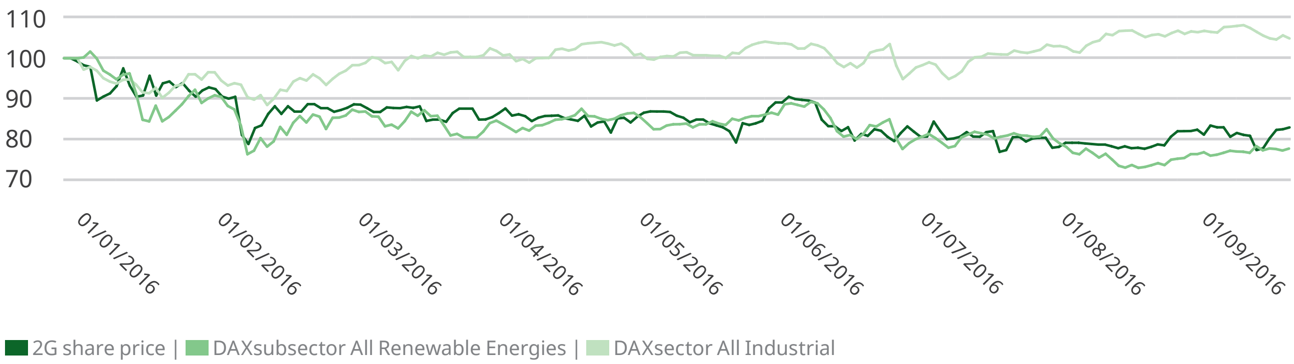
At the Ordinary Annual General Meeting (AGM) on 5 July 2016, a large majority of the shareholders approved a dividend payout of EUR 0.37 for the 2015 financial year. Attendance at the AGM amounted to around 63.1 % of the share capital.

2G pursues a sustainable dividend strategy which enables shareholders to participate in the company's success and profitability. Dividend should be based on profit, and should avoid distributions from the company's net assets in order to maintain the company's financial and innovative strength for further growth.

During the first half of 2016, the Management Board addressed Central European investors with longer investment horizons, as well as a more fundamental understanding of CHP technology, its application areas and European and American markets.

Research on 2G is conducted by the investment houses First Berlin, Hauck & Aufhäuser, Warburg, WGZ Bank, equinet and Solventis. Warburg's research activities have meanwhile ceased.

Performance of 2G share 2016 (indexed)



2G. Group management report.

Group management report of 2G Energy AG

1. The 2G Group

Business activity and corporate structure

The 2G Energy AG Group is an internationally leading manufacturer and provider of decentralised energy supply systems. Through the development, production and technical installation, as well as the digital network integration of combined heat and power systems (CHP systems), the company offers holistic solutions on the growing market for highly efficient cogeneration units. Comprehensive after-sales and maintenance services comprise an important additional performance criterion. The product range especially includes CHP modules in an electric output range between 20 kW 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 neutralize greenhouse gas emissions through combined energy production. With more than 4,000 systems in 40 countries, 2G power plants in various applications supply heating, cooling and electrical energy to a broad spectrum of customers, which includes companies in the housing industry, agriculture industry, commercial and industrial companies, public energy utilities, municipal utilities and local government authorities.

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

2G Energy AG		
2G Energietechnik GmbH	100 %	
2G Drives GmbH	80 %	
2G Home GmbH	100 %	
2G Rental GmbH	100 %	
2G Energy Ltd.	100 %	
2G Energy Inc.	100 %	
2G Italia Srl	100 %	
2G Solutions S.L.	90 %	
2G Polska Sp. z o.o.	100 %	
2G Energie SAS	100 %	

Fig. 1: 2G Energy AG corporate and ownership structure (as of 15 September 2016)

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. 2GE also maintains dependent branches in Schonstett near Munich, in Hamburg, and in Halle/Saale and in Berlin in the future.

2G Drives GmbH (2GD) is also based at the Heek site. The location's business purpose is to conduct research and development involving the entire 2G product range. As a technology services provider, 2GD concentrates mainly on optimising gas engines, control electronics, as well as on the new and further development of high-tech peripheral components. Improved efficiencies, longer maintenance intervals, and grid integration capacity allow 2G's customers to generate greater utility and benefits. In addition, software development and the digitalisation of the system and processes are hugely significant for the maintenance, interconnectivity and the control of decentralised CHP systems. Very high efficiencies of the products which the company develops itself, and the integrative capacity of CHP systems, constitute important keys to 2G's success, with such USPs generating 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). 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) likewise maintains its head office in Heek. The company operates in the lower output range of heat-driven CHP systems with its core products, the g-box 20 and the g-box 50. The g-box is a profitable small power plant in an electric output range between 20 and 50 kW, and is supplied as a turnkey compact module for small and mid-sized business operations, hospitals, hotels, trading businesses and housing complexes. Furthermore, the g-boxes can be profitably integrated into the procurement and sales concept of municipal utilities. As an OEM (Original Equipment Manufacturer), 2G also produces and supplies the g-box 20 to prestigious companies in the heating industry.

2G Rental GmbH (2GR) headquartered in Heek provides an alternative to purchasing 2G power plants by leasing them to energy service providers (contractors) or directly to 2G customers. In a first step initially limited to the German market, 2G has thereby created a proprietary instrument to promote sales of CHP systems produced by 2GE. Along with renting systems out for use, 2GR can also offer a leasing solution based on a cooperation agreement with an independent finance partner.

In the context of the organisational realignment under corporate law in 2015, 2G is offering its customers in the USA one-stop services from 2G Energy Inc., St. Augustine, Florida. All sales, production, project management and service activities are combined under 2G Energy Inc. As the standard, the 2G systems are already offering many of the features in demand in the US market, which will enable 2G to participate in the ongoing development of the American market.

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. headquartered in Vic in the vicinity of Barcelona in Spain covers the Iberian Peninsula. At the end of August 2016, 2G established its own French foreign subsidiary under the name of 2G Energie SAS with principal offices in Nantes. 2G SAS is responsible for business in France, which was formerly supported by the operations of 2G Solutions. While the market in Italy is served by Verona-based 2G Italia Srl., 2G Polska

Sp. z o.o., which has its headquarters in Bielsko-Biala, is responsible for the Polish market and the Baltic. 2G Energy Ltd., which is based in Sutton Weaver, Runcorn, is responsible for the markets in the United Kingdom and Ireland.

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

2. Economic environment / Macroeconomic situation

According to the economic forecast produced by the Kiel Institute for the World Economy (IfW) at the start of September 2016, the development of the global economy proved to be somewhat subdued in the first half of 2016. While the situation in the emerging markets stabilised, economic momentum in the industrialised nations reported somewhat of a slowdown over the course of the first half year. IfW experts reported an ongoing moderate economic uptrend in the Eurozone, supported by persistently low interest rates and the euro's low external value. Germany's economy flies in the face of headwinds from abroad. Economic momentum here is carried first and foremost by domestic drivers, in particular by construction activity and private consumption. Only capital expenditure reported a significant decline in the second quarter.

Industry development

The statements made in the Annual Report 2015 on pages 31 to 44 retain their validity in respect of the CHP-industry development in Germany and in the international markets. All in all, the market for cogeneration (CHP) systems continues to grow. With its CHP systems in an electric output range of between 20 kW and 4 MW, 2G is positioned to fully participate in this growth. The company is reaping the benefit of the strategy it pursued at an early stage of differentiating its business model in terms of various output classes, different gas types and activities on different continents. The systematically pursued expansion of quality management, compliance with international management standards and supplier certification in Germany and abroad also play an increasingly important role in international competition. Moreover, 2G is financially well positioned with its healthy balance sheet structure and, in the event, would have access to more equity through its stock exchange listing.

A process of ongoing consolidation has been observed in the CHP market in Germany in recent years. Smaller competitors have disappeared as they have essentially concentrated on biogas technology and have not adapted quickly enough to changing legal framework conditions and higher technical standards, in particular for CHP systems powered by natural gas. 2G benefits from this in the form of winning further market share and taking over skilled personnel for its service, sales and production. 2G considers itself well positioned overall in the domestic and international market. The margin situation in some markets outside Germany is partly better than in this country.

Natural gas is a significant bridging source of energy for the new energy policy

The potential of natural gas to support the new energy policy in respect of a sustainable energy supply has already become evident in recent years through the expansion of CHP systems powered by natural gas. According to Federal Office of Economic and Export Control (BAFA), the installed electrical capacity of CHP systems powered by natural gas in Germany alone rose by around a quarter on average over the period from 2009 to 2014. According to BAFA figures for 2015, uncertainty in the sector about the ongoing amendment of the German CHP Act caused approvals to contract by more than half to 755 MW, down from 1,713 MW in 2014.

2G expands its market share of CHP systems powered by natural gas against the trend

According to the reliable and to the now available and loadable BAFA statistics (6 June 2016), 2G has bucked the trend in Germany by significantly expanding its market share in 2015 against the backdrop of this challenging environment. The market share in the output range of 20 kW to 2 MW served by the company with its 2G systems grew to 20.6 % in 2015 (2014: 16.9 %). In its core output segment upward of 50 kW to 500 kW 2G's market share was reported at 27.8 % (2014: 24.8 %).

In the opinion of 2G, the positive environmental features, the existing infrastructure and the sustainably good supply of natural gas in the foreseeable future are arguments in favour of this primary source of energy remaining an important pillar on the way to an energy supply consisting largely of renewable energies.

Up until now the objective of the new energy policy of lowering greenhouse gas emissions in Germany by 40 % by 2020 has not really turned out to be a success story. Natural gas applications combined with renewable energies lend themselves as the ideal prerequisite for building the bridge to virtually CO_2 emission free energy production. These circumstances therefore set in place all the preconditions conducive to attractive market growth for decentralised 2G power plants. Using economical electricity available from wind and solar electricity can also be achieved through the power-to-gas technology, with conversion to hydrogen or methane, and stored in large volumes in the existing natural gas infrastructure or converted into electricity and heat using 2G technology in line with requirements. This allows renewable energies, CHP technology, gas grids, and local and district heating applications to be combined with each other in a way that is beneficial, complimentary, and in line with systems.

Trends in 2G's market share in German CHP market 2012 - 2015 for natural gas operated CHP power plants in the core performance range > 50 - 500 kW in %

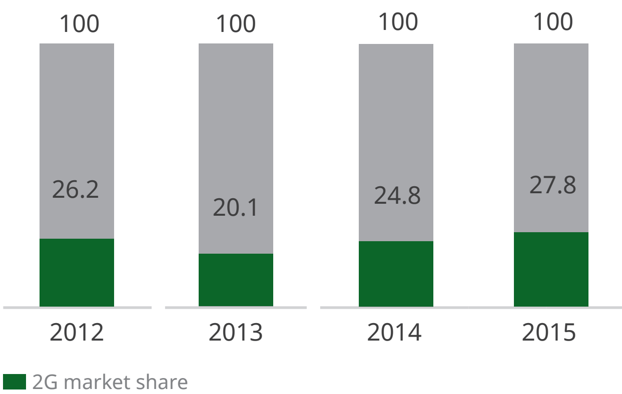


Fig. 2: Trends in 2G's market share in German CHP market 2012 - 2015 for natural gas operated CHP power plants in the core performance range > 50 - 500 kW
Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), as of 6 June 2016

In the important German market 2G's business with CHP systems powered by natural gas was hallmarked by the uncertainty prevailing in the first half of 2016 for producers and investors from the provisions to be applied under the amended CHP Act 2016. Although the Bundestag passed the act on 15 December 2015, ratification by the EU Commission was still pending. Order intake by 2G in the period under review was subdued accordingly. CHP systems ordered or in progress in 2015 and due for completion in the first months of 2016 were, however, relevant for revenues. In the markets outside Germany, particularly in the United Kingdom and the US, demand for 2G CHP power plants powered by natural gas proved to be particularly brisk.

Trends in 2G's market share in German CHP market 2012 - 2015 for natural gas operated CHP power plants in the > 20 - 2,000 kW performance range in %

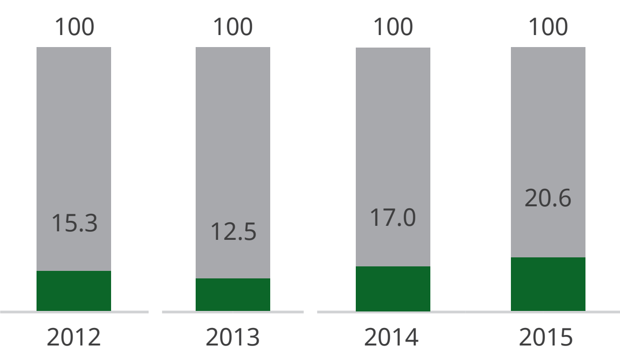


Fig. 3: Trends in 2G's market share in German CHP market 2012 – 2015 for natural gas operated CHP power plants in the 20 - 2,000 kW performance range
Source: 2G Energy AG; German Federal Office for Economic Affairs and Export Control (BAFA), as of 6 June 2016

Ongoing decline in gas prices

The price of natural gas has declined further in recent quarters, a trend which continued during the first half of 2016. The fall in oil prices observed since mid-2014 is exerting a delayed effect on natural gas importers' long-term supply agreements, and the partial connection with the oil price which exists also affects natural gas price trends. Price blips are generally less pronounced than those of oil price fluctuations, as the gas cost portion of the selling price is lower than the portion for transportation and distribution costs, taxes and profit margins. This downtrend in gas prices is supported by a good supply situation and high supply security.

Development of prices for natural gas for the industry und households in Germany (Index 2010 = 100)

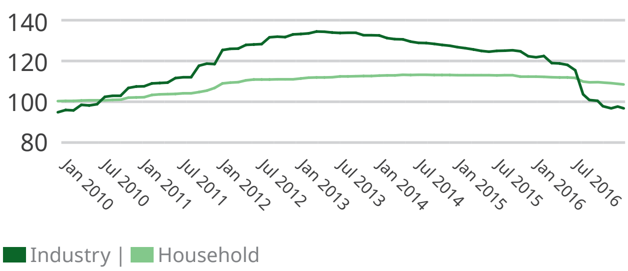


Fig. 4: Development of prices for natural gas for the industry and households in Germany
Source: German Federal Statistical Office, Development of Energy Prices, July 2016

Electricity prices stagnate at a high level

According to data produced by the German Energy and Water Sector Association (BDEW), average electricity prices for private households and mid-sized industrial operations saw a year-on-year increase of 0.2 % and a marginal decline of 1.2 % respectively during the first half of 2016. Ultimately, these changes are virtually immaterial for electricity as a cost factor. All the more noteworthy is the fact that the decline in the share of procurement, grid charges and distribution in the overall electricity price is ongoing. Whereas this portion of the costs fell by 12.4 %, from 7.02 ct/kWh in 2015 to 6.15 ct/kWh, the cost for industry dropped by 9.7 %, from 7.19 ct/kWh to 6.49 ct/kWh measured against the year earlier period. Over the period under review from 2009 to 2016 this trend becomes even more evident: the cost borne by industry declined by 25.4 % and by private households by 27.8 %. These price developments were, however, more than negated by rising government levies, surcharges, taxes, and the levy under the German Renewable Energies Act (EEG). These costs soared by 216.6 % for industry and 81.9 % for private households over the period from 2009 to 2016. In 2016, the EEG levy will reach its highest figure so far of 6.35 ct/kWh (2015: 6.17 ct/kWh). Wholesale prices on the Leipzig EEX electricity exchange continue to decline, contracting by between 23.2 % (spot price peak) and 22.7 % (spot price base) in 2016 (data through to May 2016) compared with the respective

Average electricity price for industrial customers (incl. electricity tax) 2000 - 2016 Euro-Cent per kWh

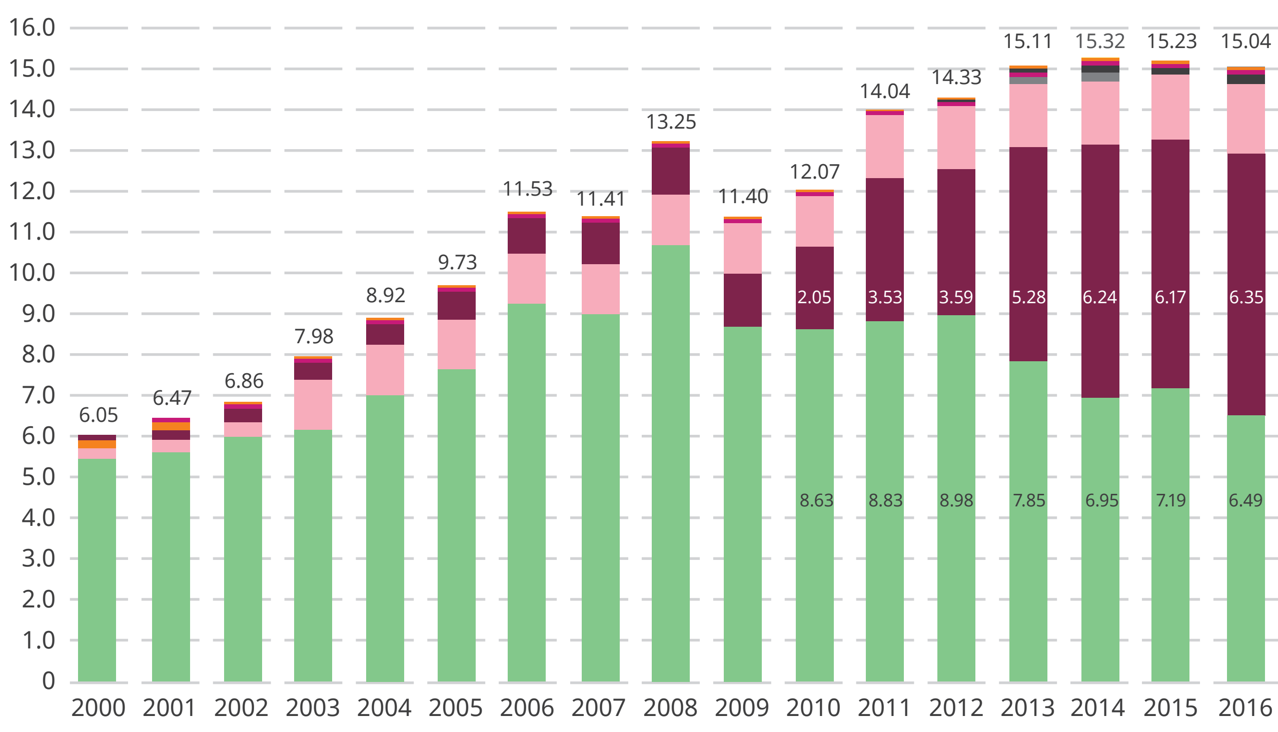


Fig. 5: Average electricity price for industry 2000 – 2016 (including electricity tax) in Germany in cents per kWh (annual consumption 160 to 20,000 MWh), medium voltage supplies (intake 100 kW / 1,600 h to 4,000 kW / 5,000 h)
Source: BDEW Electricity Price Analysis, August 2016

average values in 2015, depending on the product. This is evident not only in the increase in the EEG levy (differential costs between EEG feed-in compensation and electricity market price) at a high level, but also in a price-reducing effect due to preferential feed-in and marketing of EEG electricity volumes.

It can generally be said that electricity prices for mid-sized industry as an electricity consumer have remained at a high level since the end of 2012. No trend turnaround has been identifiable to date, including during the course of the current reporting year.

Spark Spread Ratios in Europe and USA 2008 - 2015

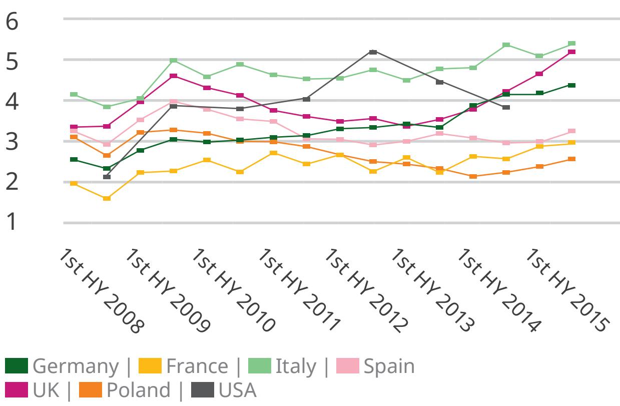


Fig. 6: Sparks spread trends in selected European countries and the USA 2008 – 2015
Source: German Federal Statistical Office, energy price trend data, 31 August 2016; UK Department of Energy & Climate Change, Industrial Electricity & Gas Prices in the IEA, 30 June 2016; 2G calculations

A spark spread (relationship between trends in electricity prices and natural gas prices) of generally 2.5 or greater continues to prevail due to the developments in the German gas and electricity market in 2016, as outlined above, as well as on foreign markets of relevance for 2G. The basic preconditions for the economical operation of combined heat and power generation remain in place, as before.

Repowering and flexibilisation determine gas business in Germany

During the first half-year, 2G increasingly sold biogas operated combined heat and power systems in Germany as part of rendering existing plants more efficient (flexibilisation). At the end of the first six months, the order trend had held up well. As of 30 June 2016, 90 orders for biogas CHP systems had been placed in Germany. Given the restrictive subsidy and capacity conditions of the EEG 2014 valid up until the end of this year, the result is satisfactory. 2G benefited from market consolidation. According to the German Biogas Association, many plant operators and investors adopted a very reticent stance in the first six months of 2016, putting capital expenditure on hold for the time being. Backed by its sophisticated technology, plant control and grid integration capacity, 2G created the preconditions in this market at an early stage to enable it to participate in the market for new biogas plants as well as in the promising market for repowering investments. 2G CHP plants of the filius product range meet the so-called grid codes, are certified in compliance with medium and low voltage guidelines, and can also be controlled remotely in operation through control software for energy service providers (contractors).

Flexibilisation forms part of repowering existing biogas plants. Once biogas operated CHP systems have reached the end of their basic life-cycle of around 60,000 operating hours (eight years on average), operators face a choice between a general overhaul, or replacement investments in combination with a technical re-dimensioning and flexibilisation (so-called „superstructure"; the capacities are available in the form of flexible output when required in the electricity grid) of the respective plant. The flexibilisation premium and the market premium for plant operators in direct marketing (participation in regular operations) offer additional incentives to invest. The fact that a plant can be controlled remotely constitutes an important precondition for entitlement to payment of the market premium.

2G sold CHP systems from its filius series in particular for repowering, i.e. the pure refurbishment of the power plants of existing biogas facilities. As a high-performing power plant in the 50 to 150 kW output range, the filius is designed especially for smaller biogas plants and meets remote control regulations.

In international markets, biogas continues to be an important fuel for CHP systems. As of 30 June 2016, order intake for biogas operated CHP systems, which stood at EUR 3.3 million in France and EUR 16.2 million in the United Kingdom, proved to be very robust. Japan also continues to develop as an attractive sales market for biogas operated CHP systems. As of 30 June 2016, orders on hand posted around EUR 4.5 million. The Japanese market is being developed exclusively with partner companies such as Technis, Tsuchiya and Fuji Electric. Demand so far exclusively targets biogas powered systems for agriculture, as well as landfill and sewage systems in an output range of 50 kW to 2 MW.

Raising the share in the international markets through the 2G partner concept

In order to leverage the entrepreneurial opportunities in the internationally growing CHP market and to keep the company's own risks and the capital commitment as low as possible, 2G launched an extensive partner concept in the first half year with the aim of transforming partnerships in Germany and abroad into a centralised sales and service model. Based on this concept, 2G has set in place the structural basis for reinforcing its market presence and access to individual markets through partners all over the world.

Today, 2G already has more than 175 partners in 31 countries. In the context of the partner concept, these partners are reassessed and joined by further partners. The range of partners encompasses tipsters right through to companies which exclusively sell 2G products as "2G stations" outside Germany, without, however, forming part of the 2G Group in organisational and legal terms. The partner model has been conceived as a win-win concept: partners benefit from 2G's strong market position, from the quality of its products and its innovation capacity. 2G benefits from its partners' knowledge of the respective regional market and their proximity to the target groups. 2G supports its partners with a range of different instruments, including the training of the partners' sales and service staff in particular and, if necessary, active sales support on site. In order to build up and establish the partner concept in a sustainable and successful way, 2G has consistently opted for digital interfaces and solutions (e.g. CRM system), as well as relying on the my.2-g.com partner portal. The relevant information from Service and

Sales is therefore directly available, which reduces the time involved in managing the cooperation. The aim is, for instance, to involve partners involved in Service in the planning and to integrate them systematically in 2G's process environment. In general terms, this will enhance the quality and customer benefit in the cooperation with 2G's international partners. The OEM and energy utilities customer group are not included in the partner concept and continue to be directly advised by 2G Energietechnik.

The partner concept plays an important role in realising the revenue volume of up to EUR 300 million targeted by 2020.

Overview of the first half of 2016

The Group achieved sales revenue of EUR 63.8 million as of 30 June 2016. The following table provides an overview of the distribution of sales revenues:

As of the reporting date on 30 June 2016, 26 % of the revenues were generated by the sale of CHP systems in countries outside Germany. As in the past, 2G Energy Ltd. (EUR 2.7 million) in the United Kingdom and 2G Energy Inc. (EUR 6.7 million) in the US led the way as the foreign branches generating the highest revenues. In addition to the revenues already achieved, orders had also been placed for the North American (EUR 12.0 million) and the British (EUR 18.2 million) markets as of 30 June 2016. All in all, the share of international business in the CHP systems order book stood at 41.4 % on 30 June 2016.

The Service division reported continued growth in its share in sales revenues. At EUR 27.6 million (H1 2015: EUR 22.9 million), the service and spare parts business contributed more than 40 % to the consolidated revenues as of the reporting date.

Composition of sales revenues acc. to product areas

	H1 2016					
	Germany		Abroad		Total	
Sales revenues, in EUR millions	51.1	80 %	12.7	20 %	63.8	100 %
CHP systems	22.0	35 %	7.7	12 %	29.8*	47 %
of which biogas	6.5	10 %	6.6	10 %	13.2*	21 %*
of which natural gas	15.5	24 %	1.1	2 %	16.6	26 %
Service	22.8	36 %	4.7	7 %	27.6*	43 %
After-Sales	6.2	10 %	0.2	0 %	6.4	10 %

* Rounding differences may occur.

All in all, business developed well in the first half-year, which is reflected in particular by total operating revenue which had increased by 37 % in a year-on-year comparison. That the order book has remained at a very high level despite notification pertaining to the CHP Act not having been given by 30 June 2016 is renewed proof that 2G as a mid-sized enterprise can adapt quickly and flexibly to the respective market conditions. In addition, dependence on developments in the individual markets is being increasingly mitigated by the rising share of international business in revenues. Our past assumption that further revenue and earnings potential can be released for 2G through the repowering and flexibilisation of CHP systems in the biogas market proved to be correct in the first half of 2016.

3. Results of operations

2G lifted sales revenues by EUR 4.8 million to EUR 63.8 million, up from the year earlier figure of EUR 59.0 million. Total operating performance climbed by EUR 22.9 million to EUR 85.5 million on the back of the significant increase in inventories of finished goods and work in process (H1 2015: EUR 62.5 million). Own work capitalised stood at EUR 0.5 million (H1 2015: EUR 0.5 million) and resulted solely from the CHP systems recognised in the non-current assets of 2G Rental GmbH.

The cost of materials as a proportion of total operating revenue increased marginally to 74.0 % compared with the year earlier figure (H1 2015: 71.22 %), which was attributable to the high level of inventories as of the reporting date on 30 June 2016. Gross profit came in at EUR 22.2 million in the period under review (H1 2015: EUR 18.0 million).

The increase in production performance in the first half-year is reflected in the lower personnel costs ratio which has dropped from 22.8 % to 17.4 %. In absolute figures, personnel expenses rose slightly to EUR 14.9 million due to a slight increase in the workforce of 2G Energy Ltd. and changes in the remuneration structure of 2G Energy Inc. employees.

Depreciation and amortisation increased slightly to EUR 1.7 million (H1 2015: EUR 1.6 million) due to the higher level of depreciation and amortisation applied to property, plant and equipment. This development was mainly attributable to additions to property, plant and equipment through the operations of 2G Rental GmbH. Other selling, operating and administrative expenses amounted to EUR 8.4 million (H1 2015: EUR 7.7 million).

Results of operations in EUR million

		30/06/2016	30/06/2015
	Sales revenues	63.8	59.0
+	Increase in inventories	21.2	3.0
+	Own work capitalised	0.5	0.5
=	Total operating revenue	85.5	62.5
+	Other operating income	0.5	1.7
-	Cost of materials	63.3	44.5
-	Personnel expenses	14.9	14.3
-	Depreciation/amortisation	1.7	1.6
-	Other operating expenses	8.4	7.7
=	EBIT	-2.4*	-3.9

* Rounding differences may occur.

2G reports negative EBIT of EUR 2.4 million as of 30 June 2016 (H1 2015: EUR -3.9 million). In assessing the result, it should be noted that the high level of finished goods and work in progress will largely only reach the stage of acceptance by the customer and final invoicing in the second half of 2016. As finished goods and work in progress is only measured at production cost in accordance with HGB, 2G anticipates a traditionally significant improvement in the result at year end.

A financial result of EUR -0.2 million (H1 2015: EUR 0.1 million) and income tax of EUR 0.3 million (H1 2015: EUR 0.4 million) leads to a consolidated loss of EUR 2.8 million at the end of the first six months (H1 2015: consolidated loss of EUR 4.3 million).

4. Financial position

The Group parent company in Germany conducts centralised strategic financial management for the 2G Group by supplying the individual Group companies with the corresponding liquidity in line with their operating requirements. The following condensed cash flow statement shows the financial position of the 2G Group:

Cash flow statement

	30/06/2016	30/06/2015
	TEUR	TEUR
Net result	**-2,801**	**-4,307**
Depreciation, amortization and fixed asset write-downs	1,750	1,632
Change in provisions	-123	151
Other non-cash income	0	0
Increase in inventories	-9,792	-7,157
Change in trade receivables and other assets which are not allocable to investing or financing activities	2,816	7,160
Change in trade payables and other liabilities that are not allocable to investing or financing activities	15,064	903
Loss/gain from asset disposals	28	-15
Cash inflow/outflow for taxes and interest	-649	59
Cash flow from operating activities	**6,292***	**-1,574**
Cash flow from investing activities	**-1,307**	**957**
Cash flow from financing activities	**-378**	**-249**
Liquid assets on 30 June **	**14,821**	**10,248**

* Rounding differences may occur.

** Reported less short-term bank overdraft drawdowns.

2G had sufficient liquidity available during the entire period under review. The high production capacity utilization resulted in higher capital of EUR 9.8 million tied up in inventories which was, however, offset by congruent pre-payment management. The operating cash flow stood at EUR 6.3 million on the reporting date.

An amount of EUR 1.3 million was chanelled into property, plant and equipment in the context of investing activities. Capital expenditure of 2G Rental GmbH amounting to EUR 0.5 million in CHP systems purchased from 2G Energietechnik GmbH for leasing are also taken into account here, among other items.

Financial liabilities of EUR 0.9 million were repaid on schedule in the context of financing activity; by contrast, 2G Rental GmbH took out a refinancing loan of EUR 0.7 million in the first half-year.

After consideration of currency-related changes in cash assets, cash and cash equivalents on the mid-year reporting date totalled EUR 14.8 million. This liquidity is available in the form of bank balances, and secures the 2G Group's solvency at all times. In addition, free credit lines of EUR 12.6 million at banks were available as of 30 June 2016.

5. Net asset position

As of the reporting date on 30 June 2016, total assets had risen by EUR 11.5 million to EUR 107.4 million compared with 31 December 2015. This development was mainly attributable to the higher level of unfinished products.

Based on today's project status and commissioning schedule, unfinished goods measured on the basis of commercial prudence and other orders on hand totalling EUR 106.4 million as of 30 June 2016 will largely impact revenues and earnings before the end of 2016.

The amount of trade receivables had fallen by 12 % to EUR 21.7 million, down from EUR 24.6 million, as of the reporting date. The receivables position is monitored on a running basis through debtor management and a large part of the receivables are additionally secured through a commercial credit insurance.

Working capital stood at EUR 29.1 million as of 30 June 2016, representing a decline of around EUR 2.6 million compared with the reporting date of 31 December 2015.

When forming tax provisions (TEUR 176) and other provisions (EUR 10.6 million), the fixed obligations that are fundamentally determined and the contingent risks, for warranties for example, are taken into account applying the principle of due commercial prudence.

Bank borrowings declined year on year from EUR 5.9 million to EUR 5.7 million. Liabilities deriving from prepayments on orders advanced to EUR 26.2 million (previous year: EUR 14.8 million). Trade payables to suppliers have increased to EUR 9.7 million due to individual inventory replenishments (previous year: EUR 5.4 million). Other liabilities came in at EUR 5.2 million as of the reporting date (previous year: EUR 5.4 million) and were mainly attributable to ongoing wage and tax liabilities.

Assets

	30/06/2016	31/12/2015
	TEUR	TEUR
A. Non-current assets	22,905	23,475
B. Current assets	82,945	71,036
C. Prepayments and accrued income	871	381
D. Deferred tax assets	679	963
Total assets	**107,400**	**95,855**

Equity and liabilities

	30/06/2016	31/12/2015
	TEUR	TEUR
A. Equity	49,789	52,647
B. Provisions	10,751	11,697
C. Liabilities		
I. Bank borrowings	5,748	5,913
II. Other liabilities	41,111	25,597
Total assets	**107,400***	**95,855**

* Rounding differences may occur.

Overall statement on the business situation

EBIT of EUR -2.4 million was reported as an half-year result on 30 June 2016 (previous year: EUR -3.9 million). Overall, the performance and situation of the 2G Group has settled at a healthy level in 2016, with the recognised seasonal course of business typical of the sector. 2G considers itself well positioned in the sustainably attractive CHP market. The company is reaping growing benefit from the strategic direction taken in recent years which is making it ever more independent of the framework conditions in individual markets. Backed by the ongoing strengthening of the organisation and the expansion of digitalisation and quality management, 2G is rigorously improving its preconditions for maintaining its position as technology leader and solutions provider, also on an international scale, against the backdrop of increasingly intensive competition.

6. Non-financial performance indicators

Pages 68 to 76 of the 2015 Annual Report provide a presentation of non-financial performance indicators. We briefly address the investments realised during the reporting period, research & development, the order book position, and personnel trends.

Investments

The 2G Group invested around EUR 1.3 million in total in tangible fixed assets and EUR 0.1 million in intangible assets during the first half of 2016. Capital expenditure in property, plant and equipment mainly comprises CHP leased systems of 2G Rental and investments made by 2G Energietechnik in its fleet of vehicles, tools, and EDP. A total of EUR 2.2 million was invested during the comparable prior-year period.

Research & development

2G has staked out a leading technological position in the market for combined heat and power generation systems in the 20 KW to 550 KW output class in recent years through its ongoing intensive research and development endeavours. Along with engine mechanics, performance areas include software and electronic component development in particular, as well as engine controls. The aim is to create unique selling propositions capable of delivering advantages and additional benefits to customers choosing 2G modules compared with using competitor products. The focus of the development work encompassing the 2G product programme is shifting increasingly noticeably from realising the greatest possible electrical efficiency and exceptional overall efficiency towards service applications that ensure improved availability and the integration of CHP systems into the control energy cycle in order to achieve greater economic efficiency. More information on 2G's research and development work can be found in the 2015 Annual Report on pages 68 to 70.

Order book position

The order book position deriving from CHP orders posted around EUR 106.4 million as of 30 June 2016, which is some 40 % higher than the previous year's level of EUR 76.2 million. The share of international business stood at 41.4 % on 30 June 2016 (H1 2015: 46 %). Along with international markets in North America (order book on 30 June 2016: EUR 12.0 million) and in the United Kingdom (EUR 18.2 million) which continued to yield the most orders, the order books for France (EUR 3.3 million) and Japan (EUR 4.4 million) also made significant contributions to this figure.

Order book position for CHP systems as of 30 June 2016 million EUR

Country	Natural gas	Biogas	∑
Germany	33.2	29.2	62.4
United Kingdom	2.0	16.2	18.2
Rest of Europe	0	7.2	7.2
USA	8.1	3.9	12.0
Rest of world	1.3	5.3	6.6
Sum total	**44.6**	**61.8**	**106.4**

Orders on hand shown in the table pertain exclusively to the new CHP systems. Orders from Service and After Sales are to be taken into additional consideration.

Employees

The Group employed a total of 599 members of staff as of 30 June 2016 (H1 2015: 600 employees), 19 of whom were part time (H1 2015: 12) and 21 trainees (H1 2015: 25).

Number of employees by subsidiaries, as of 30 June 2016

	Number of Employees	Of whom: Trainees	Of whom: Part-time staff
2G Energy AG	16	0	1
2G Energietechnik GmbH	420	20	14
2G Home GmbH	27	1	3
2G Drives GmbH	44	0	0
2G Rental GmbH	2	0	0
2G Solutions S.L.	9	0	1
2G Italia Srl	10	0	0
2G Polska Sp. z o.o	2	0	0
2G Energy Ltd.	31	0	0
2G Energy Inc.	38	0	0
Total	**599**	**21**	**19**

7. Significant events after the reporting date

At the ordinary Annual General Meeting on 5 July 2015, the owners passed a resolution to distribute a dividend of EUR 0.37 per share, EUR 1.64 million in total, from the net retained earnings for the 2015 financial year.

2G establishes independent subsidiary in France

At the end of August 2016, 2G realigned its activities in France and on the Iberian Peninsula. 2G established an independent wholly-owned subsidiary under the name of 2G Energie SAS headquartered in Nantes. With a share of around 30 %, 2G has already built a good market position in the French market for biogas CHP systems. The aim of the French sales and service company is to participate significantly in the future improved sales potential enabled by the passing of legislation on the new energy policy in 2015. The act has improved subsidy conditions for electricity generated by biogas plants in particular. 2G intends, however, to step up the installation of natural gas powered CHP systems as well. 2G Solutions of Cogeneration S.L., the company’s Spanish subsidiary headquartered in Vic/Barcelona, focuses its sales and service activities on the Iberian Peninsula and the Maghreb countries.

Takeover of all the shares in 2G Home GmbH

As of 1 July 2016, 2G Energy AG took over the 10 %-percent share held by a senior executive of 2G Home GmbH. 2G Energy AG now holds 100 % of the shares in the subsidiary headquartered in Heek. The former minority shareholder remains in the position of general manager in charge of 2G Home GmbH.

2G to open a liaison office in Berlin

2G will be opening a liaison office on the EUREF Campus in Berlin in October in order to place its CHP energy production know-how more effectively with mandated politicians. Proximity to the EUREF Campus is also aimed at organising the network and collaboration with other companies in the sector and the associations more effectively.

Renewal of the contract with the Chief Financial Officer

At the start of July 2016, the Supervisory Board renewed the contract with CFO Dietmar Brockhaus for another five years. The contract was due to expire at the end of 2016. Dietmar Brockhaus has therefore been appointed as a member of 2G Energy AG's Management Board until the end of 2021. As before, he will be in charge of Finance, Law, Personnel and Investor Relations.

2G gains the status of "approved exporter"

Against the backdrop of the increase in the export of CHP systems, 2G has set in place the prerequisites for the simplified exporting of goods. Following successful examination by the Hauptzollamt (Principal Customs Office) Münster, 2G has been awarded the status of "approved exporter". This authorisation allows 2G to prepare declarations of origins under preferential law on commercial documents without restricting the value of goods under its own responsibility. These declarations of origin are the precondition for goods to be imported duty free into countries that have a trading agreement with the European Union. The status of an approved exporter confers an advantage on 2G of, among other things, being able to issue a declaration of origin independent of the inland customs office. Moreover, in trading goods with countries such as South Korea it is only possible to have preferential tariff treatment for the originating goods with an approved exporter, which confers a price advantage of around 8 % for CHP plants of 2G in these markets.

Combined Heat and Power Generation Act ratified by the EU Commission subject to conditions

The German Federal Ministry of Economics and Technology reached an agreement on the energy packet which also encompasses the Combined Heat and Power Generation (CHP) Act in compliance with state aid law. As a result, large parts of the CHP Act, for instance, subsidies for system up to 1 MW, for instance, can be implemented unchanged. For new and upgraded systems over 1 to 50 MW, there will be a tendering procedure in future with the requisite directive implementation to be passed in 2017. Calls for tender will commence in the winter of 2017/18. 2G reported in detail on this in its corporate news release on 6 September 2016. The information can be accessed on the company's website at www.2-g.com/de/investor-relations.

EEG amendments 2017 adopted by the Bundestag

The Bundestag adopted the amendment to the German Renewable Energies Act (EEG) on 7 July 2016. The act will enter into force on 1 January 2017. The EEG 2017 stipulates fundamental changes to the subsidising of renewable energies, including through the tender process. Both grid and plant operators are required to meet new challenges. In the case of electricity from bioenergy, such as biogas generated through CHP systems, the EEG has provided for a so-called "stabilisation path" in 2017 which allows plants in a dimension of 150 MW of installed capacity each year over the period from 2017 to 2019 and 200 MW and in the years from 2020 to 2022 to be built or to continue to operate after their feed-in tariffs under the EEG have expired. Operators of existing systems whose EEG tariffs expire during this period therefore have the opportunity of securing the further operation of their systems for another ten years through successful participation in a tender.

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

8. Corporate responsibility

Risk report

The risks and opportunities are described on pages 76 to 82 of the 2015 Annual Report. Compared with the assessments at that time, no significant changes have occurred to the position of opportunities and risks of the 2G Energy Group.

9. Outlook

Economic development characterised by cautious optimism

IfW experts anticipate moderate growth for the global economy in the next two years. They do not, however, expect a strong upswing. According to the IfW, the increase in global production of 3.1 % this year will be as high as in the previous year. Its economists forecast a growth of 3.5 % in 2017. With the stabilisation of commodity prices and the firming up of China's economy, the prospects for many emerging markets have brightened. In view of the subdued economic momentum and multiple severe structural problems, however, the recovery of the industrialised nations is likely to be more moderate.

The IfW also anticipates that the economic activity in the Eurozone will generally continue its hesitant growth. Experts expect that the United Kingdom's decision to leave the European Union will place only a slight burden on the Eurozone economy through a direct trading effect that may emanate from a cooling of the British economy. Economic activity in the Eurozone will continue to derive support from lower interest rates, an expansive monetary policy and the low external value of the euro. The IfW forecasts growth of 1.6 % in 2016 and 1.7 % in 2017 respectively.

The IfW is optimistic for economic growth in Germany in the current year despite the unsettled global economic environment. GDP growth rates are likely to settle at 1.9 % this year, with economic development supported above all by domestic demand. The experts from Kiel are, however, more cautious about development of capital expenditure. In their opinion, capital expenditure is likely to be braked by a great deal of political uncertainty and pick up momentum only gradually. The Brexit vote may also noticeably dampen exports. In 2017, the IfW anticipates a GDP growth of 1.7 % which is increasingly set to benefit from the gradual economic recovery in the sales market that are important for German exports.

The IfW sees risks for global economic development, above all in the geopolitical tense situation as well as the increasing isolationist and protectionist tendencies of a number of countries and economic areas.

Audits strengthen competitive position

In addition to existing international management standards, such as DIN EN ISO 9001 (revision of the standard 2015), 2G was also certified for the OHSAS 18001 occupational safety management system in July 2016. Moreover, preparations are underway for the environmental management system in compliance with DIN EN ISO 14001:2015 for 2G Energietechnik and the DIN EN ISO 50001:2011 energy management system for all German 2G companies. 2G aims to have all certifications by the end of the year. The energy management system takes all areas of the company under obligation to use energy efficiently. For 2G as a pioneer in energy efficiency and energy technology, certification is a more than logical step, enabling it to improve its competitive position for tendering processes, in particular in respect of the public sector and international groups in Germany and abroad. Measures include, for instance, certification by the energy supply industry in the United Kingdom for quality, workplace safety and environmental achieved in the spring of 2015.

International Management Standards

Designation	Description	Certified
DIN EN ISO 9001	Quality Management system	12/2013 2G Energy AG, 2G Energietechnik GmbH, 2G Drives GmbH, 2G Energy Ltd. (05/2015)
OHSAS 18001	Occupational Health and Safety Assessment Series	07/2016 2G Energietechnik GmbH
DIN EN ISO 14001	Environmental Management System	11/2016 (in preparation) 2G Energietechnik GmbH
DIN EN ISO 50001	Energy Management System	12/2016 (in preparation) 2G Energy AG, 2G Energietechnik GmbH, 2G Drives GmbH, 2G Rental GmbH, 2G Home GmbH

EEG 2017 improves the prospects for existing systems

The German Biogas Association forecasts around 142 MW for the superstructuring of biogas plants in 2016 and the installation of output of some 14 MW associated with the work still under the regime of the EEG 2014. The EEG 2014 which will apply through to the end of the year provides for an aggregated installation of plant and machinery in the context of the flexibilisation premium in Germany up to an additional electrical output of 1,350 MW, of which, according to information published by the German Federal Network Agency, around 13 % had been registered by the end of July. Once EEG 2017 has entered into force, 2G assumes that the situation in the sector will gradually improve, albeit at a low level. 2G views the introduction of public tendering as from next year for existing bioenergy system as fundamentally positive. In the medium term, however, raising the tender volume would be desirable. From today's standpoint, it is difficult to assess the highest bidding prices fixed under the law in the context of public tendering for existing systems (16.9 ct/kWh) and for new systems (14.88 ct/kWh). 2G joins with the German Biogas Association in its demand for the remuneration framework to be structured in the medium term in a way that permits existing plant facilities (flexibilisation, superstructure) to be developed further in terms of efficiency and allows moderate installed capacity (new systems).

CHP Act 2016 to release a gradual effect

After almost a year when there were no secure framework conditions for investment in highly efficient CHP systems, demand can now pick up the pace in the coming months on the basis of the agreement on the CHP Act compliant with state aid rules. In any event, there will then be clear rules and subsidy rates, at least in the output range of below one megawatt. An unsatisfactory situation without clear parameters may, however, arise above all with systems with an output of one to 50 MW that go online from 2017 onwards as there will be no legal certainty until the CHP tender regulation enters into force. These circumstances may burden the CHP market in this output range. In terms of 2015 revenue, this would affect a portion of around 5 % of 2G revenues. The general rule of thumb for this area and message for the German government: the longer investment decisions are delayed, the more difficult it will be to raise the installation target of the CHP share in Germany's entire net electricity generation to 110 TWh by 2020. This is the only way in which CHP potential, including an output range in excess of one megawatt, can make a contribution to climate protection in commerce, the residential economy and industry.

The assessment of 2G's Management Board regarding the CHP Act has not changed. It is important that the necessary legal and investment security for CHP systems once again prevails, in particular in 2G's core market in an electrical output range of between 15 kW and 550 kW in Germany. Given the application of suitable concepts and products, there is potential for increasing the proportion of CHP systems in the supply of heat and electricity. The CHP Act generally harbours opportunities for 2G.

2G is a mid-sized company with flat hierarchies and highly skilled employees which has opted for standardised solutions and has the capacity to move quickly and successfully in the relevant markets. Ongoing research and development work by the company's own mechanical and software engineers establishes the prerequisites for innovative products, while enhancing efficiency and connectivity to digital applications. Furthermore, the growing share of international activities in the CHP business and diversification across output classes and gas types give 2G numerous commercial options and growth potential which the company actively leverages in an opportunity-oriented way. It should be noted that the price of gas as a fuel is set to remain permanently low. Given the impact of taxes and levies, the price of electricity is likely to stagnate at a high, stable level. The spark spread is therefore fixed in the long term in a way that 2G power plants can be commercially operated without subsidisation.

Seizing opportunities on the international market

In recent years, 2G has rigorously charted its course with many strategic decisions that observers were not always able to immediately understand. Today, 2G is reaping the benefit. 2G is becoming ever more independent of framework conditions in the individual markets, with support for the company emanating above all from an increasingly close-knit partner network. This network facilitates market entry on a global scale and a growing presence in a variety of markets. In the process, new relations are being forged with two strategically important partners (PENN Power Group in the USA and Sino German Green Technology Co. Ltd. in China).

In the last few quarters, 2G has won a total of seven new distributors in the USA. They can support the 2G team in St. Augustine, Florida, in sales and service activities. Customers who invest in natural gas operated 2G systems and who wish to exploit the great economic advantages of decentralised energy supplies utilising CHP technology due to the very beneficial spark spread in the USA are to be addressed to a greater extent. In strategic terms, 2G continues to regard the American market as the most important future growth market.

China also harbours huge market potential. The demand for the efficient use of resources, high profitability and the avoidance of CO_2 emissions are drivers of the market for energy generating units. 2G has been represented in China through a 2G Station since 1 June 2016. The 2G Station in Beijing exclusively sells 2G products under its own responsibility on the Chinese market and organises service in the region around Beijing.

2G has taken first step on the African continent through a sales partner in Tunisia. This partner receives support from the Spanish colleagues of 2G Solution of Cogeneration S.L. which, following reorganisation, are also responsible for the Maghreb countries.

2G sees growth opportunities for 2G plants powered by biogas and natural gas in France through 2G Energie SAS, its newly established subsidiary headquartered in Nantes. With a market share of 30 % in the market for biogas CHP systems, 2G already has good starting position. In the market for CHP systems powered by natural gas as well urban centres in particular also offer opportunities of convincing French companies, municipalities and utilities of the high overall efficiencies and the economic viability of 2G systems.

2G Italia Srl, the company's Italian subsidiary, has initiated partnerships for the smaller output range of CHP modules powered by natural gas, namely the g-box 20 (20 kW) and g-box 50 (50 kW). These activities are intended to strengthen the market presence.

The partnership between the UK subsidiary 2G Energy Ltd. and Veolia entered into at the end of 2015 is proving to be a successful cooperation. 2G reported in detail in the corporate news release on 6 September 2016. The information can be accessed on the company's website at www.2-g.com/de/investor-relations. The Veolia network is also performing well, enabling enquiries from all over the world on planned CHP projects to be passed on to 2G, with the potential for further orders.

The market in the Asia-Pacific region also harbours promising potential which 2G aims to tap further through both existing and new sales partnerships. The Japanese market which is being developed exclusively with partner companies such as Technis, Tsuchiya and Fuji Electric is a good example of how successful sales partnerships are. Revenue and orders have developed very well in the current fiscal year, which will allow 2G to sustainably reinforce its position through its stronger market presence.

2G has invested continuously and systematically in recent years in the quality of its CHP modules and periphery (electronics, software, service), as well as in corporate structures and its employees. With the acquisition of a neighbouring property on the site of headquarters in Heek, 2G has access to a an industrial site measuring 15,400 square metres as from 2018, with around 7,400 square metres of space for warehouse logistics and the service unit. In agreement with the former owner, part of the land can be used at an earlier date until the former tenant has left. The additional space is also provided for continuous professional development and training in the context of the partner concept. 2G has created the structural basis through the partner concept for what it considers to be effective market access and penetration of markets outside Germany. This also applies to the markets where 2G is represented through its own subsidiaries. 2G's intention is to fully exploit market opportunities while keeping the costs and risks for the subsidiaries and for the Group as low as possible. This goal is also supported by the pulling power of the 2G brand and the sound group of companies.

In Germany, the company has successfully built the 2G brand on the combined heat and power market, and injected it with life. This is now to be harnessed even more strongly for international business. 2G can present outstanding references from renowned, internationally operating groups from many sectors. With their proprietary engine mechanics, control electronics, software solutions and requisite certification, 2G power plants comply with all requirements for regular grid-integrated operation. Customers invest in 2G power plants because such systems operate highly efficiently and reliably while providing very high availability at the same time. 2G Service is a differentiating factor here. It supports the quality and confidence claims through remote maintenance and diagnosis instruments which can also intervene in order to manage plant operations on a neuronal basis. This secures the productivity and profitability of the plants and enhances the benefit to the customer, while signifying competitive strength for 2G.

The very high technical quality and service standards of 2G products increasingly constitute barriers to market entry and criteria of competitiveness. This will spur 2G on consistently towards obtaining certifications of quality, environmental, energy and workplace safety management in line with internationally recognised management standards. Certifying suppliers in accordance with technical, safety and environmental industry standards also opens up access for 2G to international markets in particular and enables participation in tendering processes of public sector customers and of international corporations. 2G has reached a size that enables such requirements to be quickly and successfully implemented with its own resources. The broad spectrum of the qualifications and skills of 2G employees covers these requirements. This also serves to underscore the aspiration and the will to optimise the internal process of creating value added, to continue to grow in the international arena, and to make a contribution to conserving resources, and enabling an affordable supply of energy and climate protection through highly efficient cogeneration technology. The future of the energy supply is decentralised – 2G delivers the know-how on an international scale and the generation capacities for combined heat and power in an output range of 20 kW to 4 MW.

In the current fiscal year, 2G was able to build on the good results of the previous year, delivering revenues of EUR 152.8 million and an EBIT margin of 3.1 %. Very strong demand for CHP power plants in the final quarter of the year has lifted order intake significantly above the previous year's figure. As of 31 December 2015, 2G reported orders on hand of EUR 85.5 million (2014: EUR 42.3 million). In terms of running production and operations, the order book had risen further to EUR 106.4 million by 30 June 2016. This buffer has compensated for the temporary weakness in business with CHP systems powered by natural gas in Germany. Demand from abroad, particularly from the United Kingdom, France, Japan and the USA proved to be brisk. In the second half of 2016, 2G anticipates that international business will remain lively and that demand in Germany for natural gas CHP systems will recover.

The Management Board affirms its expectations for the full year 2016 of achieving the upper range forecast of EUR 150 million to EUR 170 million for revenues and earnings respectively and an EBIT margin of three to five percent.

Heek, September 2016
2G Energy AG

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member

2G. Consolidated balance sheet.

Consolidated balance sheet of 2G Energy AG

Assets

	30/06/2016	31/12/2015
	Euro	Euro
A. Fixed assets		
I. Intangible fixed assets		
Purchased concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	760,442.89	792,774.34
Goodwill	4,684,262.59	4,959,166.71
Prepayments rendered	64,942.55	41,904.53
	5,509,648.03	**5,793,845.58**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-party land	8,704,864.28	8,883,877.17
Plant and machinery	1,303,863.36	1,373,795.33
Other factory and office equipment	7,362,555.08	7,402,807.76
Prepayments rendered and plants under construction	14,507.57	10,659.03
	17,385,790.29	**17,671,139.29**
III. Financial fixed assets		
Other participating interests	10,000.00	10,000.00
	10,000.00	**10,000.00**
	22,905,438.32	**23,474,984.87**
B. Current assets		
I. Inventories		
Raw materials and supplies	26,031,661.66	24,064,791.40
Work-in-progress	45,506,076.95	26,276,421.51
Finished goods and merchandise	1,747,710.17	1,133,840.46
Prepayments rendered	1,755,469.86	1,640,313.87
Prepayments received for orders	-33,000,585.53	-20,866,890.59
	42,040,333.11	**32,248,476.65**
II. Receivables and other assets		
Trade receivables	21,699,688.74	24,631,376.70
Other assets	4,366,219.58	4,006,108.19
	26,065,908.32	**28,637,484.89**

Assets

	30/06/2016	31/12/2015
	Euro	Euro
III. Cash in hand and bank balances	**14,838,585.62**	**10,149,730.55**
	82,494,827.05	**71,035,692.09**
C. Prepayments and accrued income	**871,012.21**	**380,835.93**
D. Deferred tax assets	**678,744.48**	**963,428.11**
Total	**107,400,022.06**	**95,854,941.00**

Equity and liabilites

	30/06/2016	31/12/2015
	Euro	Euro
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. Consolidated net income	34,322,756.99	37,085,299.94
IV. Minority interests	460,287.15	499,049.63
V. Equity difference from currency translation	-658,860.17	-602,681.20
	49,789,483.97	**52,646,968.37**
B. Provisions		
Tax provisions	175,947.48	998,458.87
Other provisions	10,575,511.54	10,698,960.01
	10,751,459.02	**11,697,418.88**
C. Liabilities		
Bank borrowings	5,747,634.36	5,913,451.26
Prepayments received for orders	26,223,275.22	14,786,642.66
Trade payables	9,657,511.83	5,387,208.80
Other liabilities	5,230,657.66	5,423,251.03
	46,859,079.07	**31,510,553.75**
Total	**107,400,022.06**	**95,854,941.00**

2G. Consolidated profit and loss account.

Consolidated profit and loss account of 2G Energy AG

	01/01 to 30/06/2016	01/01 to 30/06/2015	01/01 to 31/12/2015
	Euro	Euro	Euro
Net sales	**63,759,688.22**	**59,001,166.13**	**152,883,663.32**
Increase in work-in-progress	21,202,546.49	2,999,373.83	71,911.82
Other own work capitalised	514,068.45	528,189.30	1,757,695.59
	85,476,303.16	**62,528,729.26**	**154,713,270.73**
Other operating income	465,461.17	1,718,824.16	3,284,036.34
	85,941,764.33	**64,247,553.42**	**157,997,307.07**
Cost of materials			
a) Costs of raw materials and supplies, and for purchased merchandise	51,157,599.76	36,308,202.36	81,789,422.45
b) Costs of purchased services	12,115,220.44	8,223,992.33	18,831,604.39
	63,272,820.20	**44,532,194.69**	**100,621,026.84**
Personnel costs			
a) Wages and salaries	12,363,305.79	11,733,533.77	24,109,166.74
b) Social security, pension and other benefits	2,536,898.70	2,519,060.75	5,205,623.67
	14,900,204.49	**14,252,594.52**	**29,314,790.41**
Depreciation applied to tangible and intangible fixed assets	1,749,867.75	1,631,629.86	3,298,519.49
Other operating expenses	8,351,881.05	7,735,389.24	19,902,184.17
Income from other participating interests	0.00	200.00	200.00
Other interest and similar income	43,157.20	60,690.27	79,322.09
Interest and similar expenses	216,203.78	119,407.31	364,088.47
Profit on ordinary activities	**-2,506,055.74**	**-3,962,771.93**	**4,576,219.78**
Taxes on income	261,319.47	314,323.16	1,884,865.39
Other taxes	33,930.22	35,991.86	88,436.22
Consolidated net loss/net income	**-2,801,305.43**	**-4,306,633.95**	**2,602,918.17**
Share of net profit/loss attributable to other shareholders	38,762.48	70,918.22	173,719.50
Consolidated net profit and loss	**-2,762,542.95**	**-4,235,715.73**	**2,776,637.67**
Retained earnings	37,085,299.94	35,947,762.27	35,947,762.27
Dividend payment	0.00	0.00	-1,639,100.00
Consolidated net retained earnings	**34,322,756.99**	**31,712,046.54**	**37,085,299.94**

2G. Notes to the consolidated financial statements.

Notes to the consolidated financial statements of 2G Energy AG

A. General information about the consolidated statements

1. Basic information

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

The company is entered in the commercial register of the Coesfeld District Court (commercial register sheet number B 11081), and has its headquarters at Benzstrasse 3, 48619 Heek, Germany.

These consolidated financial statements of 2G Energy AG represent the reporting period from 1 January to 30 June 2016. Last years' figures relate to the balance sheet at the end of the previous financial year (31 December 2015) as well as the profit and loss account of the corresponding prior fiscal year period (1 January to 30 June 2015).

The interim financial statements and the interim management report as at 30 June 2016 have not been audited in accordance with Section 317 of the German Commercial Code (HGB) and have not been reviewed by an external auditor. The consolidated financial statements and the management report of the company as at 31 December 2015 were audited by an auditor in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and have been issued an unqualified opinion.

2. Line of business

The company and its subsidiaries primarily plan and install combined heat and power ("CHP") systems and other systems for the recovery of efficient use of electrical energy, and provide after-sale services associated with CHP systems. One subsidiary is responsible for 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 rate on the balance sheet date. Equity items are translated at historical rates. Cost and income items are translated at average rates for the year.

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	3,369	-18	24/03/2010
2G Home GmbH, Heek, Germany	90	125	-2,899	-439	31/12/2007
2G Rental GmbH, Heek, Germany	100	50	-448	-102	20/10/2014
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90	3	-212	-62	31/01/2008
2G Italia Srl, Vago di Lavagno (Verona), Italy	100	10	-478	-139	15/03/2011
2G Energy Ltd., Cheshire, England	100	1	-285	-1,307	19/09/2011
2G Polska Sp. z o.o., Bielsko-Biala, Poland	100	1	-53	-21	07/11/2011
2G Energy Inc., St. Augustine (FL), USA	100	1	-1,552	505	27/02/2012
2G CENERGY Power Systems Technologies Inc., St. Augustine (FL), USA	100	1	2,067	- 37	26/02/2015

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

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

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

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

Apart from 2G CENERGY Power Systems Technologies Inc., the parent company itself holds the interests directly. 2G Energy Inc. holds the shares in 2G CENERGY Power Systems Technologies Inc., and are consequently indirectly attributable to 2G Energy AG.

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 at 30 June 2016 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 amortised straight-line over a prospective 20-year useful life pursuant to Section 309 (1) of the German Commercial Code (HGB). By way of divergence in this context, straight-line amortisation over a 5-year useful life was applied to the differential amount from capital consolidation (goodwill) as of the date of the first-time consolidation of 2G CENERGY Power Systems Technologies Inc., as the company has already been equity accounted in the consolidated financial statements for several years previously (transition consolidation). The duration of amortisation 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 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 and 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 statements 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 consolidation 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.

C. Information on accounting policies

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

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

Valuation methods were applied unchanged compared with the previous year. 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. Prepayments rendered are recognised at normal value.

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. Prepayments rendered are recognised at normal value.

3. Financial fixed 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).

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 the nominal value. Appropriate specific valuation allowances are applied to all risky items. General default and credit risk is reflected through general valuation allowance.

6. 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 include payments received before the balance sheet date as far as they represent costs for a particular time period after that date.

9. Equity
Equity is measured at nominal value.

10. Tax provisions
Tax provisions include taxes 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
Liabilities are recognised at the settlement amounts.

13. Prepayments received
Prepayments received include advance payments for new plants, and advance payments from full maintenance contracts. If prepayments received do not exceed the value of the work-in-progress, prepayments received for new plants are offset on a project basis with work-in-progress to the level of the satisfaction amount. Any surplus is reported as a prepayment received on the liabilities side of the balance sheet. Prepayments received for full maintenance contracts

are accrued on a percentage of completion basis according to the specific contract.

Prepayments received for full maintenance contracts are 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 generated a differential amount that is to be reported as goodwill. Deferred taxes are not charged on this differential amount (German Accounting Standard/ DRS 18 section 25).

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).

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.

Fixed assets include TEUR 2,262 of rental plans from the operating activities of 2G Rental GmbH.

2. Inventories

Inventories amounted to TEUR 42,040 as of the balance sheet date. Along with raw materials and supplies (TEUR 26,032), they comprise work-in-progress (TEUR 45,506), finished goods and merchandise (TEUR 1,748), and prepayments rendered (TEUR 1,755).

Pursuant to Section 268 (5) of the German Commercial Code (HGB), prepayments received for orders (TEUR 33,001 TEUR) were deducted openly from the inventories items.

3. Receivables and other assets

Specific and general valuation allowances of TEUR 3,393 were applied to trade receivables.

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

4. Deferred tax assets

Deferred tax receivables of TEUR 679 arise from tax loss carryforwards (TEUR 157) at 2G Rental GmbH and 2G Polska Sp. z o.o. No deferred tax assets were formed in relation to the loss carryforwards of 2G Home GmbH, 2G Solutions S.L., 2G Italia Srl, and 2G Energy Inc. due to their having generated net losses in previous years. In this context, a cautious approach was adopted that does not take into account positive expectations arising from current structural changes. In addition, deferred taxes were formed in relation to eliminated intragroup gains on fixed assets (TEUR 229) and inventories (TEUR 242) deriving from intragroup deliveries and services as of the balance sheet date, and temporary differences (TEUR 52). These temporary differences arise from recognising differing valuations for inventories and provisions in the financial statements and 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.

5. 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 increase at 2G Energy AG.

In a resolution passed at the Annual General Meeting on 8 July 2015, the Management Board was authorised to increase the company's subscribed share capital during the period until 7 July 2020, with Supervisory Board approval, once or several occasions, by up to a total of TEUR 2,215 by issuing new ordinary bearer shares against cash and/or non-cash capital contributions (Approved Capital 2015).

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.

6. 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

	31/12/2015	Consumption	Release	Addition	30/06/2016
Warranty obligations	6,965	6,939	26	5,566	5,566
Residual work on completed plants / outstanding invoices	1,952	1,952	1	3,392	3,392
Amounts owed to staff	1,274	1,272	0	1,250	1,252
Professional association contributions	301	281	20	204	204
Costs of preparing and auditing financial statements	119	111	8	90	90
AGM and annual report	47	26	0	23	43
Archiving of business documents	29	29	0	29	29
Litigation costs	13	13	0	0	0
Total	**10,699**	**10,621**	**55**	**10,553**	**10,576**

7. 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 loans and overdrafts	5,748 (5,913)	1,943 (1,961)	2,799 (3,006)	1,006 (947)
Prepayments received on account	26,223 (14,787)	26,223 (14,787)	0 (0)	0 (0)
Trade payables	9,658 (5,387)	9,658 (5,387)	0 (0)	0 (0)
Other liabilities	5,231 (5,423)	5,231 (5,423)	0 (0)	0 (0)
Total	**46,859** **(31,511)**	**43,054** **(27,558)**	**2,799** **(3,006)**	**1,006** **(947)**

The following collateral instruments are connected with bank borrowings:

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

Other liabilities comprise tax liabilities of TEUR 1,999 (H1 2015: TEUR 3,059), and social security liabilities of TEUR 57 (H1 2015: TEUR 49).

E. Notes to the consolidated profit and loss account

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

1. Net sales

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

Net sales, in TEUR

	Germany	Abroad	Total
CHP systems	22,030	7,749	29,780
Service + replacement parts	22,841	4,735	27,577
After-sales + others	6,183	221	6,403
Total	**51,054**	**12,705**	**63,760**

2. Other operating income

Other operating income comprises TEUR 175 of income related to other accounting periods that consist mainly of insurance compensation payments and loss compensation payments (TEUR 73), the release of provisions (TEUR 55), and the elimination of specific and general valuation allowances on receivables (TEUR 39).

Other operating income includes income of TEUR 22 from currency translation.

3. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	01/01 to 30/06/2016	01/01 to 30/06/2015
Operating expenses	2,878	2,700
Administration expenses	1,121	1,253
Sales and marketing expenses	2,410	2,386
Other	1,942	1,396
Total	**8,352**	**7,735**

Other operating expenses comprise TEUR 303 of expenses related to other accounting periods that consists mainly of valuation allowances applied to receivables, the application of specific and general valuation allowances to receivables, and receivable losses.

Other operating expenses include expenses of TEUR 454 from currency translation.

4. Personnel expenses

Social security contributions and pension and benefit expenses include TEUR 210 of pension expenses.

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

	01/01 to 30/06/2016	01/01 to 30/06/2015
Deferred tax expenses	244	313
Deferred tax income	161	0
Of which attributable to loss carryforwards (net balance)	41	-88
Income from deferred taxes	**83**	**-313**

F. Additional information

1. Cash flow statement

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

Cash and cash equivalents shown in the cash flow statement include cash at hanks and in hand, less short-term liabilities of TEUR 18.

2. Contingent liabilities

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

3. Management Board

The Management Board is currently composed as follows:

Management Board

	Member since	Appointed until
Mr. Dipl.-Ing. Christian Grotholt (Chairman) Business executive, Ahaus-Alstätte	17/06/2007	16/07/2017
Mr. Ludger Holtkamp, Business executive, Gronau	17/06/2007	16/07/2017
Mr. Dipl.-Betriebsw. (FH) Dietmar Brockhaus, Business executive, Havixbeck	01/07/2013	31/12/2021

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

4. Supervisory Board

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

Supervisory Board

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

The Supervisory Board members are appointed until the end of the AGM that passes a resolution concerning the discharge of the directors for the 2016 financial year. More information about the Supervisory Board members of 2G Energy AG is provided on 2G's website in the section entitled Company.

Heek, 27 September 2016

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board member

Dietmar Brockhaus
Management Board member

Consolidated statement of changes in fixed assets

	Cost					
	01/01/2016	Currency translation	Additions	Transfers	Disposals	30/06/2016
Intangible fixed assets						
Purchased concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	2,034,963.41	-87.38	106,251.18	14,576.00	0.00	2,155,703.21
Goodwill	8,201,018.57	0.00	0.00	0.00	0.00	8,201,018.57
Prepayments rendered	41,904.53	0.00	37,614.02	-14,576.00	0.00	64,942.55
	10,277,886.51	**-87.38**	**143,865.20**	**0.00**	**0.00**	**10,421,664.33**
Tangible fixed assets						
Land, land rights and buildings, including buil-dings on third-party land	10,002,871.39	-64,196.72	13,589.26	0.00	0.00	9,952,263.93
Plant and machinery	1,981,318.80	-24,513.62	46,195.02	0.00	0.00	2,003,000.20
Other factory and office equipment	13,809,565.18	-101,296.02	1,260,374.06	0.00	313,195.52	14,655,447.70
Prepayments rendered and plant under construction	10,659.03	-10.44	4,307.57	0.00	448.59	14,507.57
	25,804,414.40	**-190,016.80**	**1,324,465.91**	**0.00**	**313,644.11**	**26,625,219.40**
Financial fixed assets						
Other participating	10,000.00	0.00	0.00	0.00	0.00	10,000.00
	10,000.00	**0.00**	**0.00**	**0.00**	**0.00**	**10,000.00**
Total	**36,092,300.91**	**-190,104.18**	**1,468,331.11**	**0.00**	**313,644.11**	**37,056,883.73**

Depreciation, amortisation and extraordinary write-downs					Book value	
01/01/2016	Currency translation	Additions	Disposals	30/06/2016	31/12/2015	30/06/2016
1,242,189.07	-87.03	153,158.28	0.00	1,395,260.32	792,774.34	760,442.89
3,241,851.86	0.00	274,904.12	0.00	3,516,755.98	4,959,166.71	4,684,262.59
0.00	0.00	0.00	0.00	0.00	41,904.53	64,942.55
4,484,040.93	**-87.03**	**428,062.40**	**0.00**	**4,912,016.30**	**5,793,845.58**	**5,509,648.03**
1,118,994.22	-497.02	128,902.45	0.00	1,247,399.65	8,883,877.17	8,704,864.28
607,523.47	-9,811.06	101,424.43	0.00	699,136.84	1,373,795.33	1,303,863.36
6,406,757.42	-37,960.34	1,091,478.47	167,382.93	7,292,892.62	7,402,807.76	7,362,555.08
0.00	0.00	0.00	0.00	0.00	10,659.03	14,507.57
8,133,275.11	**-48,268.42**	**1,321,805.35**	**167,382.93**	**9,239,429.11**	**17,671,139.29**	**17,385,790.29**
0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**10,000.00**	**10,000.00**
12,617,316.04	**-48,355.45**	**1,749,867.75**	**167,382.93**	**14,151,445.41**	**23,474,984.87**	**22,905,438.32**

Consolidated cash flow statement

		01/01 to 30/06/2016	01/07 to 31/12/2015	01/01 to 30/06/2015
		Euro	Euro	Euro
	Net profit for the year	**-2,801,305.43**	**6,909,552.12**	**-4,306,633.95**
+	Depreciation, amortisation and fixed asset write-downs	1,749,867.75	1,666,889.63	1,631,629.86
±	Change in provisions	-123,448.47	99,469.94	151,391.76
±	Change in inventories	-9,791,856.46	6,065,731.09	-7,157,211.42
±	Change in trade receivables and other assets not attributable to investment or financing activity	2,366,083.92	-10,265,930.40	7,160,310.97
±	Change in trade payables and other liabilities not attributable to investment or financing activity	15,514,342.22	-1,188,199.84	903,494.16
±	Loss/gain from fixed asset disposals	27,785.61	42,159.81	-15,370.87
+	Interest and similar expenses	216,203.78	244,681.16	119,407.31
-	Other interest and similar income	-43,157.20	-18,631.82	-60,690.27
-	Other income from participating interests	0.00	-200.00	0.00
+	Taxes on income	261,319.47	1,570,542.23	314,323.16
±	Income tax payments	-1,083,830.86	-1,490,858.93	-314,323.16
=	**Cash flow from operating activities**	**6,292,004.33**	**3,635,204.99**	**-1,573,672.45**
+	Proceeds from fixed asset disposals	118,475.57	22,582.54	47,918.54
-	Payments for investments in intangible fixed assets	-143,865.20	-126,417.45	-206,179.39
-	Payments for investments in tangible fixed assets	-1,324,465.91	-1,887,355.24	-1,097,708.11
+	Cash inflows due to acquisition of consolidated entities	0.00	0.00	2,121,899.79
+	Cash inflows due to financial investments	0.00	0.00	30,000.00
+	Interest received	43,157.20	18,831.82	60,690.27
=	**Cash flow from investing activities**	**-1,306,698.34**	**-1,972,358.33**	**956,621.10**
+	Proceeds from raising of loans	712,000.00	1,225,000.00	510,000.00
-	Loan repayments	-873,804.70	-979,514.53	-539,944.48

		01/01 to 30/06/2016	01/07 to 31/12/2015	01/01 to 30/06/2015
		Euro	Euro	Euro
-	Interest paid	-216,203.78	-244,681.16	-119,407.31
-	Dividends paid to parent company shareholders	0.00	-1,639,100.00	0.00
-	Dividends paid to other shareholders	0.00	0.00	-100,000.00
=	**Cash flow from financing activities**	**-378,008.48**	**-1,638,295.69**	**-249,351.79**
=	**Net change in cash and cash equivalents**	**4,607,297.51**	**24,550.97**	**-866,403.14**
	Currency-related change in cash and cash equivalents	85,569.76	-144,713.13	-280,117.58
+	Cash and cash equivalents at start of period	10,127,688.96	10,247,851.12	11,394,371.84
=	**Cash and cash equivalents at end of period**	**14,820,556.23**	**10,127,688.96**	**10,247,851.12**

	01/01 to 30/06/2016	01/07 to 31/12/2015	01/01 to 30/06/2015
	Euro	Euro	Euro
Composition			
Liquid assets	14,838,585.62	10,149,730.55	10,825,400.85
Short-term bank borrowings	-18,029.39	-22,041.59	-577,549.73
	14,820,556.23	**10,127,688.96**	**10,247,851.12**

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 01/01/2015	**4,430,000.00**	**11,235,300.00**	**-316,729.14**	**6,375.40**
Consolidation-related currency differences			-285,952.06	
Payments to shareholders				
Consolidated profit for the year				
Balance on 31/12/2015	**4,430,000.00**	**11,235,300.00**	**-602,681.20**	**6,375.40**
Balance on 01/01/2016	**4,430,000.00**	**11,235,300.00**	**-602,681.20**	**6,375.40**
Consolidation-related currency differences			-56,178.97	
Consolidated profit for the year				
Balance on 30/06/2016	**4,430,000.00**	**11,235,300.00**	**-658,860.17**	**6,375.40**

		Minority shareholders			Consolidated equity
Retained earnings	**Total**	Minority capital	Retained earnings attributable to minority interests	**Total**	
35,941,386.87	**51,296,333.13**	**4,991.42**	**767,777.71**	**772,769.13**	**52,069,102.26**
	-285,952.06				-285,952.06
-1,639,100.00	-1,639,100.00		-100,000.00	-100,000.00	-1,739,100.00
2,776,637.67	2,776,637.67		-173,719.50	-173,719.50	2,602,918.17
37,078,924.54	**52,147,918.74**	**4,991.42**	**494,058.21**	**499,049.63**	**52,646,968.37**
37,078,924.54	**52,147,918.74**	**4,991.42**	**494,058.21**	**499,049.63**	**52,646,968.37**
	-56,178.97				-56,178.97
-2,762,542.95	-2,762,542.95		-38,762.48	-38,762.48	-2,801,305.43
34,316,381.59	**49,329,196.82**	**4,991.42**	**455,295.73**	**460,287.15**	**49,789,483.97**

Colophon

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