2023

Annual Report

Multi-year overview of Group key figures

Results of operations

	2023	2022	2021	2020	2019
	TEUR	TEUR	TEUR	TEUR	TEUR
Net sales	365,065	312,627	266,348	246,729	236,396
Change vs. previous year	16.8%	17.4%	8.0%	4.4%	12.7%
Total operating revenue	371,028	338,838	268,926	254,206	226,119
Earnings before interest, tax, depreciation and amortization (EBITDA)	34,298	26,634	21,868	20,110	19,168
Earnings before interest and tax (EBIT)	27,641	21,962	17,927	16,446	15,453
Financial result	-636	-393	-206	-169	-361
Operating result (EBT)	27,075	21,657	17,843	16,477	15,277
Consolidated profit	**17,988**	**16,372**	**12,640**	**11,957**	**10,302**
Sales distribution					
Foreign share	35.6%	40.4%	39.0%	38.3%	35.1%
Service share	45.2%	47.4%	43.4%	37.8%	37.8%
Profitability					
EBITDA margin	9.4%	8.5%	8.2%	8.2%	8.1%
EBIT margin	7.6%	7.0%	6.7%	6.7%	6.5%
Return on equity	14.5%	15.1%	13.4%	15.3%	15.0%
Return on investment	12.2%	10.4%	10.6%	11.2%	11.0%
ROCE[1]	21.8%	20.2%	18.9%	20.6%	21.8%
Order and revenue situation					
Order backlog as of December 31	156,169	177,330	152,724	111,249	116,773
Book-to-bill ratio[2] as of December 31	0.84	1.14	1.25	0.97	0.96
Expense structure					
Cost of materials	238,301	224,130	171,265	167,255	146,763
Costs of materials ratio*	64.2%	66.1%	63.7%	65.8%	64.9%
Personnel costs	64,340	57,026	49,357	44,277	38,965
Average number of employees	921	842	763	723	649
Personnel costs ratio*	17.3%	16.8%	18.4%	17.4%	17.2%
Other operating expenses	36,903	35,264	29,738	24,627	23,055
Other operating expenses ratio*	9.9%	10.4%	11.1%	9.7%	10.2%
Depreciation and amortization	6,658	4,672	3,941	3,664	3,715
Income tax	9,086	7,083	5,080	4,305	4,802
Tax ratio[3]	33.6%	32.7%	28.5%	26.1%	31.4%

* Related to total output | ** Related to total assets | [1] EBIT/(Fixed assets + Working capital) | [2] CHP order intake/CHP net sales
[3] Income tax/EBT | [4] Current assets – Current liabilities | [5] Cashflow from operating activities – investments in plants
[6] Based on year-end Xetra closing price | [7] Proposal to the Annual General Meeting | [8] Dividends/Consolidated profit | [9] Values as after share split for comparability

Financial position

	2023	2022	2021	2020	2019
	TEUR	TEUR	TEUR	TEUR	TEUR
Total assets	**227,454**	**211,595**	**169,702**	**146,559**	**140,921**
Asset structure					
Fixed assets	38,740	31,893	27,118	26,718	28,182
Tangible fixed assets to total assets ratio**	12.5%	12.7%	13.3%	15.6%	17.1%
Current assets	185,687	176,227	139,620	117,256	109,921
Inventory turnover ratio					
Inventories	3.3	3.0	3.7	4.1	3.9
Receivables	6.2	5.5	6.1	5.9	6.4
Capital structure					
Equity	123,991	108,615	94,540	78,312	68,522
Equity ratio	54.5%	51.3%	55.7%	53.4%	48.6%
Share capital	17,940	17,940	4,485	4,430	4,430
Provisions	24,414	21,440	17,661	13,387	15,394
Bank borrowings	8,306	6,333	5,316	5,465	10,553
Working capital[4]	**87,822**	**77,035**	**67,858**	**53,176**	**42,669**
Net working capital	**110,864**	**94,556**	**72,297**	**62,883**	**57,321**
Financing					
Cash inflow/cash outflow from					
operating activities	11,724	4,982	8,863	9,785	1,921
relative of net sales	3.2%	1.6%	3.3%	4.0%	0.8%
investing activities	-11,381	-9,749	-1,856	-2,104	-5,677
financing activities	-1,212	-1,617	1,617	-7,372	733
Fixed assets	8,187	9,551	4,851	2,731	4,520
Free cash flow[5]	3,537	-4,569	4,011	7,054	-2,599
relative of net sales	1.0%	-1.5%	1.5%	2.9%	-1.1%
Dividends	2,512	2,243	2,018	1,994	1,994
Change in liquidity	-870	-6,384	8,624	309	-3,022
Liquidity as of December 31	12,283	13,252	19,677	10,992	10,556

2G share

	2023	2022	2021	2020	2019
	EUR	EUR	EUR	EUR	EUR
Number of shares (≙ share capital in EUR)	17,940,000	17,940,000	4,485,000 (17,940,000[9])	4,430,000 (17,720,000[9])	4,430,000 (17,720,000[9])
Share price[6]	22.70	23.45	103.20 (25.80[9])	89.80 (22.45[9])	44.90 (11.23[9])
Earnings per share	1.00	0.91	2.82 (0.70[9])	2.70 (0.67[9])	2.33 (0.58[9])
Dividend per share	0.17[7]	0.14	0.50 (0.125[9])	0.45 (0.1125[9])	0.45 (0.1125[9])
Dividend yield[6]	0.7%	0.6%	0.5%	0.5%	1.0%
Payout ratio[8]	17.0%	15.3%	17.7%	16.7%	19.4%
Price-earnings ratio[6]	22.6	25.7	36.6	33.3	19.3
Price-cashflow ratio[6]	34.7	84.4	52.2	40.7	103.5

Highlights **2023**

25th anniversary of 2G

Under the motto of “25 + 3 years”, over 1,000 guests came together on September 23 to celebrate 2G’s anniversary. After the opening by the company’s founders Christian Grotholt and Ludger Gausling, the party went on until the early hours of the morning. The many colleagues who had come from abroad provided a good measure of international flair.

Large heat pumps from 2G

With the acquisition of Dutch heat pump manufacturer NRGTEQ B.V. as of September 1, 2023, 2G has added a promising division to its core business of decentralized CHP systems. Consequently, the strong political will to partially electrify the heating sector is now being catered to by 2G Energy AG’s portfolio. A voluminous market is waiting to be tapped.

Political work for the multi-talent of combined heat and power generation

The secure energy supply for the economy and the population takes high priority for political decision-makers. For 2G, the task is to build a network across party lines in order to influence the design of legislation and funding frameworks in the interests of CHP technology.

A night with a future

In the year 2023, 2G hired 15 new trainees. In order to attract numerous motivated applicants for the following year, we once again took part in the Night of Apprenticeships on November 16 and presented our company with its wide range of training opportunities. A total of 150 young aspirants followed our initiative. We are confident that we have inspired young talent for 2G.

Hydrogen: “On the Road to Net Zero”

2G launched a special marketing initiative in the UK under the motto “On the Road to Net Zero”. In May, our English colleagues spent two weeks visiting a wide variety of institutions and customers – with an original H_2-CHP system on board with them. This enabled us to demonstrate the advantages of H_2-CHP technology from 2G live, hands on and very convincingly on location.

Communication via tablets

We have increased efficiency in our individual production steps with a digital communication concept further developed by way of tablets. Information that was previously exchanged in paper form (e.g. flow diagrams and circuit diagrams) are now provided digitally and across departments.

New logistics hall for higher production capacity

In December, after a construction period of just eight months, we opened a new logistics building in Heek spreading out over 1,250 square meter of floor space. With the expansion of its product portfolio, 2G is boosting its capacities in a timely manner. This means that purchasing, goods provision and production can proceed without bottlenecks.

New generation of shareholders form their own opinions

On October 6, 2G proudly hosted the online financial communities of #aktiengram and #abilitato. An incredible 80 participants, mostly young guests from all over Germany traveled to Heek to see the product portfolio live and hands on, while taking in more detailed information on the financials from the IR team and the CFO. Based on their communities, the bloggers have a reach and influence that is not to be underestimated.

Content

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

Foreword of the Management Board

Dear shareholders,

Posting vigorous sales growth of 17% to nearly EUR 365 million, 2G significantly exceeded the target range (EUR 310 to 350 million) communicated last year for consolidated sales. We boosted our EBIT disproportionately by a robust 26% to EUR 27.6 million. Recorded at 7.6%, the EBIT margin is therefore in the middle of the forecast range (6.5% to 8.5%) for the reporting year. In our opinion, this shows two things: 1. despite widespread economic uncertainties and the aftermath of the coronavirus pandemic, 2G solutions remain in demand worldwide, 2. Efficiency gains from the four flagship projects, cost degression and the margin contributions from the service business ensure continued ongoing profit growth.

The start to the reporting year was initially quite muted: widespread uncertainty in Germany and Europe due to structurally higher energy prices and somewhat inconsistent statements on climate policy – the keywords for Germany: the ongoing discussions revolving around the Building Energy Act and power plant strategies put a damper on demand. On the customer side, there were also prolonged bottlenecks in terms of permits, building materials and skills shortages. By the middle of the year, however, there were signs of a trend reversal: the European and North American markets gradually regained traction. The fact that natural gas will remain indispensable for secure supply solutions for a long time to come became clearly and sensibly evident. Incoming orders from Japan and the Indo-Pacific region have developed pleasingly since the beginning of the year. We continued to successfully expand our sales markets beyond the G7 countries, which once again confirms our strategy of placing our commercial success on several regional pillars by way of our partner concept and emancipating ourselves from our German home market. We will continue to chart this course with 2G Energy International, which was founded two years ago, and we will be building the subsidiary up to operate as a fully-fledged sales and service company.

We expanded our product portfolio in the reporting year with the acquisition of the Dutch company NRGTEQ B.V., thereby including large heat pumps. This is 2G's response to the strong political will to partially electrify the heating sector. A high-growth heat pump market is waiting to be tapped, which we will serve with our usual high-quality standards and technological excellence with the afilia product range and an extended output range of 2,600 kW, higher flow temperatures and environmentally friendly refrigerants.

We are also tapping new sales opportunities with the combination of 2G CHP systems with 2G large heat pumps. We are convinced that this modular concept, – which we have dubbed the Green Cube – will strike a chord in a phase of energy supply transformation that is certain to last for some time. This involves the conversion of the heat and electricity supply to low-CO_2 energy sources, sector coupling and security of supply. Based on the Green Cube concept, 2G is providing precisely these offerings: a complete turnkey solution comprising a CHP system, a heat pump and an associated system-friendly control unit. Now more than ever before, this places 2G in a fundamentally different position in competing with CHP manufacturers and heat pump manufacturers. In addition to the efficiency benefits and high decarbonization levels achieved, these system solutions are extremely lucrative for operators in economic terms and ensure a high degree of flexibility and supply security.

These are not necessarily the attributes that characterized previous energy policies and – conversely – may be a reason for the significant renewed demand surge on the domestic market. Also in terms of the strategy finally presented by the German government in February 2024 for the construction of back-up power plants ensuring supply security (so-called power plant strategy), much remains unclear from the perspective of investors and operators for their planning and investment horizons. The power plant strategy is based on 10 GW of natural gas power plant capacity; at a later date – and not before 2035 – the power plants are to be converted to run on hydrogen. The first plants will be entering the construction phase as from 2028 – however, it will not become clear until after 2030 at the earliest when substantial contributions to meeting demand can be expected. The design of a new electricity market in connection with a capacity market is also unclear. In our opinion, the agreed capacities are not sufficient to provide enough controllable power plants – the Federal Network Agency estimates demand of up to 21 GW.

In other words, the power plant strategy leaves capacity and time for the further expansion of decentralized generation capacity by way of combined heat and power and large heat pumps in the medium output range. A high degree of system-supporting flexibility and less burdening on the grids – in connection with attractive economic parameters and implementation periods of less than one year – are the sound arguments that can lead to a substantial contribution from our products as part of the power plant strategy. This is supported by the ruling of the European Court of Justice published in January, clarifying that the subsidies under the Combined Heat and Power Act do not constitute government aid. This could pave the way for a higher adjustment of subsidies, at the latest within the context of the amendment of the KWKG in a year and a half.

We translate the knowledge and experience we have acquired over almost 30 years in the optimization of power plant technologies, containerized plant construction and project management into product innovations and are thereby expanding our capital stock. The rapid integration into our production, sales and service processes is based on our growth-proven, scalable structures and our forward-looking spatial and building planning at our headquarters in Heek. As a result, we benefit from very short periods from product development to market maturity and successful product placements on the markets. This provides us with a technological and sales edge over competition and strengthens our 2G brand internationally.

Behind these dynamic developments within the company, there is already an IT landscape in place that supports us in our diverse tasks and the optimization of processes. However, we will continue to increase productivity levels in all areas of work by way of consolidating and renewing IT for the entire 2G Group. We will benefit from this in an interdisciplinary manner across the entire value chain – keywords: product configurator, logistics, series production, project engineering, service – and enhance the productivity of existing workstations. This means that we are also well equipped for the expected further growth and the roll-out of the new product lines. We would like to take this opportunity to express our special thanks to all employees who are actively involved in this project extending into the year 2025!

In concluding, we would like to summarize: in the year under review, 2G expanded its product portfolio both through in-house developments based on existing, specialized technical expertise as well as through acquisitions. We have remained true to our core business! Consequently, we continue to manufacture highly efficient power plants and heat generators and address similar customer groups, while at the same time being able to win new customers thanks to our broader product range.

In this respect, our aims and objectives for the coming years will remain unchanged: we will reinvest the cash flow generated profitably and at adequate returns in the growth of our business. In this way, we are expanding the productive capital stock and generating substantial value for all our shareholders. We have already been able to prove these capabilities over the past years: we have succeeded in achieving a consistently high return above the cost of capital, in spite of economic cycles and phases of energy policy uncertainty.

In global terms, the economic and climate-relevant parameters for our CHP systems and heat pumps are extremely convincing. We offer an attractive range of suitable system solutions for future-proof, cost-efficient and secure energy supply infrastructures. We believe it is possible that the rising demand for resource-saving, highly efficient CHP systems and heat pumps could give rise to a special boom over several years. We are well prepared for such developments with more efficient IT, steadily increasing productivity, sufficient storage and production capacities, our service offerings and the dedicated 2G teams – and our international partner network.

Our forecasts already reflect this: with a look to the 2024 financial year, we expect sales of up to EUR 390 million in connection with an EBIT margin of 8.5% to 10%. In the following year, we anticipate sales of up to EUR 450 million with a comparable margin. Consequently, we already have our sights firmly set on the half a billion turnover mark.

We are taking the future into our own hands with an innovative spirit for highly efficient technologies operating in integrated supply systems. This is what sets 2G and its employees apart and is both an incentive and an obligation for the upcoming years. In this spirit, we would like to thank all our employees for their strong commitment and dedication!

Heek, April 2024

2G Energy AG

Yours sincerely

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
Member

Friedrich Pehle
Management Board
Member

Frank Grewe
Management Board
Member

Report by the Supervisory Board

Dear shareholders,

In the 2023 financial year elapsed, the 2G Energy AG Supervisory Board performed the monitoring and advisory duties incumbent upon it in accordance with the law, the company's Articles of Association and the rules of procedure for the Supervisory Board with utmost care and to the fullest extent. The Supervisory Board supported the Management Board in the management of the company and the 2G Group in an advisory capacity, monitored its management and accompanied the strategic development of the company as well as important individual measures. The Supervisory Board also considered social and environmental factors in the context of the company's interests and discussed sustainability issues with the Management Board. The Management Board informed the Supervisory Board regularly, promptly and comprehensively in written and verbal form about the situation and business performance of the company and its subsidiaries, thereby fulfilling its duty to provide information. To this end, the Supervisory Board received detailed information on relevant business transactions from the Management Board. The Management Board also provided quarterly reports on the net assets, financial position and results of operations. The reports and documents provided contained all relevant information on key issues relating to strategy and corporate planning, the position and development of the company and the Group, as well as concerning the risk situation and risk management, the internal control system, compliance and significant business transactions.

The members of the Supervisory Board always had sufficient opportunity to critically examine the reports and proposed resolutions submitted by the Management Board on a regular basis, as well as to exchange views on individual points and to make their own suggestions. Consequently, the Supervisory Board was informed about important questions relating to business policy as well as about relevant upcoming decisions and was able to support the Management Board in its work. In this context, the formation of committees was not required.

The Supervisory Board Chairman was also in contact with the Management Board outside the scope of meetings. In addition to current business developments, questions relating to IT and IT security, corporate organization, Management Board matters, foreign sales markets and shareholdings were discussed.

Organization of the Supervisory Board

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

In the opinion of the Supervisory Board, its members currently cover all areas of expertise that are necessary for the Supervisory Board to work efficiently in the interests of the company. The members of the Supervisory

Board command extensive knowledge of (capital market) law, sustainable corporate governance, energy and environmental technology and mechanical engineering. In addition, all members of the Supervisory Board are experienced in Supervisory Board work in comparable mandates in other companies.

Supervisory Board consultations and resolutions

Five ordinary Supervisory Board meetings and one extraordinary Supervisory Board meeting were held in the 2023 financial year. The ordinary Supervisory Board meetings were held on March 1, April 27, June 12, September 28 and December 4, while the extraordinary meeting was held on August 22. All Supervisory Board members attended these Supervisory Board meetings. The Supervisory Board meeting on August 22 was held as a video conference, while all other meetings were held in person.

The Supervisory Board discussed with the Management Board the transactions requiring its approval pursuant to the law and the company's bylaws, and reviewed and approved them unanimously in all cases. At the meetings, the Supervisory Board reviewed the reports and documents submitted by the Management Board, including those pursuant to Section 90 (1) to (4) of the German Stock Corporation Act (AktG), to conduct consultations on the company's business and financial position, its operational and strategic development, its business divisions and its subsidiaries both in Germany and abroad. The audit for the recertification of the company's IT with the ISO 27001 standard and the implementation of a new ERP software landscape were also the subject of regular discussions at the meetings. Moreover, the Supervisory Board discussed with the Management Board the further development of international sales and individual foreign markets, possible company acquisitions or participations, further Lead to Lean projects and the achievement of targets in terms of the annual planning. The Supervisory Board requested reports on important specific questions relating to the company, the risk situation as well as the company's investment and expansion planning at its Heek location, and addressed these issues.

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

At the Supervisory Board meeting on March 1, 2023, the Management Board presented the current business developments, business analyses compared to the previous year, and discussed issues relating to operational planning, earnings and balance sheet planning, as well as the profitability of individual markets and the anticipated business developments with the Supervisory Board. A significant part of the meeting was devoted to explaining and advising on the implementation of a new ERP software landscape.

At the Supervisory Board meeting on April 27, the Supervisory Board discussed the annual financial statements, the management report, the consolidated financial statements, the Group management report and the respective auditor's reports for the 2022 financial year. Two representatives of the auditors as well as the Management Board were available to the Supervisory Board to respond to questions. All questions from the Supervisory Board were answered comprehensively and to its satisfaction. After duly examining the aforementioned documents submitted to it, the Supervisory Board raised no objections and therefore unanimously approved the annual financial statements and the consolidated financial statements for 2022. The annual financial statements were thereby adopted. The Supervisory Board concurred with the Management Board's proposal for the application of unappropriated profit for submission to the Annual General Meeting. The committee also unanimously approved the Supervisory Board's report to the Annual General Meeting.

The proposed resolutions for the 2023 Annual General Meeting were among the other items on the agenda of the Supervisory Board. The Supervisory Board also granted the Management Board approval for transactions that required its approval. Moreover, the Supervisory Board also approved the declaration of compliance with the German Corporate Governance Code voluntarily submitted by the Management Board and Supervisory Board and addressed the reports, submissions and explanations of the Management Board in accordance with Section 90 (1) Nos. 1 to 4 of the German Stock Corporation Act (AktG). The Supervisory Board was also informed about talks on possible industry cooperations and company investments. Without the participation of the Management Board, the Supervisory Board also discussed its own work, the upcoming extension of Management Board mandates and Management Board remuneration, as well as the quality of the audit.

On June 12, 2023, the Management Board reported to the Supervisory Board on business progress and new order intake trends in the first half of the year and provided an outlook of expected full-year trends. The Supervisory Board discussed IT security issues with the Management Board and was also informed about the current status of talks on cooperation activities and participations.

Convening for the extraordinary meeting of the Supervisory Board on August 22, 2023, the Management Board explained the commercial details of the acquisition of NRGTEQ B.V. based on the documents provided to the Supervisory Board in advance. After discussing the strategic importance of the acquisition and following its own examination, the Supervisory Board unanimously approved the acquisition.

At the Supervisory Board meeting on September 28, 2023, the Management Board reported on business development as well as on earnings and liquidity planning up to the end of the year. The Management Board and Supervisory Board also discussed ways to expand and further develop the current reporting system and the milestone planning for the implementation of the new software landscape. In concluding, the Management Board reported on the construction of the new multi-purpose hall at the company's site in Heek and gave an overview of possible corporate cooperations.

On December 4, 2023, the Management Board reported on the course of business in accordance with Section 90 (1) Nos. 3 and 4 AktG and discussed issues relating to operating performance, longer-term earnings and sales planning as well as the liquidity situation and planning with the Supervisory Board. The Supervisory Board unanimously approved the budget and investment planning for the 2024 financial year. The Management Board also provided an updated overview of possible company cooperation activities, the integration of NRGTEQ B.V. as well as the implementation of the new software landscape. In concluding, the Supervisory Board deliberated on Supervisory Board and Management Board matters without the involvement of the Management Board.

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

In April 2023, the Supervisory Board unanimously extended the term of office of Mr. Friedrich Pehle as a member of the Management Board by four years and one month until December 31, 2027.

Annual and consolidated financial statements for the 2023 financial year

In accordance with statutory provisions, PricewaterhouseCoopers AG, Wirtschafts-prüfungsgesellschaft, Osnabrück, was elected as the auditor by the Annual General Meeting on June 13, 2023.

The Management Board prepared the annual financial statements, the consolidated statements and the Group management report for 2G Energy AG for the financial year from January 1 to December 31, 2023, in accordance with the regulations set out in the German Commercial Code (HGB). The auditor audited the separate financial statements, the consolidated financial statements and Group management report of 2G Energy AG for the 2023 financial year, including the financial accounting, awarding them unqualified audit certificates. The audit focus for the 2023 financial year was on the measurement of investments and inventories, the recognition and measurement of inventories and provisions, and the recognition of revenue as at the reporting date. The auditor issued an unqualified audit certificate.

The annual financial statements, consolidated financial statements and the Group management report as well as the related auditors' reports and the sustainability report were submitted in a timely manner before the financial accounts meeting to all Supervisory Board members. At the Supervisory Board meeting on April 18, 2024, the auditor reported on the main audit findings and explained them to the Supervisory Board, providing comprehensive answers to the Supervisory Board.

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

The Supervisory Board concurs with the Management Board's proposal concerning the application of unappropriated profit, to distribute a dividend in an amount of EUR 3,049,800.00, equivalent to EUR 0.17 per share, from the unappropriated profit of EUR 13,581,442.02, and to transfer the remaining unappropriated profit of EUR 10,531,642.02 to other retained earnings.

The Supervisory Board would like to thank the members of the Management Board, the managing directors of the subsidiaries and all employees of the 2G Group for their active commitment and constructive cooperation in the past financial year. Backed by this sound team commitment and strengthened on many levels, 2G is well equipped to take on the challenges in new markets and continue to create value.

Heek, April 18, 2024

The Supervisory Board

Dr. Lukas Lenz
Supervisory Board Chairman

2G share posting slight losses

The stock market year 2023 ran a far more favorable course than many experts had anticipated: Germany's leading index, the DAX, passed the 17,000 point mark for the first time and closed the year with gains of 20%. In the USA, the well-known indices impressed with strong price increases and interim breakthroughs to reach record levels. In spite of ongoing geopolitical uncertainties and new flashpoints in the Middle East, hopes of interest rate cuts by the central banks and resilient economic growth in parts of the world, in addition to better-than-expected market growth prevailed as price drivers.

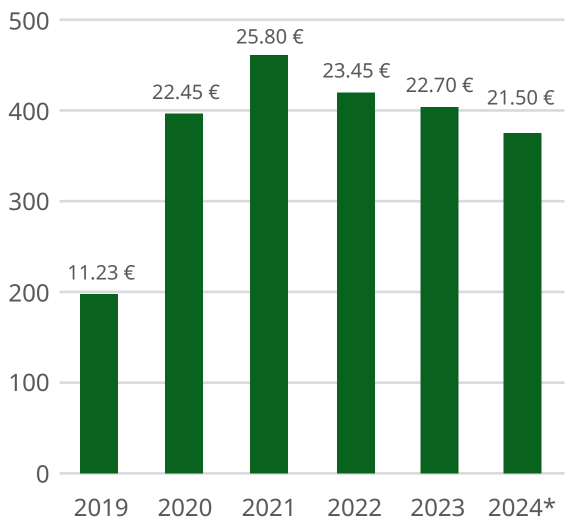
In this tense market environment, the 2G Energy AG share performed solidly overall in the year under review – although it shed 3.2% on balance (previous year: -9,1%). The share price was quite volatile in the reporting year. The share was off to the 2023 stock market year at an opening price of EUR 23.75, dipped to EUR 21.25 by the end of March before climbing to a high of EUR 30.05 by mid-June. However, it then fell – apart from a brief countermovement – to a low of EUR 21.00 at the end of October and recovered slightly to EUR 22.70 by the end of the year. The drawdown between the highest price and the lowest price stood at 43.1% (previous year: 71.0%).

From these developments, it can be deduced that, from an investor's perspective, the 2G share was also caught up in the tensions of global economic events. On the one hand, the opposing poles were represented by the good company news regarding the order situation, sales and profit developments and the expansion of the business model with large heat pumps. Last but not least, the service business continued to develop very positively, regardless of market volatility. On the other hand, the confusing energy policy in Germany with the Building Energy Act and many other unanswered questions concerning future supply security (keyword: absence of power plant strategy) and the energy price composition resulted in great uncertainty, incurring negative impacts on the willingness to invest.

The geopolitical and economic events outlined above created a mixed picture on the capital markets in the reporting year. The indices of highly capitalized stocks trended upwards for the most part, while the small-cap indices fell in some cases. The Nasdaq 100 rose by 53.8% (previous year: -33.0%), while the MSCI World Index climbed by 21.8% (previous year: -19.5%). In Germany, the DAX40 was up by 20.3% (previous year: -12.3%), while the SDAX increased by 17.1% (previous year: -27.3%). The Scale30, to which 2G belongs, fell by 15.7% (previous year: -30.6%). The DAXsector All Industrial, the sector-specific index for 2G, rose by 21.1% (previous year: -13.2%), while the DAXsubsector All Renewable Energies was down by 26.1% (previous year: +17.8%).

In connection with unchanged share capital of EUR 17,940,000.00, the market capitalization of 2G Energy AG fell from EUR 420.7 million to EUR 407.2 million at the end of 2023. During the period under review, 2G neither approved nor implemented any capital measures.

Market capitalization and closing price in EUR EUR millions

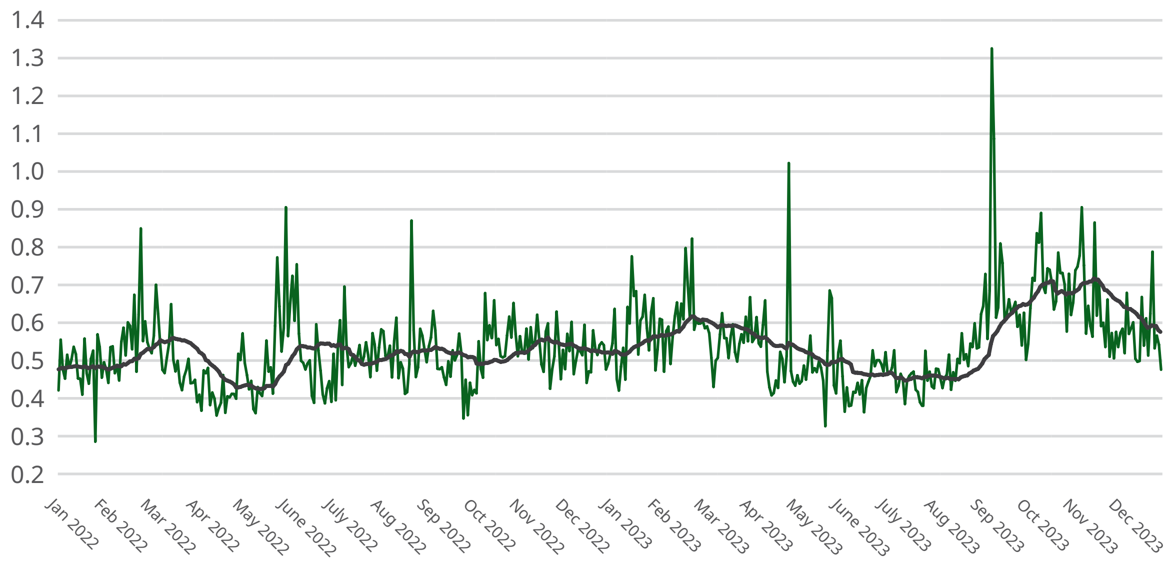


* Xetra closing price April 3, 2024: 21,50 Euro
Market capitalization 2019 to 2023 to December 31, Xetra closing prices

2G share liquidity stable at a high level

In spite of the relative weakness of the share price, the trading liquidity of the 2G share improved by a good 57% in the reporting year by comparison with the prior year. Average daily volumes on the Xetra and trade gate platforms, as well as on the German regional stock exchanges amounted to a total of around 31,400 shares (previous year: around 20,000 shares). Some 60% (previous year: 64%) of the 2G's share turnover was traded via Xetra. The average spread between bid and ask prices, as illustrated in the diagram below for the years 2022 to 2023, has stabilized at an average value of just over 0.5%, showing only a slightly higher fluctuation range of between around 0.45% and 0.7% (previous year: 0.4% and 0.55%) compared to the previous year. This still

Trend in average spreads between bid and ask prices 2022 to 2023 in %



Average spread between bid and ask prices Xetra | 30-day average on a rolling basis

Trend in average spreads between bid and ask prices 2022 to 2023 in %
Source: M.M.Warburg & CO, 2G calculations, January 2024

Foreword of the Management Board
Report by the Supervisory Board
2G Energy AG share
Sustainability report
The best of both worlds
Financial year 2023
Group management report
A. The 2G Group
B. Economic and business environment
C. Results of operations
D. Financial position
E. Net assets
F. Corporate responsibility
G. Forecast report
Consolidated financial statements
Auditor's report
Colophon

corresponds to a technically positive trading environment, which continues to keep the share attractive for investors.

Continuous, ongoing capital market communication

Also in 2023, dialoging with the capital market and continuous transparent reporting on relevant corporate events and developments remained important guiding principles for the investor relations work of 2G Energy AG. In addition to detailed written reports, we maintain direct contact with our institutional and private shareholders and analysts. Our IR work is aimed at attracting new shareholders to the company and keeping interest in the development of 2G Energy AG vibrant on the markets.

Our IR work is geared to explaining the business model, including the resulting earnings potential, as well as the decentralized energy market and its growth potential in the context of the dynamically changing international energy market to all players on the capital market in a readily comprehensible manner. The aim is to further strengthen trust and confidence in the company's financial and technological profile on the one hand, while also creating the transparency required to enable analysts, shareholders and potential investors to appraise and evaluate the company on a plausible and adequate basis.

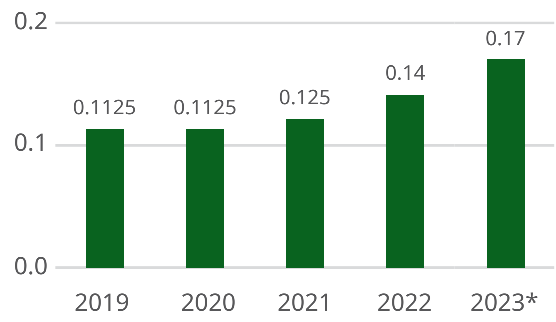
In the course of individual or group discussions at investor roadshows and conferences, company management answered questions from investors and financial analysts on 2G Energy AG's business strategy and development. In 2023, the number of discussions with investors was high again due to the manifold changes, but also given the uncertainties and opportunities on the energy markets and the – in our opinion – appropriate and expedient product and service solutions provided by 2G. The main topics of discussion with institutional and private investors in Germany and abroad revolved around the impacts of energy price developments, changes to the legal framework and the role of CHP systems in the context of supply security for electricity and heat. The Management Board presented the 2G business model, explaining the commercial and technical advantages of acquiring the Dutch manufacturer of large heat pumps and outlining the relevant markets and sales strategies for Germany and abroad.

Analysts taking optimistic view of business model and share price performance

First Berlin, SMC Research, Pareto Securities and Metzler are four institutes that continuously monitor and evaluate the company's development and performance. The Management Board maintains a regular exchange with the attending analysts. All of their analysts identify further upside potential for the 2G share based on their valuation models, with all four institutes having issued "Buy" recommendations with price targets significantly above EUR 31.

Dividend to increase by 21%

Dividends for the financial years 2019 to 2023* EUR



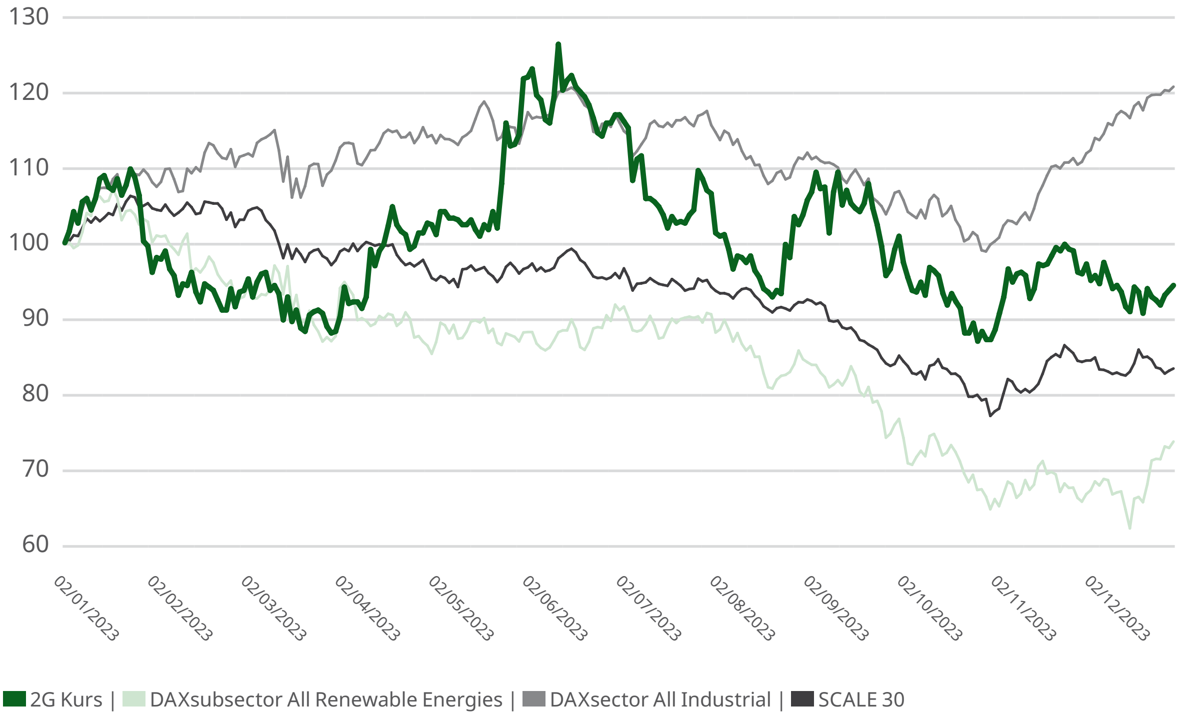
* Proposal to the Annual General Meeting

2G Energy AG pursues the objective of its shareholders participating continuously and over the long-term in the company's success and profitability through a stable dividend. At the same time, the company's financial and innovative strength is to be maintained and strengthened for further growth. In this way, value and growth-oriented investors thereby set to benefit over the long term from the continuous appreciation in the company's value. Based on the unappropriated profit generated in the 2023 financial year, the Management Board and Supervisory Board have authorized a proposal to the Ordinary AGM to be held on June 4, 2024 for it to approve a dividend 21.4% higher year on year of 17 euro cents per share for the past financial year.

Based on the 2023 year-end closing price of EUR 22.70, this dividend would correspond to a yield of 0.75% (previous year: 0.6%) and a payout ratio of 17.0% (previous year: 15.3%).

2G share price performance and comparative indexes
January to December 2023 (indexed)

in %



2G share price performance and comparative indexes, January to December 2023 (indexed) in %
Source: M.M.Warburg & CO, 2G calculations, January 2024

All the capital market relevant information can be accessed promptly on our website and is continuously updated. In addition to the financial reports, company presentations and announcements, recordings of the conference calls for the annual and half-year reports, relevant press reports on 2G and the latest analyst opinions are also available there.

Sustainability report

At 2G, we understand sustainability as responsible corporate action geared to a long-term perspective. This includes the dimensions of environment and climate, the principles of good corporate governance, employees and social responsibility as well as the interests of our stakeholders, shareholders and customers. Our actions today should have a lasting positive impact in the future. We want to make a demonstrable contribution to reducing harmful impacts on people, society and the environment over the long term.

We are aware that sustainable action promotes the economic value of our company, determines our commitment to technological innovations and product developments, enhances the quality and reliability of our products while also increasing the motivation of all employees and enabling our customers to contribute more efficiently and sustainably to greater resource conservation and climate protection. Our superordinate principle is to act with a long-term horizon. Consequently, short-term profit maximization is not our top priority. 2G also perceives its corporate responsibility in securing the future of the company for the next generation.

Our ambition is to generate growing demand for our products, with potential customers being convinced of their quality and the future viability of 2G vis-à-vis the products of other suppliers. This can translate into market share gains and rising profit margins for 2G. Consequently, we endeavor to incorporate sustainability into all our business decisions, while weighing up the related risks and opportunities. Sustainability forms as much a part of the 2G brand as our claim to global technology leadership for gas-operated CHP systems, large heat pumps and (energy) system solutions. Consequently, 2G is aspiring to sector leadership in terms of sustainability and new technologies. We will not rest on our laurels simply because the technological standard of our products and services is already very high and our CHP units, achieving rates of up to 90%, and our large heat pumps, delivering COP values (Coefficient of Performance) of between 3 and 5, are highly efficient.

Within its corporate organization, 2G is working towards ensuring a resilient energy supply, a comprehensive waste and recycling system, durable and resource-conserving products, environmentally friendly and material-efficient production, responsible procurement, and logistics as well as efficient service. To this end, we adhere to the Kaizen principle of continuous improvement and, as an appreciative employer, we strive to put people center stage and enable them to make meaningful and effective contributions with their work.

2G acknowledges the need for global climate action and is committed to the 2015 Paris Agreement target of limiting temperature increases to 1.5 degrees Celsius vis-à-vis pre-industrial levels as far as possible. As a company, we have a responsibility to further develop our products by enhancing efficiency, reducing greenhouse gas emissions and lowering the total cost of ownership in such a manner that our products can make increasing contributions to such ambitions. From the customer's point of view, this already applies today: climate protection with 2G's CHP systems is worthwhile because the systems are highly attractive in terms of their cost efficiency. The investments pay off all the more the higher the energy and CO_2 certificate prices are.

In the production process and in administration, we are likewise striving to make our contribution to reducing greenhouse gas emissions through the utilization of renewable energies and resource conservation. This is documented by our ISO certifications for quality management, energy and environmental management, which have been regularly confirmed for many years. In order to leverage further potential in these areas, an energy and environmental management team comprising a member of the Executive Board and management from the areas of production, sales, regulatory affairs and quality assurance meets on a quarterly basis.

We have made our commitment externally visible and binding by joining the United Nations Global Compact. The annual progress report is published on the website of the UN Global Compact (unglobalcompact.org).

As a listed company, we are increasingly in the focus of institutional investors who base their investment decisions on ESG (environment, social, governance) criteria. In many cases, the data for such ESG criteria are determined by service providers.

Institutional Shareholder Services Inc. (ISS) is one of these relevant service providers. 2G is awarded Prime Status by ISS, placing it among the top 20% in the relevant "Industry" peer group.

Corporate ESG Performance
Prime
RATED BY
ISS ESG

At the beginning of 2024, 2G entered into a structured process to fulfill the legal requirements for sustainability reporting that will apply as from the reporting year 2025 and to develop a sustainability strategy. The process essentially comprises the

- definition of the core topics and the associated action areas as well as materiality analysis and definition of the associated objectives and targets,
- the identification of taxonomy-eligible and compliant economic activities and the definition of the associated key figures, and
- the definition of the sustainability strategy, including the definition of the necessary measures.

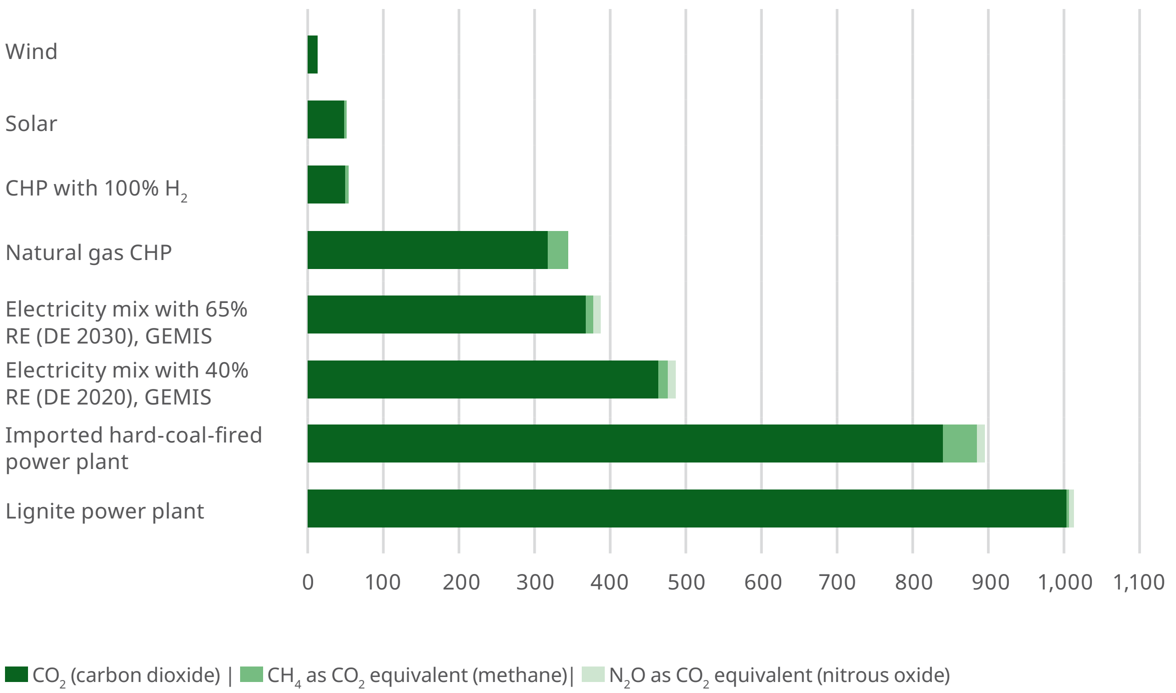
This means that 2G will present the sustainability report, which was previously prepared on a voluntary basis, in accordance with the uniform EU reporting standards (ESRS) for the first time for the 2025 reporting year.

Sustainability strategy embedded in CHP system development and service

As one of the leading international manufacturers of gas-fired cogeneration systems, 2G aspires to technology leadership and thereby continuously reduce the environmental footprint of its systems and services. The cogeneration of electrical and thermal energy makes CHP technology more efficient and much more climate compatible than conventional energy generation methods – achieving efficiencies of 90% and more. Compared to conventional power and heat generation, CHP saves at least 25% of primary energy in a resource-conserving manner. CO_2 emissions are reduced by 40% to 60% compared to coal-fired power plants. CHP units fueled by natural gas already produce around 40% to 50% lower greenhouse gas emissions than conventional power generation from coal, while biogas-driven CHP units save up to 90%. Diagram below: the use of hydrogen will reduce greenhouse gas emissions by around 95%.

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

in g CO_2 eq/kWh_{el}



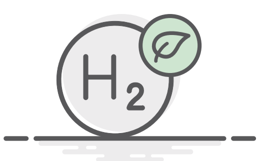
Greenhouse gas emissions of different types of electricity generation incl. upstream emissions in grams of CO_2 equivalent per kWh of electricity (g CO_2 eq per kWh_{el}); the bar "Electricity mix with 40% renewables (Germany 2020)" shows the amount of emissions released for electricity generation in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

CHP systems are the backbone of the energy transition

As the backbone technology of the energy transition, natural gas CHP systems are indispensable for secure supplies in their complementary function to fluctuating generators harnessing wind and solar. This is due to the fact that the demands on generation plants in terms of flexibility are rising sharply as the expansion of renewables progresses. At the same time, the operating hours in which the controllable power is still required are trimmed. This makes large gas-fired power plants economically unattractive for operators. CHP systems, by comparison, provide highly flexible and demand-driven residual load when the wind is not blowing and the sun is not shining. In addition, decentralized CHP systems represent rotating masses in the electrical system and secure grid frequency. This is especially significant for sensitive grid stability as the shutdown of nuclear and coal-fired power plants progresses. In addition, decentralized CHP systems reduce the need for the cost-intensive expansion of the transmission grid. Last but not least, all newly delivered 2G CHP systems in the 100 kW to 1 MW power range can be converted to operate with 100% hydrogen as part of regular maintenance – whereby the costs involved amount to between 10 and 15% of the new purchase value. For this reason, they already represent a secure investment in climate-neutral energy supplies today.

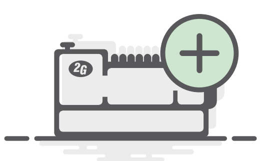
The future role that CHP systems will play in providing consumers with a secure and climate-friendly supply of electricity and heat is changing on several levels and 2G has prepared for this at an early stage. This includes operations with climate-friendly gas types such as biomethane and hydrogen as well as more efficient and flexible

Requirements for CHP in the future



Operation with hydrogen and renewable gases

- Compatible with hydrogen, biomethane and biogas
- Flexible switch from conventional to renewable gases



Increase in installed CHP capacity per project

- Larger CHP units
- Less operating hours
- Combination with peripheral components

Intelligent and digital integration into the energy mix

- Immediate reaction to market signals
- Less downtime
- Smart maintenance
- Self-learning machines

CHP systems that are combined with peripheral components such as heat storage units, cooling absorption systems or ORC systems. This also increases the significance of digital equipment and the system integration for efficient system control and intelligent, predictive maintenance.

2G has now become a manufacturer of large heat pumps

This change was one of the decisive factors in the acquisition of the Dutch manufacturer of large heat pumps NRGTEQ B.V. in August of the reporting year. This is because heat pump technology is one of the key technologies for decarbonizing the national and international heating sector. The proven functional principle achieving efficiencies of between 300% and 500% enables the highly efficient supply of regenerative heat in industry, commerce, municipalities and large residential properties. With this acquisition, we are taking this situation into account and consistently positioning ourselves as a full-service provider for decentralized energy supply concepts. 2G has been developing and marketing water-to-water as well as air-to-water and brine-to-water heat pumps with a thermal output of 100 kW to 2,600 kW since the fourth quarter of 2023. We also anticipate growing sales potential for the combination of CHP systems and heat pumps from a single source. Thanks to this adaptation, we now offer complete solutions and can adjust projects individually to customer requirements and specific energy needs. Depending on the weather and the current electricity exchange price, heat can be provided cost-effectively, climate-friendly and safely – both technologies complementing each other perfectly. A key element in increasing the share of renewable energies in the heating sector is the use of electricity generated from renewable sources to produce heat – for example from biogas or hydrogen-powered CHP systems when the sun is not shining or the wind is not blowing sufficiently. This is a good example of what is known as sector coupling.

At 2G, we have implemented this combination in an extended product called Green Cube: the Green Cube is a modularly configurable standard product that can be tailored to the individual needs of local authorities and private investors. On-site environmental heat sources, existing wind and solar parks, bioenergy and optional storage facilities are embedded in the production of electricity and heat. In this way, we are offering our customers complete turnkey solutions that combine their decarbonization goals with a secure and cost-efficient supply of heat and electricity. As a standardized container solution, we can create complete energy centers within a few months and install them at the customer's premises: large heat pumps, CHP unit, heat storage as well as control systems from a single source. We supply the digital interfaces and the control software. These are the best prerequisites for accelerating the energy transition with an intelligent standard product and local potential. Our customers are increasingly looking for such solutions to find their individual course towards 100 percent renewable energy, while at the same time ensuring supply security and cost-efficient operation.

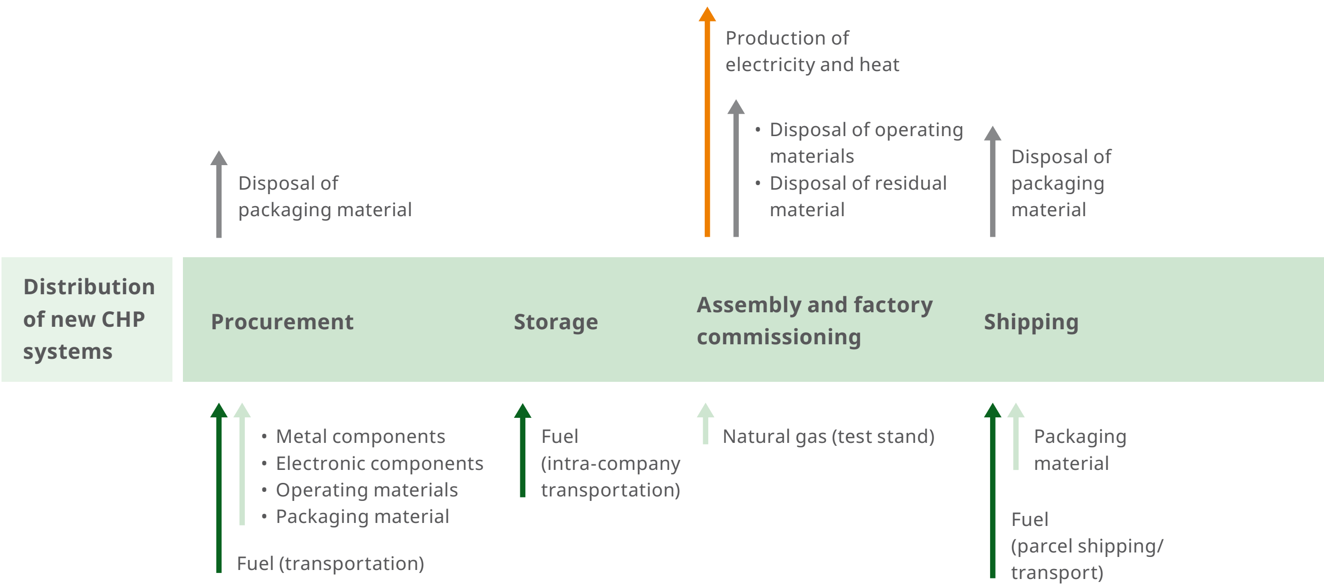
Overall, the 2G Group is transforming itself from a product provider to an integrated solution provider for decentralized, highly efficient energy supply systems. This enables us to cover a broader range of generation, operating and services for a secure energy supply, while expanding our customer base both nationally and internationally.

Comprehensive life cycle management

Already when our CHP series are still at the development stage, we factor economic, environmental and social criteria into our choice of materials, service and maintenance optimization, immissions and emissions, as well as the recyclability and lifecycle management for our systems. This includes the compact design and construction, interface management, the modular structure of the CHP systems and heat pumps, repowering options, the reduction of oil consumption, the conversion of refrigerants to a natural basis such as ammonia, the reduction of noise and exhaust emissions, as well as the software-based, system-oriented controllability of system operation and integration into existing infrastructures. While all this is done within the framework of legal requirements and standards, we above all align these factors with our aim of continuously reducing the total cost of ownership. This strengthens our competitive position and ensures the economic attractiveness of our product portfolio for our customers.

We are systematically advancing system service digitalization, including our online platforms my.2-g.com and I.R.I.S. (including predictive maintenance), which we developed in-house, as well as augmented reality applications. This leads to more efficient services, a considerable extension of the intervals between maintenance units and thus overall to a reduction in service and maintenance costs and higher availability of the CHP systems and heat pumps. Where product development and product equipment are concerned, 2G consistently relies on durable

Life cycle analysis of a CHP system

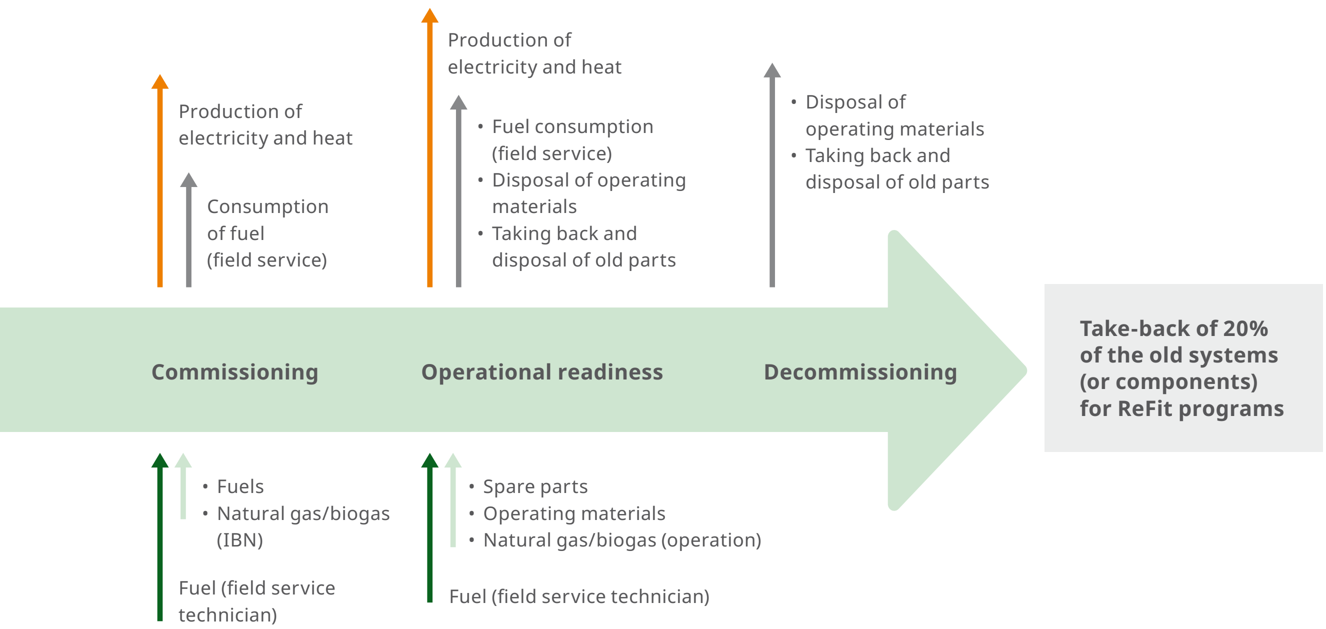


materials. This applies equally to CHP modules as well as to heat pump construction.

The products used are reprocessed and redeployed in the same function at the end of their application cycles. This applies equally to CHP modules and heat pump construction. Ideally, this occurs more than once. By adopting this “long-life” approach, 2G has established resource-conserving reconditioning for central components such as motors and generators, as well as for classic wearing parts such as filters, spark plugs and electronic components. We can offer our customers attractive prices with the refurbished systems from the “ReFit” program and thereby reduce the consumption of raw and other materials.

R&D advancing system efficiency

Our own, in-house Research & Development department with 33 employees continuously optimizes engine and pump technology, peripheral devices, exhaust gas aftertreatment systems and catalytic converter technology. The second area of responsibility comprises the further development of the integration of control software in the CHP systems, the heat pumps and the service, as well as the system control of combined systems as in the Green Cube for example. One outstanding example of the R&D team’s successful work is certainly the development of the hydrogen-powered CHP system based on a standard natural gas CHP unit. Other examples include the in-house developed my.2-g.com and I.R.I.S. platforms developed in-house, which monitor and control the operation of the systems in the field in a variety of ways. Shortly after taking over the large heat pump manufacturer, we



set ourselves the task of advancing the further development of heat pumps with higher thermal output ranges, higher flow temperatures and natural refrigerants. We have already presented an initial prototype with a thermal output of 200 kW and a flow temperature of up to 90 °C. The refrigerant opted for is the highly efficient, non-flammable refrigerant R-515B.

Developed within an extremely short span of time: new large heat pump delivering 200 kW thermal output and a flow temperature of up to 90 °C

Going forward, we are also constantly putting proven technologies and products on the test bench. We have evaluated options for increasing performance for all series. The measures range from recalculating the crankshaft, changing the firing order, improving knock detection and cylinder head strength to increasing the displacement by stepping up the stroke or using other engines. This will enable us to achieve performance gains of 20 to 35% across all series over the next few years. With regard to the agenitor series, we have developed an integrated, compact SCR catalytic converter system for exhaust gas aftertreatment of nitrogen oxide emissions. In the current year, we are aiming to reduce nitrogen oxide emissions from 100 mg to less than 50 mg.

The introduction of FieldService, a single-platform strategy, represents another building block for the greater efficiency of our service offerings. Based on standardized software, services are supported and managed digitally via the platform, from stocking the service vehicle with spare parts and carrying out maintenance work to invoicing. Improving coordination between departments and the flow of information with the customer, it will help to increase customer satisfaction and further reduce the total cost of ownership.

Certified in accordance with quality, environmental and energy management standards and systems

We continuously review and improve our processes as part of the integrated management system (IMS). The central companies (2G Energy AG and 2G Energietechnik GmbH) are therefore certified in accordance with the ISO 9001 (quality), ISO 14001 (environment) and ISO 50001 (energy) standards. The focus is on identifying and implementing measures to reduce environmental impact, compliance with legal obligations and stronger environmental awareness among employees. In terms of energy management, 2G is committed to the continuous improvement of energy-related performance and more efficient utilization. In addition, 2G is certified in accordance with the ISO 27001 information security standard, which is the leading international standard for information security management systems and therefore an important cyber security certification. At its

Energy consumption 2021 to 2023, in t CO_2e

CO_2 consideration			
Metric tons of CO_2 equivalents (t CO_2e)	2023	2022	2021
Scope 1	**2,672**	**3,052**	**3,007**
Heat consumption	693	1,072	1,023
Fuel consumption	1,979	1,981	1,984
Direct emissions from industrial processes	0	0	0
Scope 2	**187**	**166**	**246**
Power consumption	187	166	246
District heating/cooling	0	0	0

core, the standard has three basic objectives: confidentiality, availability and integrity. On this foundation, we continue to optimize processes and structures with vigor.

2G reduces CO_2 emissions

We did not continue the carbon footprint assessment commissioned for the first time in 2021. The recording of emissions, however, will be continued in a structured manner as part of the process to fulfill the legal requirements for sustainability reporting that will apply as from the 2025 reporting year. With the inventory carried out in 2021, we have created the foundation for identifying operational fields of action for more climate protection and sustainability. We continue to report individual key figures on carbon dioxide emissions, as shown in the table above. This data forms a key foundation for the company-specific materiality analysis as the basis for our future sustainability strategy. As in the previous year, there were no environmentally relevant incidents in the reporting year.

The major consumers in the company are fuels, followed by heat and electricity. In the short period from 2021 to 2023, 2G reduced its Scope 1 and 2 emissions by around 12%. We have achieved further improvements, particularly in terms of heat and power consumption. For example, the purchase of natural gas for heat generation has been switched to certified green gas since January 1, 2023, and a buffer storage tank fed from the CHP test stand operation has been installed. Following the installation of a 595 kWp photovoltaic system on a production hall, a total of half of the electricity consumption (approx. 250,000 kWh) is covered by the company's own generation. In addition, 2G has invested in energy efficiency measures such as new lighting concepts in the production halls, which have resulted in consumption savings amounting to around 30,000 kWh. With regard to the electricity requirements that 2G cannot cover itself, we have contracted electricity from renewable sources from a supplier.

A pilot test with an electrically powered heavy-duty forklift truck in logistics delivered convincing

2G energy supply at the Heek site in 2023

595 kWh
photovoltaics

Small hydrogen
storage unit

7 x 2.4 kWh
electrolyzer

50 kW
g-box 50plus

5 kWh
fuel cell

E-charging
stations

results. Until now, there was no alternative to diesel trucks for this type of use. This is attractive for 2G insofar as the surplus electricity generated on the factory premises from the CHP test stands and from the system test runs is available for charging before delivery. These sources are also primarily used to supply the charging stations for the company's own electric cars and employees' cars. 2G expanded the number of charging stations on its premises from 18 to 24 in the reporting year. The fuel consumption of our vehicle fleet declined slightly in spite of an increase in the number of vehicles due to the use of more electrically powered vehicles and more efficient driving behavior.

2G documents good corporate governance

Good corporate governance forms the basis of 2G's business activities. In the year under review, the Supervisory and Management boards issued, on a voluntary basis, a declaration of compliance with the German Corporate Governance Code (DCGK) pursuant to Section 161 of the German Stock Corporation Act (AktG). With this declaration, the Management and Supervisory boards are underscoring their commitment to securing company as a going concern and to its sustainable value creation in the interests of the company, its shareholders and the public, in accordance with the principles of the social market economy. The declaration, together with several accompanying documents, is published on our website at 2-g.com in the Investor Relations area.

Societal commitment

2G perceives itself as a responsible member of society. This is why we play an active role in the region and support cultural and social projects in monetary form as well as through donations in kind. We support local sports associations and social facilities within the Münsterland region, for example. 2G also supports employees in their social engagement, for example, by way of flexible working time regulations. We also promote knowledge exchange in the academic and scientific community. For example, we offer students the opportunity to write their seminar papers or bachelor's or master's theses within the context of topics relating to 2G.

Political commitment to CHP systems and supply security

Our social commitment also includes political support for the development of decentralized, renewable energy supply infrastructures. 2G has set itself the task of building up a network across party lines in order to influence the drafting of laws and funding frameworks in the interests of CHP technology. We repeatedly present convincing arguments to political decision-makers and industry associations at local, national and EU levels concerning the essential role that CHP systems should play. We also highlight the benefits of our innovative 2G technology, our successful R&D work and the growing number of jobs and apprenticeships at our company. In the reporting year, we welcomed the Federal Minister for Housing, Urban Development and Construction, Klara Geywitz, and the Minister for Economic Affairs, Industry, Climate Protection and Energy of the State of North Rhine-Westphalia, Mona Neubaur, to our headquarters in Heek. CEO Christian Grotholt accompanied the Minister President of North Rhine-Westphalia, Hendrik Wüst, on a delegation trip to Japan.

In pursuing this course, 2G is also endeavoring to make a constructive contribution to educating people about the technology and possibilities of cogeneration. The aim is for natural gas-fired combined heat and power generation to be recognized as secure, decentralized power plant capacity in the first step in the transformation phase towards a climate-neutral electricity and heating system and to be taken into account across the board. In the second step, gas-fired CHP systems powered by biogas, sewage and landfill gases, biomethane and hydrogen will make a fundamental contribution to supply security as a climate-neutral producer of electricity and heat and an anchor of stability in combination with fluctuating renewables. And thanks to the interaction with large heat pumps, we have further powerful arguments at our disposal in our political work in terms of sector coupling. After all, the decarbonization of the heating sector will not succeed without sufficient renewable electricity.

Experience the energy transition at the destination in Nuremberg 2023

Company representatives are involved in various initiatives promoting the use of hydrogen, as well as in initiatives advancing CHP, and in political work to decarbonize energy supply. For example, 2G is represented in the NRW Renewable Energies Association (LEE), on the board of the German Renewable Energies Association (BEE), on the board of Cogen Europe and on the board of the

German Combined Heat and Power Association. A visible expression of this commitment is the annual political cycle tour "Energiewende erFAHREN". The year 2023 saw the tour cycling to Nuremberg in the run-up to the state elections in Hesse and Bavaria.

Compliance culture with whistleblower system

A uniform corporate culture with shared values is crucial to unlocking the value-creating potential of teams and individuals within the company – and 2G promotes precisely such a culture. A respective Code of Conduct has been in place at the 2G Group since 2015. Accordingly, 2G clearly commits to complying with all applicable laws and regulations. The Code of Conduct sets out the values and principles for our business activities as well as our dealings with each other and with customers. The code's contents include a ban on discrimination, protection against corruption, fair competition, the rights of all employees to fair treatment, and the handling of insider information. The code of conduct and the corporate guidelines contain binding compliance regulations that are valid across the entire Group. Within this regulatory framework, strengthening the compliance culture is an important element of our corporate culture. 2G strives to quickly identify and clarify possible misconduct within the company and enact the necessary remedial measures. 2G employees and external parties, such as contractors, service providers or business partners, can access a whistleblower system that has been in place since 2022, also anonymously. The system complies with the EU Whistleblower Directive EU 2019/1937.

In 2020, the code was expanded to include a separate code for 2G's suppliers. It defines 2G's principles and requirements for its suppliers of goods and services regarding their responsibility for people and the environment. These include, among others, respect for the fundamental rights of employees, the prohibition of child labor, freedom of association, the prohibition of corruption and bribery, and the resource-conserving use of water and energy and the avoidance of waste.

2G as an attractive employer

2G employees are the driving force behind the company's success. Over 900 employees in Germany and abroad are united behind the slogan "2G – better together". The willingness and ability to work together across all levels and

2G® BETTER TOGETHER

The 2G Energy AG "we" brand

locations lives in this "we" brand. It promotes new approaches to teamwork and has an internal and external impact on customers and partners. Motivated and successful employees are crucial to the company's long-term success and performance. The Group Human Resources department reports directly to the Chief Financial Officer and coordinates all the relevant human resources issues. These include a sustainable staffing policy, attractive and fair working conditions, the training of young technical staff, and internal and external further training for staff as well as intercultural and technical communication within the Group.

Our success as a global company is founded on a corporate culture that is geared to the self-motivation, satisfaction, continuing professional development, health and diversity of our workforce. The aim is to achieve a high level of employee identification with our products, after-sales services and corporate culture. Our products are part of the solution on the way to a sustainable economy and society, are an essential part of the energy transition and supply security. These are strong arguments and good prerequisites for our efforts to create an appreciative working atmosphere with meaningful work contents and a diverse, stimulating and safe working environment. Based on this framework of values anchored in the Group, we are convinced that 2G is an attractive employer offering strong perspectives.

2G provides its employees with various voluntary social benefits and assistance. This includes, for example, 2G granting special payments and days off for the birth of children, followed by subsidies of up to 50% for childcare costs. A model for childcare during vacation periods was tested in the reporting year. The company also promotes employee health and fitness. For example, all employees at the German sites have the option of obtaining company bicycles through 2G by way of a salary conversion scheme. If employees wish to join a fitness studio forming part of the Wellpass association, 2G contributes part of the membership fee. 2G also contributes to the cost of visual display unit (VDU) spectacles as well as prescription personal protective equipment (PPE) safety glasses.

Flexible working time models and part-time options are accorded high priority in order to provide employees with flexible structuring options to employees. In the year under review, 118 employees (2022: 131) made use of such options. The compatibility of work and family life is becoming increasingly important for many employees and represents a key factor in employer attractiveness. We are confident that the fundamentally positive experience with working from home, as practiced during the coronavirus pandemic, will lead to further flexible work-life balance models for employees in the future. 2G basically enables all employees outside of production activities to work from home with technical equipment, software and IT support.

At 2G, the training of young people in different production areas, as well as administration, takes top priority. We regularly participate in various training fairs and events to inform interested parties about our training opportunities, career trajectories and our product world. This is one way of securing qualified and motivated employees. In 2023, 15 young people (2022: 15) embarked on their apprenticeships at 2G, and a total of 44 young people (2022: 43) were undergoing vocational training. From the graduating class of 2023, we have taken on 14 trainees (2022: 10) based on employment contracts. We offer all employees attractive career perspectives with further training programs or management qualifications. At the 2G Campus, we provide a wide range of internal training

2G Campus with TrainingCenter

courses and opportunities to promote personal and professional development. This also includes online and classroom training for employees of foreign subsidiaries and network partners.

Key employee figures (as of December 31,2023)

	2023	2022
Employees	949	868
of which female	167	143
Use of part-time offers	118	131
Employees at foreign subsidiaries	175	160
Share of female senior executives in %	13.59	12.50
Age structure of employees in Germany in years	37.8	37.5
Fluctuation ratio in %	5.83	5.00
Health ratio in %	95	96
Accidents per 100 employees	4	2.2
Participants in the job bike agreement (total)	285	250
Participants in the Wellpass association	68	40
New trainees	15	15
of which female	3	5
Trainees/dual university system	44	43
of which female	11	13

Number of employees per business division

	31/12/2023	31/12/2022
	Number of employees (of which part-time)	Number of employees (of which part-time)
Service	350 (14)	327 (28)
Purchasing, warehouse, production	244 (21)	216 (21)
Administration	122 (55)	110 (50)
Project management	88 (3)	82 (6)
Sales & marketing	85 (15)	77 (16)
Research & development	33 (4)	31 (2)
Quality management	27 (6)	25 (8)
Total	**949 (118)**	**868 (131)**

The best
of both worlds

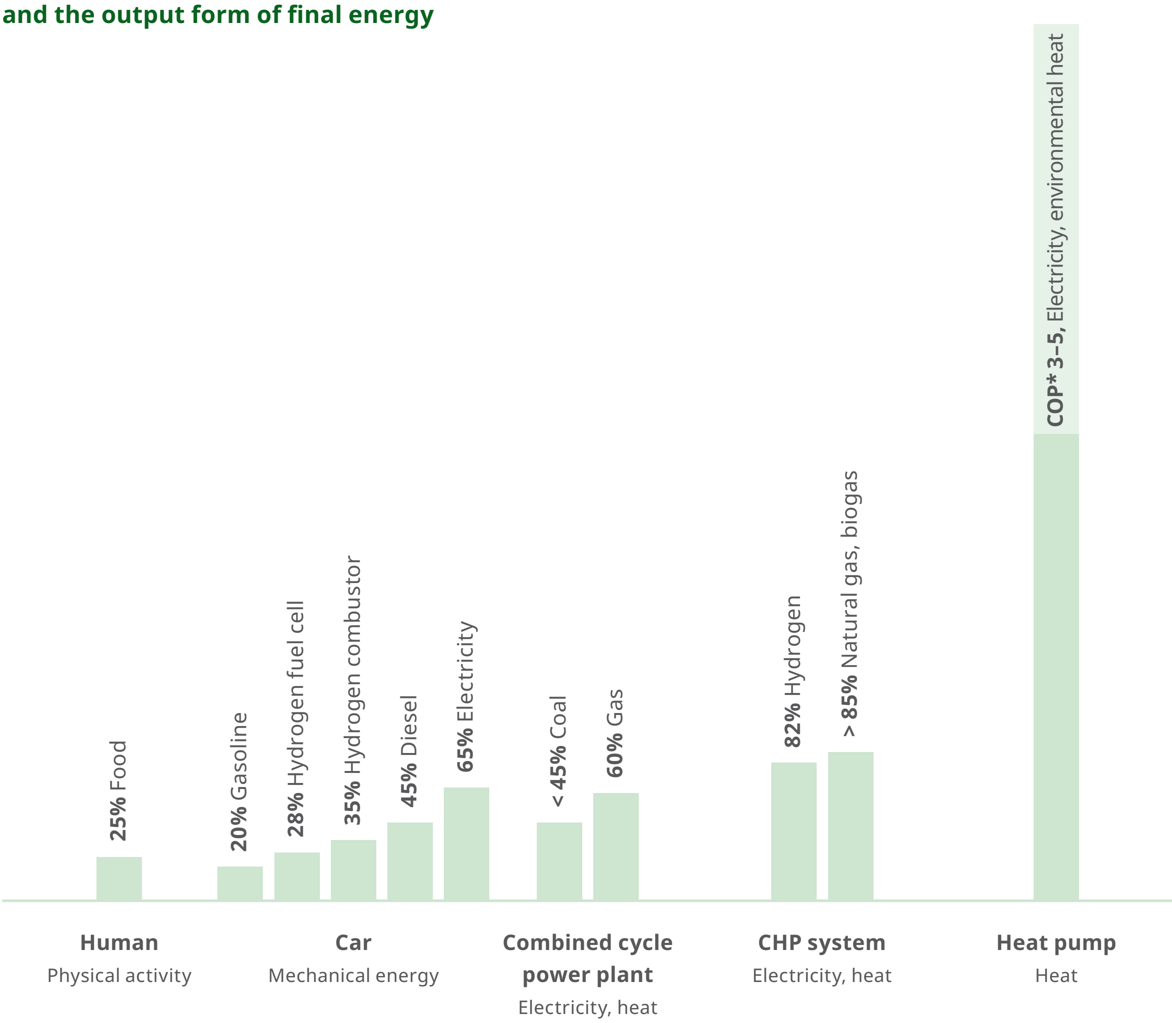
On the winding road to net zero GHG emissions

The central goal of the energy transition is to achieve a maximum reduction in greenhouse gas emissions. This can be accomplished by substituting renewable resources such as wind, sun, bioenergy, geothermal energy or environmental heat for coal, oil and gas, the primary energy sources harnessed to date. In Germany, we have already been aware for some time that this transition is associated with a longer than expected transformation phase, numerous obstacles and high investments. A reliable and secure supply of electricity and heat to consumers based solely on renewables will not be possible for a long time. The discussion about a technology-neutral power plant strategy and electricity market design for the urgently needed back-up capacities shows this. By contrast to the expansion of decentralized electricity generation from wind and solar energy, the development of backup systems and potential transition technologies – both in terms of electricity and heat – should first and foremost pose the following question: how can the defined goals be achieved a) most efficiently and b) across sectors?

In the transformation phase, greenhouse gas (GHG) emissions can also be reduced to a large extent through efficient technologies and the associated conservation of resources. On the one hand, this can be achieved in existing buildings by replacing old systems with new, more flexible units. On the other hand, this can be accomplished by building decentralized power plants that simultaneously supply residual loads and relieve the distribution and transmission grids. And thirdly, this can be achieved by means of sector coupling, such as heat pumps powered by renewable electricity and environmental heat.

CHP and heat pump technology stand out for stationary energy generation in terms of efficiency and resource conservation, as the following graphic illustrates. And they share two other characteristics: firstly, with the state of the art as developed by 2G, both can already be operated today with almost zero GHG emissions. Secondly, they can be technically combined to enable sector coupling.

Efficiencies of different types of energy conversion and the output form of final energy



* Technically, heat pumps are not referred to as efficient. The coefficient of performance (COP) describes the ratio of thermal energy to the electrical energy consumed.

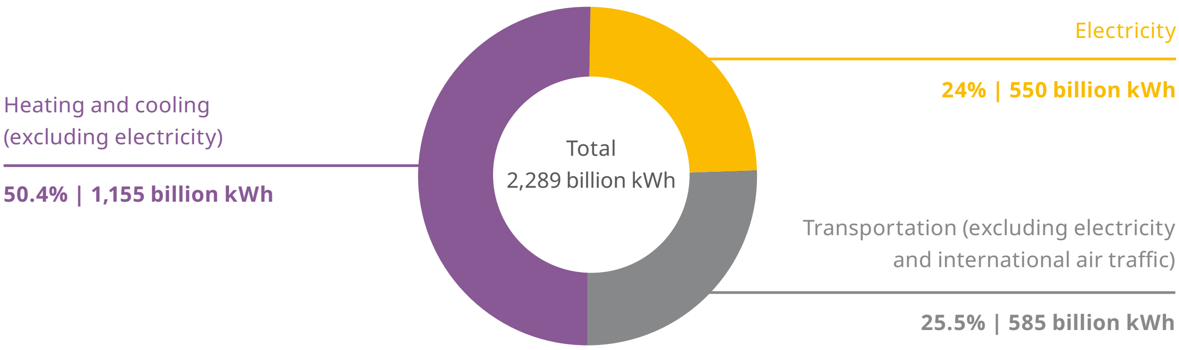
The heat pump converts one unit of electricity into three to five units of heat by way of regenerative environmental heat. However, the origin of the electricity is decisive for the emissions balance. If it is generated in coal-fired power plants, this is not in line with the climate targets. Gas-fired power plants, on the other hand, already produce significantly lower emissions than coal or oil. If the gas-fired power plant is operated with hydrogen or if the electricity is generated by wind or solar energy – depending on the weather and the course of the day – the GHG emissions are close to zero. Consequently, great hopes are being pinned on heat pumps to effectively drive the urgently needed decarbonization of the heating market forward.

Heat transition with huge demand bottlenecks – potential for heat pumps

To date, some 80% of heat generation is still based on fossil fuels combusted in large coal and natural gas power plants. The energy transition, however, is far from complete without thermal energy generated by renewable sources. As illustrated in the diagram below, heating and cooling accounts for over 50% of total energy consumption, while transport amounts to 25.5% and electricity consumption is recorded at 24%. What's more, to date, electricity and heat have largely been fed into the grid independently of each other. This division is quite similar throughout Europe. Consequently, alternatives are called for to make the heat supply as CO_2-free as possible in the future.

>50%
final energy consumption for heating/cooling

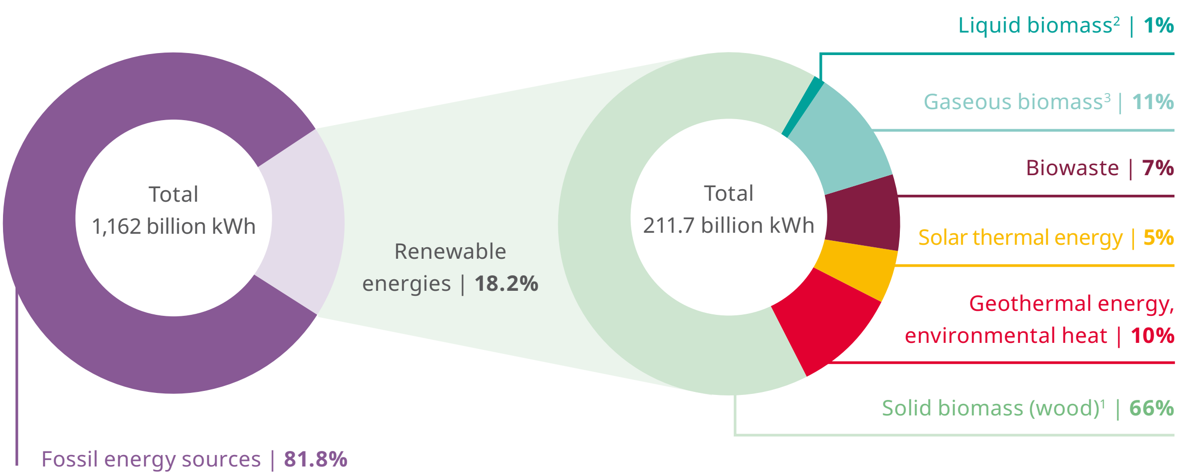
Final energy consumption by heating/cooling, electricity and transport in Germany in 2022



Source: German government environmental agency, Working Group on Energy Balances, April 2023

In Germany, only 18.2% of heat is currently generated from renewable sources (mainly from biomass, waste, solar thermal and geothermal energy), as shown in the diagram below. The four renewable generating sources mentioned, however, are not scalable in the necessary dimension. Environmental heat (air, water, earth), on the other hand, is available in unlimited quantities and can be harnessed for heating and hot water production by means of a heat pump. Given these strengths, heat pumps are predestined components for boosting the share of renewable energies in the heating sector, provided they are powered by electricity from renewable sources. The well-known and proven functional principle also impresses with its strengths on a larger scale. Large heat pumps enable the highly efficient supply of regenerative heat in industry, commerce, municipalities, and large residential properties. 2G is anticipating a structurally growing market – with sound sales opportunities for the individual product, but likewise for the CHP system and heat pump solution package.

Types of renewable heating/cooling generation in Germany in 2022 as a share of final energy consumption for heating/cooling



[1] Incl. sewage sludge and charcoal | [2] Incl. biodiesel for agriculture, forestry, construction and the military
[3] Biogas, biomethane, sewage gas and landfill gas
Source: German government environmental agency based on AGEE-Stat, September 2023

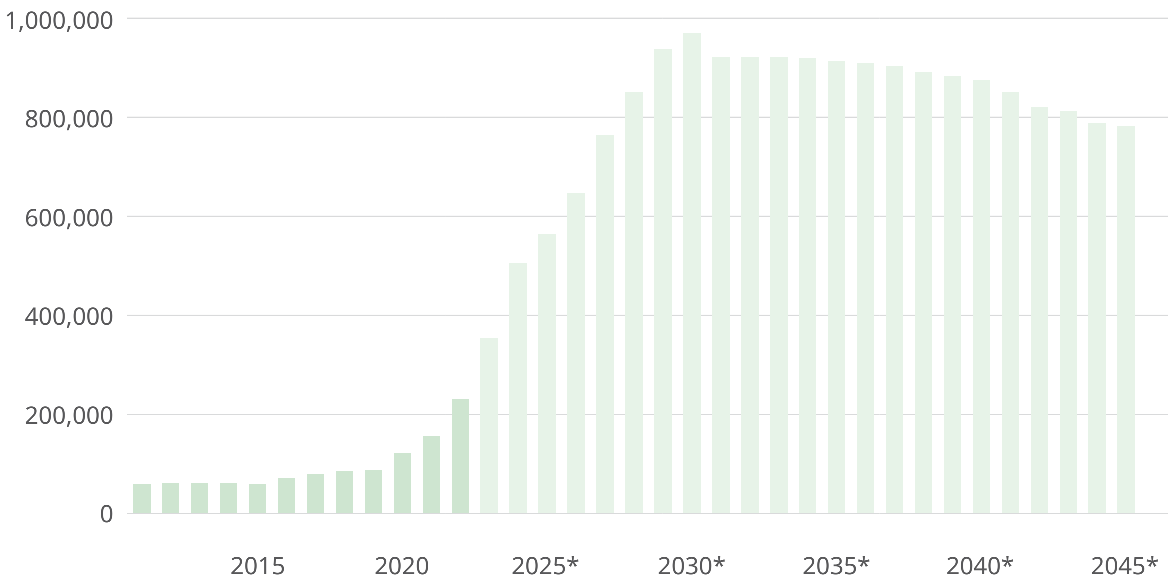
Local heating networks – an efficient, flexible heating infrastructure

In Germany, we are assuming that the legislation on municipal heat planning, which has been in force since the beginning of 2024, will mark the starting signal for the development of local heating networks. Such local heating networks are attractive for heat pumps because they can be dimensioned to meet demand at the point of consumption. This creates islands with heat sources, whether at city hospitals, in residential areas or in industrial estates. We can equip these islands with modular power plants. The combination of a g-box 50 with a 200 kW heat pump is sufficient to economically supply a residential district with 50 units.

50

units in a residential district can be supplied economically with a g-box 50 and a 200 kW heat pump.

Development and forecast of heat pump sales in Germany from 2011 to 2045 pieces



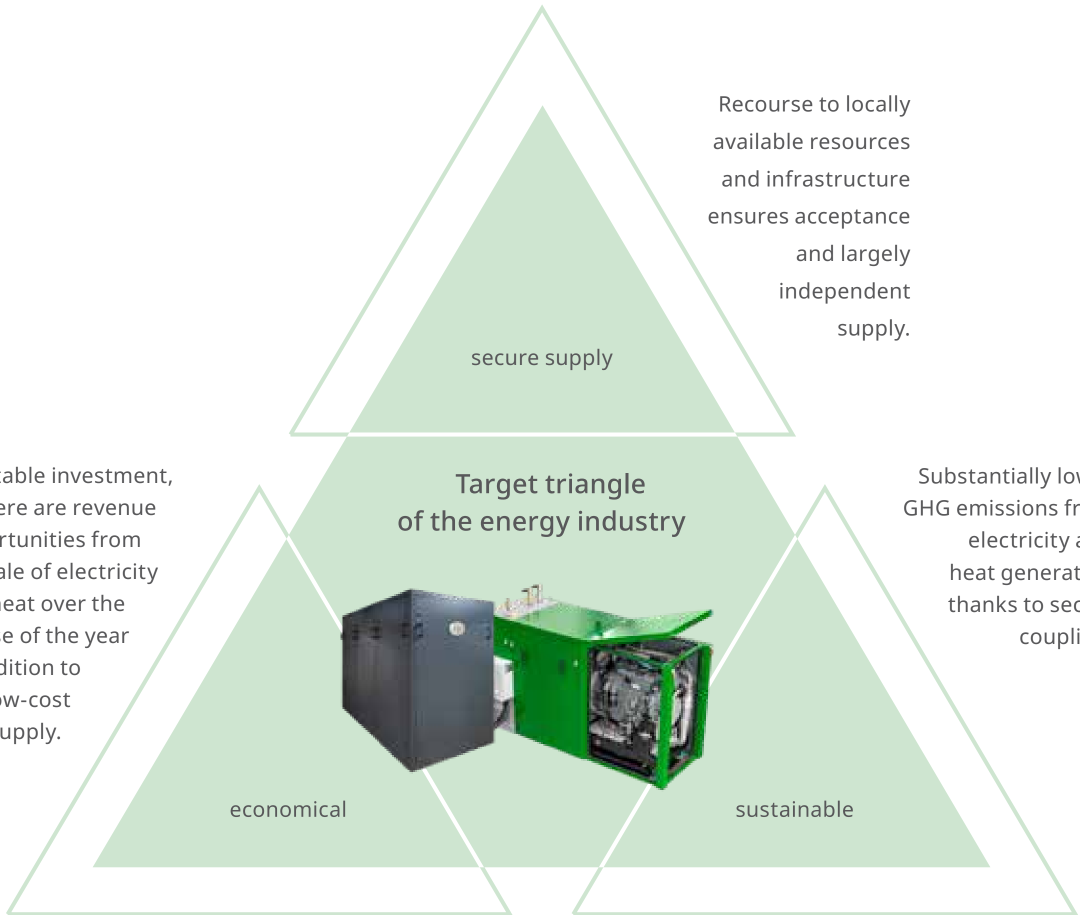
* From 2023 forecast
Development and forecast of heat pump sales in Germany from 2011 to 2045
Source: Bundesverband Wärmepumpe e. V., January 2023

Consequently, local heating networks provide an efficient and flexible heating infrastructure. Based on our system solution consisting of CHP systems and heat pumps, fluctuating wind and solar power as well as electricity and heat from CHP systems can be fed into these grids as thermal energy. The utilization of renewable electricity in heating networks is achieved, among other things, by electrically driven heat pumps. On the one hand, this increases the share of renewables in the heating sector and, on the other hand, this system solution avoids the lock-in of renewable electricity generation.

Integrated system solutions and the target triangle of the energy industry

2G has already implemented numerous projects in which we have integrated peripheral components such as heat pumps, absorption chillers or steam generators, storage tanks or ORC systems into customer solutions. In terms of design, we rely on standardized container solutions, which we install ready for operation at the customer's premises within a few days. Essentially, they meet the energy industry's target triangle and thereby achieve a high level of acceptance at all levels:

Recourse to locally available resources and infrastructure ensures acceptance and largely independent supply.



Profitable investment, as there are revenue opportunities from the sale of electricity and heat over the course of the year in addition to the low-cost self-supply.

Substantially lower GHG emissions from electricity and heat generation thanks to sector coupling.

The combination of CHP systems with large heat pumps is at the heart of our modular green power plants. We have named it the “Green Cube”. This positions 2G as the first manufacturer in the world to offer its customers the best of both worlds.

Foreword of the Management Board
Report by the Supervisory Board
2G Energy AG share
Sustainability report
The best of both worlds
Financial year 2023
Group management report
A. The 2G Group
B. Economic and business environment
C. Results of operations
D. Financial position
E. Net assets
F. Corporate responsibility
G. Forecast report
Consolidated financial statements
Auditor's report
Colophon

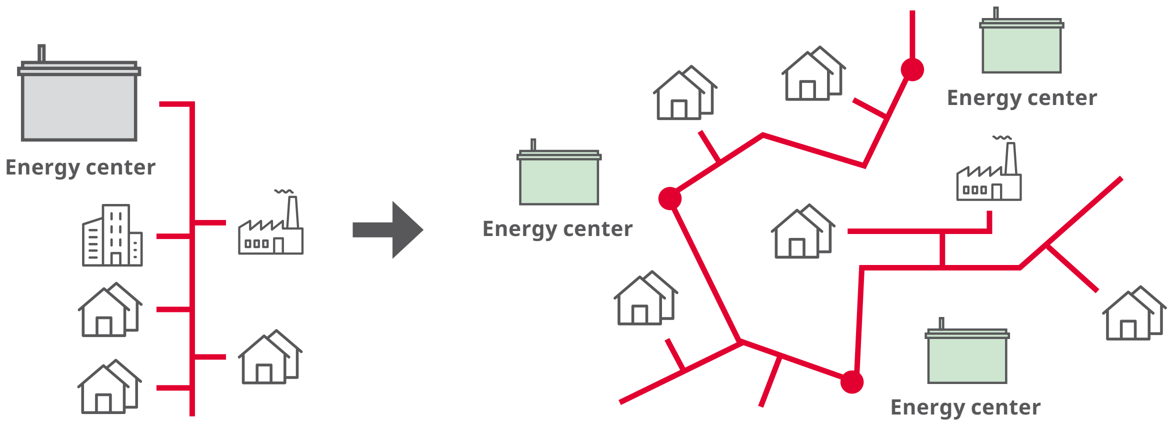
Green Cube – turnkey energy centers for municipal heat planning

In launching the Green Cube, 2G has further addressed the tasks at hand by creating an efficient combination of both technologies. The Green Cube is a modularly configurable standard product that can be tailored to the individual needs of local communities and optionally integrates existing environmental heat sources, existing wind and solar parks, bioenergy and optional storage. In this way, we are offering our customers a complete turnkey solution that serves their decarbonization goals by providing a secure and cost-efficient heat and electricity supply concept. In this way, as a standardized container solution, we are able to create complete energy centers within a few months and install them at the customer's premises: large heat pumps, CHP systems, heat storage and control systems – all from a single source. The best prerequisites for accelerating the energy transition with an intelligent standard product and factoring in local potential.

From the energy center to the heating network

The size of 2G's Green Cube system currently ranges, in most cases, from 100 kW thermal/electrical output up to 2,6 MW thermal/electrical output, depending on the size of the heating network or the type of industrial application. Larger, individual solutions can also be implemented. 2G is also currently developing a new heat pump series featuring a thermal output of 200 kW and a flow temperature of up to 90 degrees, which will be launched on the market in 2024. The afilia heat pumps are fully integrated into the proven process infrastructure – from the CPQ configurator and line production all the way through to standardized container construction and system management. The exact combination of the size of the heat pump and the size of the CHP system depends largely on the electricity revenue potential on the one hand, and the level/course of the heat demand on the other.

Previously: central supply **In the future: decentralized heating network**



2G calculates and configures each project in close consultation with clients so as to ensure the best possible supply solution. The topic of hydrogen has also already been factored into the Green Cube concept: every CHP system installed by 2G is already suitable for operation with hydrogen.

CHP system, heat pump, control and service from a single source

Whether as an individual product, as a combined solution or in the Green Cube concept – as a global technology leader and full-range services partner, 2G offers its customers more than just a system for generating energy. In launching the Green Cube, 2G has also closely interlinked the two technologies in terms of internal processes. This means that the prerequisites and interfaces are in place to physically and digitally integrate the heat pumps into the 2G system concept. By providing the following universe, 2G is creating added value for operators:

Comprehensive control concepts, incl. auxiliary drive (pump/mixer, data recording for heat source and heat sink)

Convenient system management thanks to my.2-g.com (monthly reports, operating range monitoring, etc.)

Intelligent fault prediction based on I.R.I.S.

Higher-level control
via master control

Integration of **spot market optimization, flex operation, redispatch** etc. via partners

Container solutions

Eligible for subsidies:
afilia meets the minimum efficiency values and is SG-ready

Application examples

The CHP system and heat pump form the core of a system solution for our customers that integrates the local conditions and the respective energy potentials. In this way, the Green Cube leverages valuable synergies and sets the course for a decentralized, climatically and economically sustainable, secure energy supply. In the following, we will present two examples that have already been implemented to illustrate what Green Cube concepts can look like. In each case, 2G contributed the CHP system. In future, we will be offering our customers system solutions from 2G with heat pumps, control systems and all full range of services.

Glood GmbH Papenburg: Sector coupling plant

The Glood GmbH plant in Papenburg consists of four 2G CHP systems for the production of electricity and heat. The electricity is fed into the public grid and the heat into the local heating network to supply local industrial customers and greenhouse operators. This setup is combined with four large heat pumps. Another key component is a power-to-heat system, which is used when too much solar and wind power is available. This is because it then makes economic sense to convert this electricity into heat and feed it into the heating network. The large buffer storage tank with a capacity of 5 million liters serves to decouple heat generation and consumption over time and to increase flexibility. The heat volume is roughly equivalent to that of 2,000 single-family homes. With this system combination, the company generates renewable heat energy, which is supplied to customers via a heating network. A sector coupling system of this type makes a decentralized contribution to achieving energy targets, CO_2 savings and security of supply.

glood POWER TO HEAT

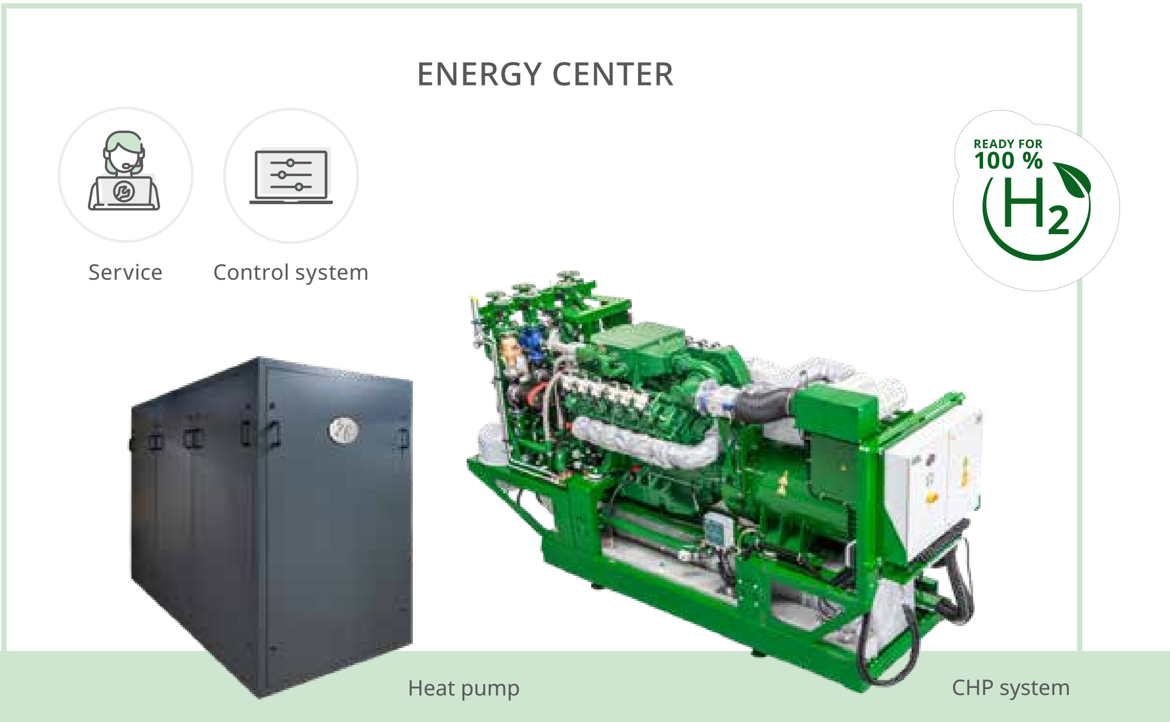
Stadtwerke Bad Lauterberg GmbH: Heating network

Stadtwerke Bad Lauterberg in the Harz Mountains uses two CHP systems from 2G – coupled with a heat pump for the district heating network. The system supplies 200 households in the spa town with heat – efficiently and with low emissions.

What is particularly clever about the solution is that the additional installation of the heat pump means that the radiated heat from the two CHP systems is also used in the installation room. It is drawn in by two cooling registers via circulation with a fan and then cooled and released back into the installation room. The heat pump and an energy storage unit, which is supplied with the energy obtained from the cooling coil, are installed on the second level of generation. As soon as a temperature level of 28 °C is reached in the storage tank, the heat pump is activated and transfers the thermal energy of approx. 200 kW obtained via a control system to the return flow of the municipal utility’s district heating network. This raises the temperature level of the return flow from 60 °C to 63 °C. The overall efficiency of the system is therefore an impressive 87%. That shows: cogeneration technology can be used to meet a wide range of energy requirements. In this case, supplying the district heating network is the ideal prerequisite for the system combination of CHP system and heat pump.

Conclusion: Green Cube creates substantial added value

In spite of heated public debates, the political compass is fundamentally set to a clearly defined course: the focus is on the energy policy triangle consisting of supply security, climate neutrality and economic efficiency. The integration of combined heat and power generation with the heat pump provides substantial added value – for the operator and for society.



The at times highly diverging local conditions of renewable energies and the specific energy requirements are individually incorporated into the decentralized Green Cube concept.

Revenue potential on the electricity market and heat requirements enter into the planning from the very outset.

Green Cube helps to significantly reduce the costs of grid expansion on the lower grid levels. And with the right energy market design, Green Cube concepts reduce the need for newly constructed, subsidized (large-scale) power plants.

The Green Cube system is controlled multidimensionally, thereby taking the substantial reduction of GHG emissions into account, as well as different weather conditions and temperature levels.

Group management report

Group management report

Reservation with regard to forward-looking statements

This Group management report includes forward-looking statements that are based on management estimations that are current as of the time of preparing this management report. Such statements relate to future periods, or are characterized by terms such as “expect”, “forecast”, “predict”, “intend”, “plan”, “estimate” and “anticipate”. Forward-looking statements are connected with risks and uncertainties. Many of these risks and uncertainties are determined by factors that are not subject to the 2G Group’s influence. As a consequence, actual results can differ significantly from those described below.

A. The 2G Group

Operating activities and corporate structure

The 2G Energy AG Group is an internationally leading manufacturer and provider of decentralized energy supply systems. The company develops, produces and installs comprehensive solutions in the expanding market for highly efficient combined heat and power (CHP) systems and large heat pumps. The digital grid integration and system control of both types of energy generators are further decisive performance criteria, as are the service and maintenance service offerings. 2G is constantly developing and advancing its technology through continuous research and development work in power plant and pump technologies, as well as in specific software development for service and maintenance activities and complex digital control.

The product range includes CHP systems from 20 kW to 4,500 kW electrical output for operation with hydrogen, natural gas, biogas, as well as other lean gases, and large heat pumps in the range from 100 kW to 2,600 kW. CHP systems operate with efficiencies of 90% and more, while large heat pumps achieve efficiencies of 300% to 500% depending on the framework conditions. With its products and services, 2G is at the core of decentralized, secure and extensively decarbonized energy supply. The sector coupling that is necessary for the success of the energy transition is reflected in the portfolio. With its CHP and heat pump energy generation technologies, 2G is positioned worldwide as a system and solution provider for decentralized energy solutions. Over 8,500 installed 2G systems operational in various applications around the world already supply a wide range of customers with electrical and thermal energy. This spectrum comprises housing and agricultural companies, commercial and industrial enterprises as well as energy suppliers, municipal utilities and local authorities.

2G Energy AG is a holding company combining thirteen operating subsidiaries under its management and primarily provides general holding services to subsidiaries.

2G Energietechnik GmbH (2GE), based at the Group’s production headquarters in Heek, in Germany’s western Münster region, comprises the main operating entity. The company combines the planning, production, commissioning and ongoing service of 2G systems. Moreover, 2GE operates dependent branches in Griesstätt near Munich, in Hamburg, in Halle/Saale and in Berlin. At present, there are no other branches.

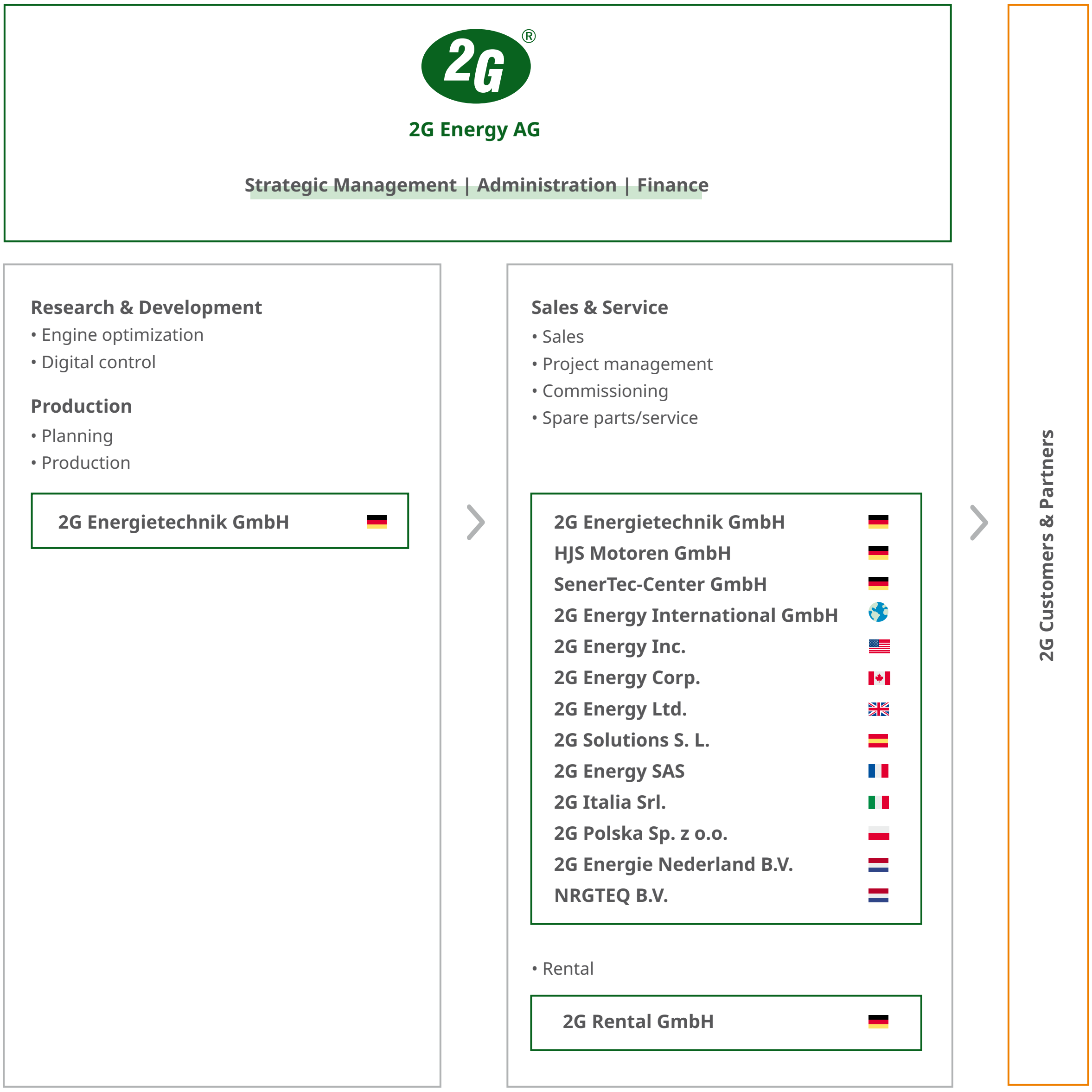


Diagram 1: 2G Energy AG corporate structure, subsidiaries' business purposes and value chain (as of December 31, 2023)

Outside of Germany, 2G is represented by independent sales and service companies in the USA, Canada, France, the UK, Italy, Poland and the Netherlands. In all other countries, 2G Energy International GmbH, Heek, is responsible for international sales. Through sales cooperations in Eastern Europe, Japan, Southeast Asia, Australia and South America, for example, important metropolitan areas and industrial markets are developed.

On September 1, 2023, 2G acquired the Dutch manufacturer of large heat pumps NRGTEQ B.V. in full. This enables 2G to integrate a high level of technical heat pump expertise in the development and design of decentralized heat supply projects in the higher output range. 2G is thus positioning itself as a full-service provider for decentralized energy supply solutions. The location in the Netherlands will remain under the umbrella of 2G Energy AG as a competence center and regional sales location, while the production of heat pumps will be relocated to the company headquarters in Heek.

B. Economic and business environment

Macroeconomic situation

Global economy put in moderate growth

According to the Kiel Economic Reports presented in mid-December 2023, the Kiel Institute for the World Economy (IfW) assumes moderate economic growth worldwide for the past reporting year. Against the backdrop of ongoing geopolitical crises, a high level of uncertainty pervading the economic environment, a merely modest economic recovery in China, energy prices that only started to trend downwards again in the second half of the year and a significant drop in inflationary pressure, the IfW believes that economic development has been better than expected. In the first three quarters, global production expanded at an average rate of 0.8% – barely weaker than the trend recorded before the coronavirus crisis. Even given signs of a slowdown in the fourth quarter, the IfW expects global production to expand by 3.1% in 2023 (previous year: 3.3%). The US economy exhibited remarkable resilience in the reporting year, with production continuing to increase significantly despite the sharp rise in interest rates – supported by an expansionary fiscal policy. Overall economic production in Asia also grew markedly over the course of the year. By contrast, developments in the EU and the UK were tepid.

With regard to the eurozone, the Kiel-based economic experts note that the economy is in the doldrums. According to the experts, the economic upswing has waned due to the increased cost of living, significantly tighter financing costs and a weak external economic environment. According to the IfW, weak business confidence in the industrial arena also suggests that economic output will stagnate in the reporting year, with gross domestic product (GDP) rising by just 0.5% (previous year: 3.4%).

According to the IfW, economic output in Germany essentially edged sideways, with the slight growth in the first half of the year likely to have been eroded by the downward trend in the second half of the year. According to the ifo Business Survey, the mood among companies has recently brightened somewhat. According to the IfW, however, this is offset by declining capacity utilization and weak new business in large parts of industry. High energy prices also incurred a particularly negative impact on industrial production. Exports to China were down significantly, while trade in goods with the eurozone, which is important for Germany, was equally weak. Over the course of the year, declining consumer spending and slumping foreign business were the main reasons for the recessionary economic situation. The IfW expects GDP to dip by 0.3% (previous year: 1.8%) in 2023.

According to surveys by the VDMA, the order balance for 2023 in the mechanical and plant engineering sector is unsatisfactory with an effective decline of 12%. The major sales markets of Europe, the USA and China were pervaded by a lack of confidence in a sustained global economic upturn. Domestic companies recorded an 11% drop in orders, while orders from abroad fell by 13%. The decline in orders from the euro countries were recorded at 16%. The VDMA expects foreign orders to bottom out, while domestic orders, on the other hand, are still charting a downward trend.

Overall global conditions and sector trends

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

Drawing on its proven products and its project and system expertise, 2G perceives itself as a system provider for decentralized energy supply solutions and consequently as an integral part of the global energy transition. This is due to the fact that the ongoing expansion of solar and wind power plants results in volatile electricity production that is dependent on the weather and daily fluctuations, representing a a fundamental difference to energy production based on fossil fuels that has prevailed to date: coal-fired power plants run continuously and supply electricity constantly, and, in some cases, also heat. The more solar and wind power plants are connected to the grid and coal-fired power plants are shut down, the greater the demand for residual power plants and new heat generators will be. As flexible and controllable units, the residual power plants compensate for any shortfalls in output from solar and wind power plants, thereby guaranteeing supply security. This is an elementary variable, because the so-called dark doldrums are not isolated, rare events, but represent an ongoing phenomenon extending over days and weeks, especially in the autumn and winter. Consequently, decentralized CHP systems, like heat pumps, are natural and necessary partner technologies for solar and wind energy due to their complementary mode of operation.

Perspectively, the future shutdown of conventional power plants and the expansion of renewables will go hand in hand with the development of a new, decentralized energy generation infrastructure capable of handling base and peak loads. We have many good reasons for preferring to base this on hydrogen-capable power plants that are still temporarily operated with natural gas. As sufficient quantities of hydrogen and biomethane are not expected to be available in the near future, decentralized natural gas power plants must be built to prevent potential gaps in supply security from arising in the first place. In Germany, the Federal Network Agency is stating a possible capacity deficit of 17 to 21 GW of natural gas-based power plant capacity by 2031. We do not see a conflict of objectives for CHP systems in terms of the expansion of renewables and natural gas – quite on the contrary. In our opinion, CHP systems are highly system-relevant as renewable backbone power plants for securing the residual load. Last but not least, CHP systems provide the technology for both short-term buffer storage and seasonal storage with hydrogen, which converts the energy back into heat and electricity as required. A fundamental advantage of this sequence is the fact that gas molecules – unlike electrons

– can be excellently stored and converted back into electricity and heat as required. In order to maintain the dynamics and momentum in the expansion of renewable energy, the availability of residual power plants is decisive. Against this backdrop, an attractive, high-volume market is emerging for 2G. Our three strongest arguments:

1. 2G power plants require 25% less primary energy to produce the same amount of usable final energy as conventional power plants. This means that, on a very economical basis, our systems are already helping to conserve resources and significantly reduce greenhouse gas emissions thanks to their highly efficient technology.

2. Peak and residual load applications are the primary requirements for the operation of CHP systems, instead of a base load-oriented mode of operation. These are the prerequisites for the cost-efficient and secure energy supply for our customers. This increases the demands on the systems in terms of load capacity and intelligent and digital integration into the energy market.

3. Our technology makes it possible to increasingly replace natural gas as a fuel with green gases such as hydrogen and biomethane, so that the energy supply can continue to be secure and climate-neutral also in connection with a high share of weather-dependent solar and wind energy.

By entering the heat pump business in the thermal output range from 100 kW to 2,600 kW, 2G has set itself the goal of establishing a second pillar in the renewable heat sector. We see this step as a logical continuation of our positioning as a system provider for decentralized energy supply concepts. In recent years, the interest in heat pumps has risen sharply – not only in Germany as a result of the Building Energy Act and the Municipal Heat Planning Act. In future, we will market the heat pumps both as a stand-alone solution and in combination with 2G CHP systems. Over the last two years, 2G has already realized individual projects with heat pumps from third-party providers in combination with its own CHP systems for customers. With the combination of CHP system and heat pump from 2G, we are the only manufacturer in the world to offer our customers individual, tailored solutions from a single source. Depending on the weather and the electricity exchange price, such a combination can provide the specific energy requirements for electricity and heat in a cost-effective, environmentally friendly and safe manner.

Why do we think CHP systems and heat pumps team up so well together? This is illustrated in Diagram 2 by way of four scenarios. Powered by green electricity from PV and wind systems, heat pumps do not emit any carbon dioxide. However, as outlined above, newly installed heat pumps will (have to) be operated almost exclusively with electricity from coal-fired power plants for many years to come. The thermal energy from the heat pumps is relatively heavily burdened with CO_2 emissions, particularly during the heating season. If the coal-fired power plants are replaced by natural gas-fired CHP systems as a first step, the CO_2 emissions from operating the heat pump will already be reduced by more than half. In the final step, hydrogen will then be increasingly available for CHP operation, meaning that the heat pump is a clean solution

Reducing CO_2 emissions: with the duo of CHP system and large heat pump

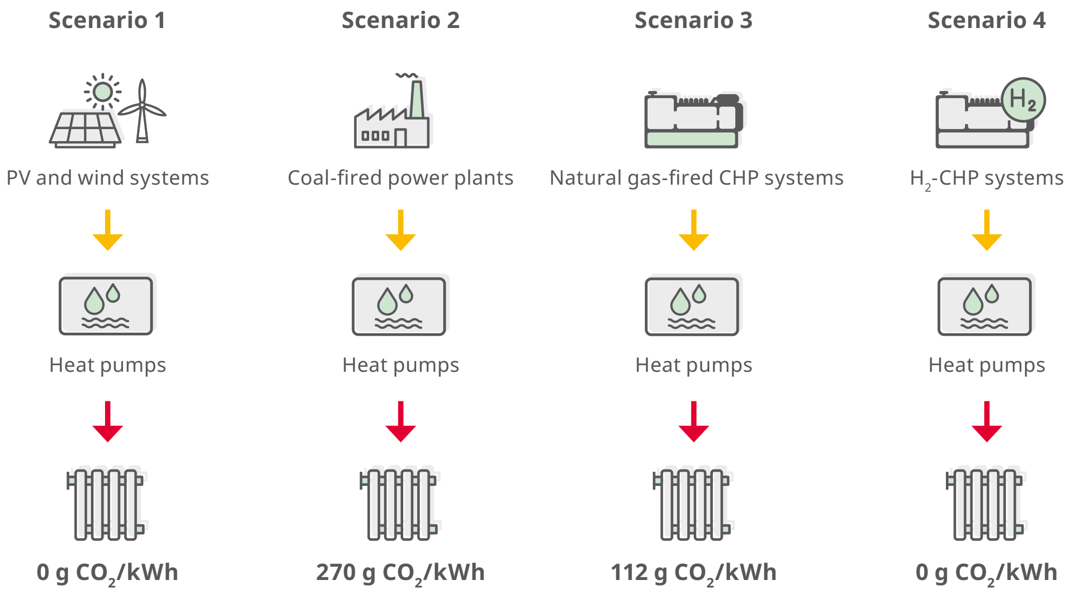


Diagram 2: Reducing CO_2 emissions: with the duo of CHP system and large heat pump
Quelle: 2G Energy AG

at any time of year. We are convinced that this is a realistic scenario for a granular, incremental transition to a climate-neutral energy supply that offers attractive markets and economic prospects for 2G.

Sector development in Germany

Incoming orders held back by uncertainty

Germany remains a core market for 2G. In the reporting year, sales of CHP systems slackened due to a number of political and economic uncertainties and dropped by around 20% overall to EUR 86.0 million (previous year: EUR 107.5 million). Incoming orders for new CHP systems powered by natural gas decreased by more than 40% year-on-year to EUR 34.8 million (previous year: EUR 60.5 million). The structural increase in energy costs, CO_2 certificate prices and the widespread requirements on the part of customers to significantly reduce CO_2 emissions when making new investments are markedly supporting the economic attractiveness of 2G CHP systems. However, protracted, and at times erratic legislative procedures, such as the Building Energy Act, the frequently unclear direction of energy policies and, most recently, the budget crisis have led to noticeable uncertainty among customers and, as a result, to a pronounced reluctance to invest. The decision-supporting aids 2G offered, such as guaranteed convertibility to hydrogen, the lowest emission standards or various rental and leasing models, have not always been able to counteract the widespread reservations hampering investment decisions.

Many inquiries from potential customers have been processed and configured by 2G, but have been put “on hold” by customers for the time being.

In terms of natural gas CHP projects, 2G received orders from municipal and private companies that focused on supplying heat to neighborhoods and via local heating networks. By contrast, typical industrial and commercial customers were reluctant to invest. In many cases, future supply options using heat pumps alone were examined. It was only towards the end of the year that the realization seemed to set in that in many applications, the production costs of heat do not offer the desired degree of economic efficiency and independence due to high electricity prices. Based on the combination of CHP systems and large heat pumps, 2G will in future offer a solution from a single source that is capable of reacting flexibly to price signals during operation, thereby maintaining cost efficiency, while keeping emissions low and ensuring supply security.

According to forecasts by the German Biogas Association, growth in the biogas-powered CHP systems sub-segment has slowed overall, whereas the number of new biogas plants has risen only slightly. The installed capacity amounted to 5,905 MW. In this environment, however, 2G recorded a significant increase in order volumes. Incoming orders were up by 9.6% compared to the previous year to EUR 50.2 million. Customers commissioned us especially for flexibilization projects for biogas plants and the modernization of older existing plants. In addition to higher energy prices, this was supported by significant changes made to the Renewable Energy Sources Act (EEG). These included the temporary flexibilization of the liquid manure bonus, the temporary suspension of the maximum rated output and more flexible options for plant operators to reduce methane emissions. Market participants focused more strongly on projects for local, climate-neutral heat supply via heating networks. In the fourth quarter, legislators created improved framework conditions for this based on the Heat Planning Act and amendments to the Building Code. For example, the cap planned by the German government for the offsetting of biomass heat in heating networks was markedly eased, and the pooling of biogas plants for joint gas processing and the use of residual materials was facilitated.

Strong development in many foreign markets outside of Europe

2G accesses and develops markets outside Germany not only through its own subsidiaries but also through its own global network of certified partners. Founded in the year under review, 2G Energy International GmbH is pursuing the particular aim of working more intensively on export markets that have not yet been served by a separate national company. The focus is generally on markets with an economic constitution based on the rule of law if they also represent markets

1. where a gas infrastructure exists or is being built up,

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

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

Europe with declining sales figures

Incoming orders from other European countries were delayed from January through to December 2023 in a challenging environment and trended downwards by a good 37% compared to the previous year. In many submarkets, economic weakness, uncertainty about the specific shape and design of energy policy and the achievement of the most climate-neutral energy generation possible also played a key role in the pronounced investment reticence. The situation presented a diverging picture in the most important and already established sales markets of the UK and France.

For a short period of time, the business in France was able to benefit from the exploding electricity prices, as own electricity consumption made investments in CHP systems for operation with natural gas, biogas and biomethane profitable. With electricity prices significantly on their way down in the second half of the year, incoming orders weakened. In addition, sales of biogas CHP systems faltered, as new biogas plants became around 30% more expensive, while feed-in tariffs remained at the same level as in previous years. Overall, incoming orders in France were down by around 43% to EUR 6.4 million in the reporting year.

Recorded at EUR 11.4 million, incoming orders in the UK were robust overall (previous year: EUR 11.2 million). The economic situation has improved significantly following the widespread uncertainty caused by the extreme situations on the energy market in 2022. Our CHP systems are highly profitable thanks to an attractive spark spread with payback periods of less than two years in some cases. Customers order 2G CHP systems with the aim of saving energy costs and improving their competitiveness. The service business is also putting in strong growth as a reliable second pillar.

In the rest of Europe, investment sales languished across the board. Compared to the previous year, a decline of around 47% to EUR 17.7 million was recorded. In the Netherlands and Belgium, the high-volume business with greenhouse operators, which had grown vigorously in previous years, slowed considerably (EUR 7.0 million, -39%) due to widespread political and regulatory uncertainty. Only Spain, at a low level, and Italy recorded higher sales. In Italy, the 2G subsidiary in the natural gas market sold plants to hospitals and municipal facilities and gained new orders for biomethane and biogas plants by expanding its partner network and direct customer business. Overall, incoming orders increased by 16.6% to EUR 4.5 million.

North American market on a growth trajectory, while falling short of potential

Incoming orders from the North American market recovered compared to the previous year with a slight increase of just under 5% to EUR 9.5 million. However, 2G was unable to exploit its market potential as expected due to a number of external factors that slowed progress down. This continued to include extended approval processes of two to three years in some cases and high expenses for the connection infrastructure at customers' construction sites. The application of the Inflation Reduction Act (IRA) has made the sales process more complex, as customers have spent a great deal of time exploring ways to optimize taxes. In addition, a widespread wait-and-see attitude set in due to unclear energy policy legislation (ITC, eRIN, etc.) and a certain reluctance to invest with a view to the next presidential elections in November 2024 in the USA. In general, the US energy market is characterized by very low energy prices in absolute terms. In the reporting year, the price of natural gas was less than one cent/kWh in some cases and electricity was quoted in the range of four to five cents/kWh. Although the spark spread is mathematically attractive, the absolute level of energy costs is so low that they are not a decisive factor when considering the economic viability of projects. On the other hand, interest in CHP technology supply solutions remained lively in a number of customer groups. For utilities, hospitals and the food industry in particular, supply security remains a decisive factor as a motivation for investment. Overall, many other CHP projects are still “on hold” or in the extended planning stage – but not canceled.

The persistent attempts over the last few years to gain a foothold in the South American market are having an effect. In South America, 2G acquired orders particularly in Colombia totaling EUR 5.6 million (previous year: EUR 1.2 million) for an energy supply company in the greater Bogotá area. The market is driven by insufficient grid stability, which makes emergency power and stand-alone operation solutions attractive. 2G has also been able to gain a foothold with sewage gas projects in Mexico and the Dominican Republic.

Business in Asia and Australia showing vibrant growth

The Asian region decidedly overcame the effects of the coronavirus pandemic in the reporting year. 2G more than doubled its order intake compared to the prior year to a total of EUR 21.9 million (including Australia). Investments in new partners for sales and service in potentially attractive markets such as Taiwan and South Korea are beginning to pay off.

2G achieved the highest increase in incoming orders in Japan with a plus of 189% to EUR 8.3 million. The restructuring of Japan’s energy infrastructure is the long-term driver of this development. 2G impresses with its biogas CHP systems for agriculture and municipal waste disposal projects, as well as with its hydrogen technology. In the reporting year, we sold three hydrogen power plants to Japan.

Foreign business ensures growth in the third and fourth quarters

Overall, the turnaround in incoming orders that has been evident since mid-2023 was confirmed with growth of 12% in the third quarter and 28% in the fourth quarter. The sales regions outside the traditional EU and G7 markets made a significant contribution to these gains. Across all foreign markets, 2G lifted incoming orders in the reporting year by just under 4% to EUR 82.9 million. At 49.1% (previous year: 42.5%), the ratio of incoming orders from Germany to foreign countries has shifted significantly in favor of foreign countries compared to the year elapsed.

Price developments for gas and electricity lift the economic efficiency of CHP systems

In principle, potential 2G customers are faced with the economic decision of remaining with their conventional energy supply or investing in their own gas-fired CHP systems. In our opinion, 2G's CHP technology offers a number of advantages. Especially in times of the ongoing transformation of the energy supply, when the external influence on business decision parameters due to a high degree of regulatory uncertainty, technological innovations and growing costs of GHG emissions and government fees and charges, significantly increase the risk of stranded investments.

Two components are decisive for the economic efficiency of CHP systems. One is the ratio between the price of natural gas and the price of electricity, the so-called spark spread. First and foremost, however, the absolute level of prices for gas, electricity and heating is decisive. This is because the higher the price level, the lower the expenses for servicing and depreciation of the systems will be. On the output side, however, the yields for thermal and electrical energy are gaining in importance. Under the assumptions of the merit order model, gas and electricity prices are correlated in the electricity market. This means that if the price of gas rises/falls, the price of electricity rises/falls to a similar extent, albeit with a time lag. This correlation always applies if the total electricity demand cannot be covered by the supply from renewable sources, so that the shortfall must be covered by the generation stemming from a fossil primary energy source. This is not an exception, but is becoming the rule, especially in the winter half-year, in view of declining controllable power plant capacities.

Natural gas and electricity prices at a structurally higher level

The price of natural gas in Europe – as measured by the Dutch TTF Natural Gas Forward – dropped markedly in the reporting year. Over the course of the year, the gas forward decreased by 55.6% and at the end of the year was back at the level of mid-June 2021, i.e. well before Russia's invasion of Ukraine. However, at EUR 41.20/MWh (previous year: EUR 132.4/MWh), the average forward natural gas price in the reporting period was still significantly higher than in 2018 to 2020. Consequently, we can conclude that the price of natural gas has become structurally more expensive and more volatile. A further decline seems unlikely for the time being, as the supply of natural gas has been more fragmented and more cost-intensive since 2022 due to alternative sources on the world market and in the form of LNG (liquefied natural gas) instead of via pipelines from Russia.

Energy experts are also convinced that gas shortages are not to be expected. Supply is considered to be secure and new capacities will enter the market in the medium term. The LNG share of total natural gas imports to Germany is still low, but is set to trend upwards according to BMWK. Three of the six planned LNG terminals were in operation in the reporting year. When all six floating liquefied natural gas terminals that have been agreed are in operation, they will deliver a total capacity of around 30 billion cubic meters of natural gas. This corresponds to around a third of the amount of natural gas imported in 2021 according to BMWK.

Dutch TTF Natural Gas Forward, January 2021 to January 2024 in EUR/MWh

Diagram 3: Dutch TTF Natural Gas Forward, January 2021 to January 2024 in EUR/MWh
Source: M.M.Warburg & CO, 2G calculations, January 2024

The picture is similar for electricity prices that fell significantly over the course of the reporting year compared to the previous year – which was characterized by price extremes – but are noticeably higher than the price levels prior to 2022. According to the BDEW electricity price analysis, the average electricity price for new contracts for small to medium-sized industrial companies (excluding electricity tax) has dropped by 44.0% to 23.32 ct/kWh compared to the second half of 2022, but is still 17.5% higher than in 2021. Even more significant is the price development of the procurement/distribution/grid fees block, which has risen by around 79% from 12.30 ct/kWh in 2021 to 22.00 ct/kWh. In 2022, the procurement price stood at 38.62 ct/kWh in terms of energy price development. The final abolition of the EEG levy on July 1, 2022 was therefore more than offset by the price increase on the procurement side and had no price-dampening effect.

Based on these outlined price developments for gas and electricity, we derive a decisive insight for sales success: high energy prices generally increase the profitability of CHP systems, particularly because the operating costs become clearly less significant in relation to the potential revenue. This means that not only are the CHP systems in continuous operation profitable, but also the CHP systems that “only” cover peak loads as residual power plants. Even under the frozen market conditions of the electricity and gas price brakes applicable in Germany in 2023, prices remained high. In addition, the share that could be purchased at market prices created strong incentives not only to save energy, but above all to reduce the amount of primary energy consumed. CHP systems from 2G offer customers a great deal of leverage, as they consume 25% less primary energy to generate the same amount of usable final energy.

Electricity price determinants change in line with flexibilization demands and requirements

Fluctuating renewables always require controllable power plants at their side – including on days with a light breeze and clear skies – so that area-wide supply can be ensured within the network. With regard to the functioning of gas-fired CHP systems within the system, this means that their mode of operation – away from base-load operation – will be more closely aligned with the demand situation on the electricity market. Flexibility requirements and merit order price signals enable more lucrative operation. In future, the profitability calculation for investments in CHP systems will comprise additional components such as a price for their positioning in terms of residual capacity and flexibility. This applies globally to all countries that are increasingly transitioning their energy supply to renewables. Initial incentives for increasingly flexible operation have already been created in Germany through the German Cogeneration Act (KWKG) by setting subsidy hours per year and by way of the German Renewable Energies Act (EEG) by setting maximum rated outputs and flexibility premiums. 2G CHP systems supply energy flexibly, so-called peak load, meaning in other words that they react flexibly to demand and price signals.

Overview of the financial year

2G once again significantly raises sales and further expands profitability

2G was off to the 2023 financial year with an order book position of EUR 177.3 million and full capacity utilization. Thanks to a more dynamic order intake in the second half of the year, particularly from abroad, 2G has meanwhile been able to raise this high capacity utilization to an order level of over EUR 195 million. The export ratio rose to 49.1% (previous year: 42.5%). It is encouraging to see that growing demand for highly innovative solutions that are also H_2-ready is comprehensively supported across almost all regions internationally. Declines in incoming orders in established international markets were offset by rising demand, particularly in Asia and Australia. We attribute this to our entrepreneurial strategy of establishing a network of certified partners in nascent markets.

The new installations business in particular proved the main sales driver in the reporting year, due to the fact that the long-lasting bottlenecks on the customer side – particularly in Germany – with regard to permits, building materials and the availability of skilled workers were overcome and numerous projects were completed in time for the start of the heating season. As a result, sales in the new installations business were up by around 21.6% to EUR 199.9 million (previous year: EUR 164.5 million).

Overall and including the service segment (EUR 165.1 million, +11.5%), Group sales revenue of EUR 365.1 million was recorded, well above the previous year's figure (EUR 312.6 million) and consequently a good 4% above the communicated forecast range of EUR 310 to 350 million. The gradual adjustment of list prices, a normalizing situation on the procurement markets and the positive effects of the lead-to-lean project also resulted in a 1.9 percentage point improvement in the cost of materials ratio

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Colophon

2G Group
turnover, order intake,
EBIT margin

EUR million
in %

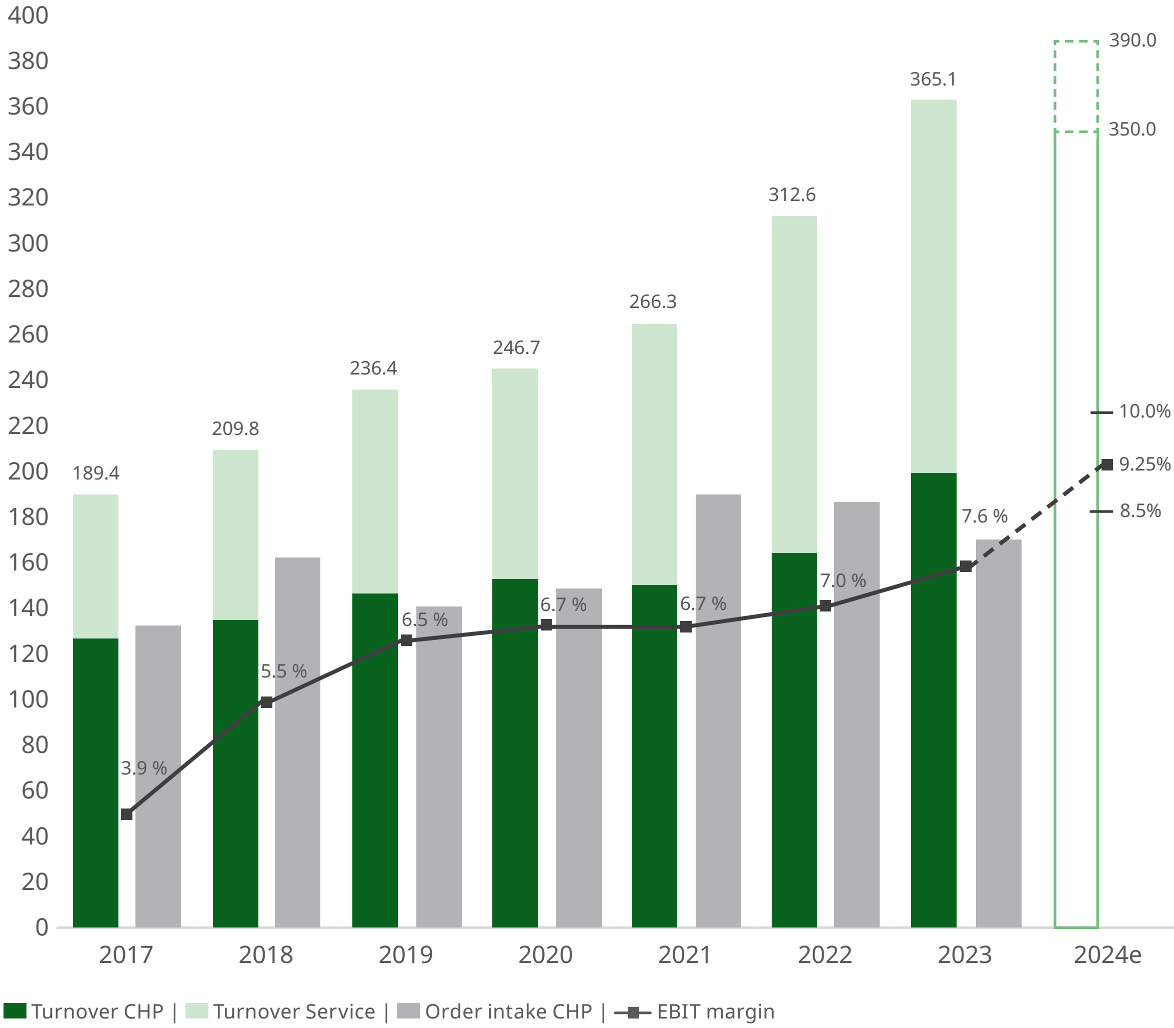

Diagram 4: Trends in sales, order intake and EBIT margin of 2G Energy AG 2017 to 2023 and the 2024 forecast

(64.2%, previous year: 66.1%), so that the EBIT margin was expanded to 7.6% overall (previous year: 7.0%), in spite of an increase in the personnel expenses ratio.

C. Results of operations

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

Net sales

2G lifts net sales by around 17%

In the 2023 financial year, 2G achieved consolidated net sales of EUR 365.1 million (previous year: EUR 312.6 million). This means that 2G has more than doubled its sales revenue since 2016 (EUR 174.3 million). Taking a further increase in work in progress into account, particularly abroad, to the amount of EUR 5.8 million (previous year: EUR 26.0 million), including own work capitalized of EUR 0.2 million (previous year: EUR 0.2 million), the total operating performance amounted to EUR 371.0 million (previous year EUR 338.8 million).

Composition of net sales

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

	2023				2022			
	CHP/HP	Service	Total	Share	CHP	Service	Total	Share
Net sales (million EUR)	**199.9**	**165.1**	**365.1**	**100.0%**	**164.5**	**148.1**	**312.6**	**100.0%**
Germany	123.1	111.9	235.0	64.4%	82.8	103.5	186.3	59.6%
Rest of Europe	50.2	34.2	84.4	23.1%	57.7	27.4	85.1	27.2%
North/Central America	9.6	10.7	20.3	5.6%	11.9	10.2	22.0	7.0%
Asia/Australia	8.9	2.9	11.8	3.2%	7.3	2.0	9.3	3.0%
Rest of the world	8.1	5.5	13.6	3.7%	4.8	5.1	9.9	3.2%

* Rounding differences may occur

The following table also shows the changes compared to the previous year (absolute and in %)*:

	Absolute change (in EUR million)			Relative change		
	CHP/HP	Service	Total	CHP/HP	Service	Total
Net sales	**35.5**	**17.0**	**52.4**	**21.6%**	**11.5%**	**16.8%**
Germany	40.3	8.4	48.7	48.6%	8.1%	26.1%
Rest of Europe	-7.5	6.8	-0.7	-13.0%	24.7%	-0.8%
North/Central America	-2.2	0.5	-1.7	-18.8%	5.0%	-7.8%
Asia/Australia	1.6	0.9	2.5	21.7%	45.1%	26.7%
Rest of the world	3.3	0.4	3.7	69.1%	8.2%	37.7%

* Rounding differences may occur

The net sales trends in 2023 were characterized by the following factors:

1. Sales revenue from the sale of new plants was up by a total of EUR 35.5 million to just under EUR 200 million (EUR 199.9 million; previous year EUR 164.5 million). This 21.6% increase was achieved – despite a temporary decline in contributions from the rest of Europe and North/Central America – thanks to sales from the continuously high order backlog and incrementally effective list price adjustments. In particular, 2G achieved notable sales gains in Germany (+48.6%) and the rest of the world (+69.1%). The electrical output sold in the past financial year amounted to 229.1 MWel (previous year: 196.4 MWel) with a total of 662 systems (previous year: 662 systems).

2. Contrary to the trend in incoming orders, consolidated sales revenue was once again increasingly generated on the German market (EUR 235.0 million, +26.1%). This was due in particular to the significant rise in new investment business compared to other countries, where the domestic share was up markedly from 50.3% to 61.6%.

3. Sales from the services business expanded by 11.5% to EUR 165.1 million (previous year: EUR 148.1 million). In total, 45.2% of Group sales revenue was generated through services and the sale of spare parts. The majority of this revenue still comes from the domestic market (EUR 111.9 million, +8.1%); however, the rest of Europe also recorded a double-digit growth rate posting gains of 24.7% to EUR 34.2 million.

Group results

Once again, 2G improved its consolidated earnings before interest and tax (EBIT) to EUR 27.6 million (previous year: EUR 22.0 million), corresponding to a 7.6% EBIT margin (previous year: 7.0%). This is in the middle of the communicated target range of 6.5 % to 8.5%.

Derivation of EBIT*

		2023	2022
		TEUR	TEUR
	Consolidated profit for the year	**17,988**	**16,372**
-	Extraordinary result**	0	1,798
+	Taxes on income	9,086	7,083
+	Interest and similar expenses	621	384
-	Other interest and similar income	55	80
=	**EBIT**	**27,641**	**21,962**

* Rounding differences may occur
** Special effect in previous year due to EBIT-neutral reversal of tax provisions

Compared to the previous year, the cost of materials ratio edged down from 66.1% to 64.2%, benefiting in particular from a normalizing situation on the procurement markets and adjustments to list prices, which are gradually taking effect, especially in the new plant business.

On the other hand, the personnel expenses ratio rose slightly to 17.3% (previous year: 16.8%), which is attributable both to the general inflation-related increase in wages and salaries and to the further expansion of corporate structures in order to enable the forecast growth of the coming years. This particularly involved the service area. The conversion of the production unit in large container construction to an efficient single-shift operation, which resulted from the continued, consistent implementation of the Lead-to-Lean project, had the opposite effect, but did not fully compensate for this.

Other operating income fell by 50.6%, thereby normalizing to a value of EUR 3.1 million (previous year: EUR 6.2 million). The prior year's figure was characterized by the derecognition of other tax provisions through profit or loss (previous year: EUR 1.8 million) and increased income from the reduction of specific and general valuation allowances (EUR 0.3 million; previous year: EUR 1.6 million). Amounting to EUR 1.3 million (previous year: 4.6 million), other operating income is attributable to external periods.

Depreciation and amortization increased to EUR 6.7 million (previous year: EUR 4.7 million), particularly in connection with an impairment loss on a building at the company's location in Heek due to permanent impairment.

Other operating expenses rose, compared with the previous year, by EUR 1.6 million to EUR 36.9 million. Overall, this corresponds to a cost/income ratio of 9.9%, which has therefore fallen once again (previous year: 10.4%). Outgoing freight costs that had risen at a rapid pace in 2022, were down, however, by EUR 0.8 million to EUR 4.7 million in spite of an increase in international sales in 2023, while sales commissions also fell by 25.8% to EUR 1.0 million (previous year: EUR 1.4 million). That stated, many other expense items increased in line with the inflationary environment. For example, absolute and relative cost hikes were recorded in energy expenses (EUR 0.9 million; +41.1%), travel expenses (EUR 3.4 million; +15.6%), maintenance expenses for hardware and software (EUR 2.4 million; +22.4%), training costs (EUR 0.8 million; +64.6%) as well as insurance (EUR 2.3 million; +13.3%).

After a finance and investment result of EUR -0.6 million (previous year: EUR -0.4 million), stemming essentially from guarantee commissions and loan interest as well as income taxes in an amount of EUR 9.1 million (previous year: EUR 7.1 million), this leaves consolidated net profit for the year of EUR 18.0 million (previous year: EUR 16.4 million), a rise of 9.9%. The tax rate is around 33.6% (previous year: 30.2%).

D. Financial position

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

Consolidated cash flow statement*

		2023	2022
		TEUR	TEUR
	EBIT	**27,641**	**21,962**
+	Depreciation of fixed assets	6,658	4,672
=	**EBITDA**	**34,298**	**26,634**
±	Cash flow from change in net working capital	-16,279	-21,744
±	Change in other provisions	-1,501	3,360
±	Change in other assets and assets that are not allocable to investing or financing activities	-1,310	-315
±	Change in other liablities and liabilities that are not allocable to investing or financing activities	2,561	1,100
±	Loss/gain on fixed asset disposals	-4	-53
-	Result from associated companies	72	89
±	Income tax payments	-6,114	-4,090
=	**Cash flow from operating activities**	**11,724**	**4,982**
	Cash flow from investing activities	**-11,381**	**-9,749**
	Cash flow from financing activities	**-1,212**	**-1,617**
	Currency-related change in cash and cash equivalents	**-100**	**-41**
	Cash and cash equivalents as at December 31	**12,283**	**13,252**

* Rounding differences may occur

Overall, cash flow from operating activities rose by EUR 6.7 million to EUR 11.7 million (previous year: EUR 5.0 million). This is based on an equally significant increase in EBITDA to EUR 34.3 million (previous year: EUR 26.6 million, EUR +7.7 million) as well as a less pronounced increase in net working capital compared to the previous year (EUR 16.3 million; previous year: EUR 21.7 million).

The increase in net working capital is due, among other things, to lower liabilities from advance payments received (EUR -13.2 million), lower trade payables (EUR -3.9 million) and a higher volume of work in progress (EUR +5.2 million) on the one hand and a decrease in advance payments made (EUR -3.9 million) and a reduction in inventories of raw materials and supplies (EUR -3.4 million) on the other.

The operating cash flow was almost completely reinvested in order to achieve further growth, which is reflected in the cash flow from investing activities of EUR -11.4 million (previous year: EUR -9.8 million). A total of EUR 8.2 million was invested in property, plant and equipment and intangible assets (previous year: EUR 9.4 million), which consisted of the following items:

- EUR 1.6 million for advance payments in connection with the global ERP system by 2G Energy AG

- EUR 1.3 million for the construction of the new multi-purpose production building as well as associated outdoor facilities by 2G Energy AG

- EUR 1.2 million in new (service) vehicles by 2G Energietechnik GmbH

- GBP 0.5 million in new (service) vehicles by 2G Energy Ltd.

- CAD 0.3 million for a further operations building by 2G Energy Corp.

- EUR 0.3 million for the (service) vehicle fleet of HJS Motoren GmbH

- EUR 0.2 million for IT equipment, commissioned by 2G Energietechnik GmbH

- EUR 0.2 million for IT equipment commissioned by 2G Energy AG

The difference to the cash flow from investing activities is mainly due to the payment for the acquisition of NRGTEQ B.V.

As part of its financing activities, 2G Energy AG took out a bank loan of EUR 3.5 million to refinance the investments committed to the global ERP system. In addition, 2G Energietechnik GmbH (EUR 0.7 million) and HJS Motoren GmbH (EUR 0.2 million) refinanced vehicles. A total of EUR 2.5 million was disbursed for the scheduled repayment of financial liabilities. In addition, a dividend totaling EUR 2.5 million was distributed to shareholders of 2G Energy AG in June. After interest payments of EUR 0.6 million (previous year: EUR 0.4 million) a finance cash flow of EUR -1.2 million (previous year: EUR -1.6 million) remains.

Finally, liquidity in the form of bank deposits (less short-term current account drawdowns) amounted to EUR 12.3 million as of the balance sheet date (previous year: EUR 13.3 million). Free credit lines with banks were, and are, available as required for guarantees, sureties, letters of credit and as a potential liquidity reserve. Free lines totaling around EUR 23.7 million were available as of December 31 (previous year: EUR 13.3 million). The increase compared to the previous year is mainly due to an additional guarantee line of EUR 5.0 million. No significant changes occurred to lending conditions.

E. Net assets

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

Assets*

	31/12/2023	31/12/2022
	TEUR	TEUR
A. Fixed assets	38,740	31,893
B. Current assets	185,687	176,227
C. Prepayments and accrued income	1,328	1,471
D. Deferred tax assets	1,699	2,004
Total assets	**227,454**	**211,595**

* Rounding differences may occur

Liabilities*

	31/12/2023	31/12/2022
	TEUR	TEUR
A. Equity	123,991	108,615
B. Provisions	24,414	21,440
C. Liabilities	79,050	81,540
Bank borrowings	8,306	6,333
Other liabilities	70,744	75,206
Total liabilities	**227,454**	**211,595**

* Rounding differences may occur

Total assets expanded by around 7.5% or EUR 15.9 million to reach EUR 227.5 million as of the December 31, 2023 reporting date. On the assets side, the following factors in particular contributed to the balance sheet extension:

- Fixed assets were up by EUR 6.8 million to EUR 38.7 million as a result of investment activity. The complete takeover of NRGTEQ B.V. accounted for the major share of the investments, which is reflected in goodwill (EUR 6.9 million, previous year: EUR 3.0 million) as well as the prepayments made for intangible assets (EUR 2.4 million, previous year: EUR 0.9 million), which were mainly related to the global ERP system to be introduced.

- Inventories were up moderately (EUR 109.8 million, previous year: EUR 102.6 million), whereby this change is due to a further increase in work in progress especially abroad (EUR 72.3 million, previous year: EUR 66.7 million).

- Trade accounts receivable increased slightly by EUR 1.5 million to EUR 58.5 million due to the increased business volume.

Liabilities show the following developments:

- As at December 31, 2023, equity increased to EUR 124.0 million (previous year: EUR 108.6 million) as a result of the consolidated net profit of EUR 17.9 million and the simultaneous dividend payment in June of the reporting year (EUR 2.5 million). Due to this disproportionately high increase in equity compared to the balance sheet extension, the Group's equity ratio reached 54.5% (+3.2 percentage points, previous year: 51.3%).

- Provisions were up year-on-year from EUR 3.0 million to EUR 24.4 million. This change is due to tax provisions, which increased from EUR 3.1 million to EUR 6.0 million, as 2G Energy AG's tax payments for 2022 were paid after the balance sheet date.

- Liabilities to banks increased by EUR 2.0 million to EUR 8.3 million (previous year: EUR 6.3 million) as a result of taking out a low-interest loan to finance the global ERP system while repaying existing loans.

- The "Other liabilities" item decreased by EUR 4.5 million to EUR 70.7 million (previous year EUR 75.2 million). In addition to the EUR 3.4 million decrease in trade payables, this reduction is due to the decrease in prepayments received (EUR -4.3 million). The decline in prepayments received, which are reported as liabilities, is a result of the lower order backlog at the end of the year compared to the previous year. The increase in other liabilities is primarily due to a subsequent purchase price obligation to the former shareholder of HJS Motoren GmbH (EUR +0.6 million), increased debtors with credit balances (EUR +0.7 million) and increased VAT liabilities (EUR +0.8 million).

Net working capital was up to EUR 110.9 million (previous year: EUR 94.6 million) as at the reporting date due to the increase in inventories (EUR +7.2 million) and a simultaneous decrease in liabilities.

Overall statement on the business situation

Business performance during the year under review was once again highly pleasing. 2G continued its growth trajectory with a 16.8% increase in consolidated sales revenues and a 9.5% increase in total output, and was also able to significantly increase EBIT (+25.9%). At the same time, the order intake proved very resilient for the year as a whole, with an order backlog of over EUR 150 million, laying a solid foundation for a successful financial year 2024.

Sound growth prospects in the new plant business, combined with the continued structural growth in the service business, form the basis for further increasing consolidated sales revenues in the coming years and raising the EBIT margin to a level between 8.5% and 10.0%.

F. Corporate responsibility

Business activities are inseparably linked to risks. The success of a company is characterized by the fact that for all important decisions, after due consideration, the opportunities outweigh the risks. The controlled, rule-based handling of risks should enable 2G to safeguard existing structures and processes, exploit opportunities and increase the value of the company.

2G interprets risk in the broadest sense as the risk of failing to achieve technological, financial and operational targets as planned, and in the strictest sense as the risk of jeopardizing the group as a going concern. From this perspective, risk management forms part of all decisions and business processes. Potential negative effects on the company's success should be kept to a minimum by maintaining at least a balance between opportunities and risks.

Management of risk and opportunities

The Management Board, the managing directors of all 2G companies, and relevant department heads are all defined as risk managers according to the company-wide risk management process. These risk managers reappraise the areas that they manage and their risk situations at regular intervals, reporting identified risks to the next highest level in the hierarchy, or as part of regular Group-wide reporting duties. Significant changes in the assessment of known risks as well as new significant risks are reported immediately. Risks are assessed as to whether they have a significant impact on the existence, economic situation and achievement of corporate goals. The assessment of risks is based on a period of two years from the last reporting date. As far as opportunities are concerned, these are events or commercial possibilities that can have a positive impact on business development. The deliberate and controlled handling of opportunities and risks thereby forms a central management element in the 2G Group. Important indicators that have a bearing on the company's growth and the assessment of risks are presented and explained to the Supervisory Board as part of quarterly reporting and during Supervisory Board meetings.

2G continuously records and evaluates new challenges and opportunities posed or offered due to internationalization, extensions to the product portfolio, the securing of supply chains, the EU Taxonomy, digitalization, optimization of the depth of vertical manufacturing, as well as services such as the leasing of 2G power systems. The continuous endeavor to consistently conserve resources, avoid waste and emissions, and increase the efficiency of the 2G power systems forms part of the identity of all business units. Continuous optimization of power systems and pump technology, the operating software, external interfaces and the service lead to improved economic efficiency, reduce the total cost of ownership, and increase customer benefit. The identification of opportunities and new business possibilities in terms of products, sales and service is equally important for the further development and growth of the 2G Group.

With regard to the business activities of 2G Energy AG, the management has assessed the risks listed below as relevant for the company's further development and evaluated them with respect to their significance. This mainly entails listing risks which would have a significantly negative effect on the company's financial position and performance, were they to materialize. 2G is potentially exposed to further risks, although these are not yet known, or are currently not yet gaged as significant. The following risks were identified with risk factors, in declining order of significance, as of the reporting date and as of the date of the preparation of this management report, taking existing management and controlling measures into account. In contrast to the previous year, the effects of Russia's war against Ukraine are no longer described separately, but are implicitly included in the "IT risks" and "Political risks" sections.

At the time of drawing up this report, the management was not aware of any risks that might jeopardize the 2G Group as a going concern.

Sector-related risks/sales risks

The 2G Group's total sales and earnings are based on the various 2G products and services in different performance classes, application areas and operating gas types as well as a large number of global markets. With the acquisition of a manufacturer of large heat pumps in the reporting year, 2G expanded its product portfolio to complement the CHP systems, thereby increasing the number of potential customers and markets. This diversification is designed to help minimize risks, as international markets differ, in some cases markedly, in terms of their structure, their legislative conditions for the energy market, their objectives and measures for decarbonizing industry as well as their economic cycles.

It also lends expression to 2G's strategy of becoming an internationally operating company that is independent of national legislation or economic cycles. 2G also integrates its risk management into the processes of sustainable business planning, which is geared to taking appropriate account of environmental and social objectives in addition to long-term economic goals. Potential negative developments, such as changes in customer demand or changes in policy and legislative conditions, are described and assessed. Such an approach allows countermeasures or supportive measures to be launched at an early stage where actual events differ from planning. This analysis also influences investment and expansion projects.

IT risks

IT risks with a noticeable and tangible impact on operating results occur if data and information or processes are unavailable or incorrect, access to IT functions or data is blocked by third parties, information is unintentionally disclosed, or when processes have been programmed in IT systems in a form that is too inflexible, too complex, or illegal. Security gaps and insufficient emergency planning measures can quickly become incidents substantially affecting the entire company, its products and services. Cascades of loss events such as business interruptions cannot be ruled out either.

Violations of data protection due to incorrect allocation of authorizations or failure to observe the EU General Data Protection Regulation (GDPR) can have negative external effects or lead to fines. The growing importance of IT and the increasing networking of IT structures, both for the Group and for its products and services, require high expenses for refinements, maintenance and protection.

As the complexity of the IT landscape increases, so do the potential risks, despite efficient processing and programming. Significant risk scenarios for 2G include the failure of central IT systems, the theft, publication and/or unauthorized use of confidential research and development and business development data, as well as the manipulation of IT systems and cyber-attacks on the CHP or heat pumps themselves or 2G's own online platforms.

The redundant design of technical components, networks and locations, as well as appropriate emergency preparedness and IT security architecture ensure that 2G has the requisite availability of its business-critical systems and control over the CHPs and heat pumps in the field with access to all relevant data at all times. Appropriate organizational and technical precautions as well as security measures for access control, access rights, virus protection and data protection further limit such risks. The aim is to be prepared across several levels so that the company remains capable of acting in the event of an attack.

The certification of the IT to the ISO 27001 standard was confirmed as part of a surveillance audit in May 2023. This is the leading international standard for information security management systems and therefore a fundamental cyber-security certification. It includes the secure provision of IT support, the operation of data centers for the production and use of combined heat and power systems and heat pumps as well as the development of digital customer solutions. 2G ensures that regular reviews and continuous improvement of structures and processes are guaranteed through immanent monitoring audits and recertifications. Employees are also subject to clear rules of conduct in terms of IT security and receive regular online training to ensure ongoing awareness and a sense of responsibility with regard to IT security. 2G will also implement the new EU Directive NIS 2 (Network and Information Security Directive 2) as soon as the legal framework has been established.

In order to secure and protect personal data, 2G cooperates with an external data protection officer and follows the recommendations for implementing the EU GDPR. 2G is currently working on reorganizing its IT architecture. This includes the introduction of new ERP software to which a document management system (DMS) is linked up. Product lifecycle management (PLM), HR management and payroll software and customer relationship management (CRM) are also networked. In order to minimize possible risks during data migration and processing and within the system changeover to a new IT organization and to ensure that the internal functionalities, the platform functions and the interfaces with the CHP systems and heat pumps in the field run smoothly, extensive preparations and security measures were taken for the implementation of this project. The data migration itself is also monitored by an external consultant.

Corporate growth risks

2G aims to continue its growth both in Germany and abroad particularly through organic growth and, where appropriate, through strategic alliances and acquisitions of companies or parts of companies. This inevitably entails integration and success risks. The appointment of suitable managers and employees, the selection of strategic partners and the raising of the necessary financial resources are required in order to leverage such opportunities. Sensible expansion of appropriate organizational structures is also required, especially in the areas of IT, financial accounting, controlling, personnel, and sales and marketing. The acquisition of companies generally involves integration risks, which essentially include the loss of key employees of the acquired company and the loss of business relationships with suppliers and customers. At least temporarily, entering new markets can be associated with below-average margins.

In the year under review, 2G acquired its first manufacturing company, the Dutch company NRGTEQ. As part of the integration process, particular attention is being paid to quality assurance when relocating the production of large heat pumps to the Heek site in order to counteract any potential increase in warranty risks. In Heek, 2G can already rely on a well-established industrial production process with standardized quality assurance. With this experience and established processes, this risk should be manageable. With regard to sales and the customer base, we also consider the risks to be manageable, as the heat pump fits into the established process of the international corporate strategy. We are also strengthening our sales team with product and industry expertise. As a result of the largely identical customer base, ranging from energy providers to manufacturing companies, existing sales and project development capacities can be used without restriction – both in direct and partner sales. The same applies to the organization of maintenance and service work, and to a limited extent also to biogas customers.

Other areas of risk include the failure to achieve the planned growth of the acquired company and the planned synergies from the transaction. 2G counters these risks with adequate transaction structures in the meaning of acquiring smaller units with which it has generally already maintained long-standing business contacts. These units are intended to complement 2G's own structures and expand them in a targeted manner within the scope of existing business activities. This keeps the integration effort and the risks manageable. 2G has developed and rolled out an extensive partner concept to minimize the company's own risks in the internationally growing CHP market as well as its level of capital employed. Partnerships both in Germany and abroad thereby form a central sales and service model, keeping market entry and market establishment risks as low as possible for 2G.

In order to rule out potential bottlenecks in production and warehouse capacity, which could arise in principle with the planned company growth, 2G secured additional land in the Heek industrial estate in the reporting year, which can be built on and developed with corresponding production buildings and office wings.

Legal risks

2G is also exposed to risks from legal disputes in the normal course of business. These may include, in particular, risks from the areas of product liability, competition and antitrust law, capital market law, patent law, labor law, international tax law and environmental law. Risks could also arise from non-compliance with contractual obligations. As a research-based technology company, 2G owns a portfolio of industrial property rights, such as patents and brand names. These may become the target of attacks and infringements. 2G therefore carefully examines all significant corporate actions in order to identify potential legal conflicts. 2G strives to minimize and manage all legal risks across the board. Wherever possible and practical, 2G limits liability and loss risks in the countries where it operates through contractual agreements and insurance cover, the nature and scope of which are constantly adjusted in accordance with current requirements. Here, 2G can already rely on experience gained in numerous countries outside Europe. The company can also call upon a country-specific advisory network consisting of auditors, tax consultants and lawyers who attend to the Group's cross-border affairs. Provisions are formed for virulent legal risks as required.

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

With an integrated, worldwide insurance program for all 2G companies, we aim to close gaps in cover and liability as far as possible. Insurance premiums are adjusted through appropriate and manageable deductibles.

Significant legal disputes that could pose a considerable risk are currently neither pending nor foreseeable.

Product quality, price and availability risks

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

On the purchasing side, risks arise from potential increases in (raw material) prices, the availability of intermediate products, and supplier defaults.

The aim is to avoid dependencies and to ensure parts availability and delivery capability through order quantity optimization and inventory management. In this reporting year, 2G once again kept its stock of engines and inventories for the most common CHP modules at a high level. Moreover, 2G can rely on alternative suppliers for almost all components and is geographically focused on the DACH region, so that logistics risks would also appear to be manageable. This also applies to the manufacture of heat pumps. The majority of the components used are also installed in our CHP systems.

2G does not regard the processing of the order book position with the existing products and components as being at risk in the foreseeable future. Bottlenecks in materials, labor or official approvals, which led to project delays particularly during the coronavirus pandemic, now only occur – if at all – within the normal scope of business.

Risks in the personnel area

The future performance and growth of all 2G companies is highly dependent on their employees and their know-how. Consequently, the expertise and commitment of employees in all the areas in which 2G operates are crucial to its success. That is why we are constantly working to be perceived as an attractive employer. The regional talent markets relevant to 2G are characterized by intense competition. Competition is additionally intensified by the scarcity of qualified specialists in the areas in which 2G operates and by demographic challenges in global markets. Personnel risks therefore primarily relate to the turnover of top performers and the recruitment of new, technically qualified employees. As a consequence, recruiting and retaining qualified specialists and talents at 2G represents one of the key priorities for the company. 2G supports the further training of its own employees and specialists, invests in the practical promotion of young talent and endeavors to recruit staff at an early stage, i.e., while they are still training. We pursue the goal of offering attractive growth prospects, promoting high-potential employees and systematically preparing them for more extensive tasks. With a code of conduct that is binding for all employees, we illustrate the values, principles and actions that characterize 2G’s entrepreneurial activities. In addition, 2G offers its employees a catalog of voluntary social benefits, further training opportunities and certain flexibility options for performing their work in order to make the Group even more attractive as an employer.

Political risks

The destabilization of political systems or geopolitical crises and the potential imposition of trade barriers, restrictions on the flow of goods or changes with regard to legal certainty, as well as fluctuations in currency exchange rates, may lead to sales problems in certain countries and regions. It cannot be ruled out that production at the Heek site could be impaired. It should be possible to mitigate potential negative effects by diversifying regional sales markets and concentrating procurement on the DACH region, as well as procurement redundancies. The measures and experience gained during the coronavirus pandemic have shown that 2G’s organization in this regard is fundamentally highly resilient. Entry into developing markets and a withdrawal from saturated sub-markets are considered in the process. Usually, political events associated with significant risks have a certain lead time that allows management to make sufficient adjustments.

Research and development risks

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

Financial risks

As an internationally active company, 2G is exposed to various financial risks. Such risks primarily include liquidity risks, default risks, tax risks, currency risks, customs risks, and market price risks. In order to secure itself as a going concern, a company must be able to fulfill its commitments arising from operational and financial activities at all times. 2G manages its liquidity across the entire Group centrally through its parent company 2G Energy AG in Heek in order to minimize any liquidity risks. Default risks can arise both in connection with financial investments, loans taken out, financing commitments, or through the rental transfer for utilization of 2G power systems, and in the case of operating receivables. Inherent credit and default risks are hedged as far as possible through a credit insurance policy that is in place. This also includes professional ongoing credit monitoring and debt collection.

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

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

Environmental and safety risks

As a company with production operations, 2G is exposed to risks of possible personal injury as well as damage to the environment, its property and its reputation. We minimize these risks by auditing, advising and training for employees and management in matters of environmental protection as well as occupational health and safety. Safety and occupational safety officers manage these risks both at individual sites and on our customers' construction sites to safeguard the company's interests. 2G ensures the safety of its employees and preservation of its goods and assets by adhering to high technical standards, strict codes of conduct, and all legal requirements for environmental protection and occupational health and safety. In addition, 2G itself is interested in conserving resources and maintains a certified energy management system according to ISO 50001:2011, an environmental management system according to ISO 14001 and presented its greenhouse gas footprint for significant parts of the company for the first time in the reporting year. Overall, these instruments can be used to implement continuous improvements in terms of environmental and climate protection.

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

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

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

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

2. The Lead-to-Lean flagship project is gradually resulting in a sustainable, clear improvement in production processes. Among other measures, 2G has converted the previous stationary assembly to flow production in the areas of small power system assembly and control cabinet construction. With the help of standardized assembly lines, 2G has succeeded in achieving greater capacitive flexibility with assured quality. At the same time, assembly work per unit can be significantly reduced. In principle, this is being implemented on an ongoing basis for other product groups, as well as for the production of large heat pumps.

3. The Service division is well positioned for profitability following the organizational optimization of its office services and field sales force, the continuous expansion of the staff base in direct local customer service, as well as the digitalization of the control, maintenance and operational reliability of 2G power systems.

Moreover, foreign markets are exhibiting growing demand for our services. Service expertise and availability are important performance criteria in customers' investment decisions. Irrespective of economic or regulatory influences, the division is a reliable, predictable source of sales and earnings.

4. 2G is consistently advancing the technical refinement of CHP modules. This also includes the CHP unit that runs on pure or dirty hydrogen (H_2), which 2G developed itself. In technical terms, 2G's research and development team successfully adapted the technology of a standard natural gas CHP so that H_2 can be harnessed to generate electricity and heat on a comparatively feasible basis, as well as being highly efficient in operational terms and generating almost no carbon dioxide emissions. 2G offers H_2 CHP systems in the output range from 75 kW to 450 kW at similar prices to those for natural gas systems. In addition, 2G guarantees conversion to 100% H_2 operation for its natural gas CHP units with the 2G engine concept, e.g., as part of regular maintenance. In the Management Board's view, this is a strategic key that makes investments in natural gas CHP systems climate-compatible and futureproof for operators.

In the reporting year, R&D work focused on increasing the performance of the model series with the 2G engine concept. Measures to increase performance included increasing engine displacement, improving knock detection and developing a knock control system, as well as further improving cylinder head strength and the ignition system. As a result of these measures, performance gains of over 10% were achieved in some cases. In addition, the development of the avus 800plus, which is intended to close the performance gap for systems with their own engine concept between 550 kW and 1,000 kW, was successfully completed. Expenditure on R&D increased in proportion to group sales compared to the previous year and amounted to a mid-single-digit million figure. A total of 33 employees (previous year: 31) work in the R&D department within the Group.

5. With the acquisition of the Dutch manufacturer of large heat pumps NRGTEQ, 2G entered the market for heat pumps in the reporting year. Heat pumps are a key strategic pillar in the decarbonization of the national and international heating sector. The acquisition is 2G's response to this development. NRGTEQ's products optimally complement the existing CHP portfolio in terms of their performance and are therefore compatible for the installation of complete modular systems for customers. This is due to the fact that operators of our complete systems can react highly flexibly to market situations and price signals at any time, particularly in view of the more volatile energy prices. The combination of CHP system and heat pump is capable of providing heat in a cost-effective, environmentally friendly and reliable way, depending on the weather and the current electricity exchange price. With this positioning as a solution provider for decentralized energy supply concepts, 2G is primarily addressing various industrial sectors and municipal utilities that are involved in investments in climate-neutral heat generators or municipal heat planning. In this way, our portfolio supports private and public clients on their individual course towards decarbonized electricity and heat generation, while at the same time ensuring supply security and cost efficiency.

6. The further expansion of rental and lease possibilities for customers of 2G power systems leverages additional sales potential. With the pay-per-use solution or the sale of “full use hours”, 2G offers the specific utilization of a CHP system as a rental solution. This enables customers to exploit the benefits of CHP technology without necessitating their own investment. From the customer’s perspective, this removes the important question as to how their investment can be secured financially over the entire technical lifetime of the system.

7. The international climate debate is increasingly supporting 2G’s business model in general. The global community agreed on a joint climate protection target in Paris in December 2015. With its “Fit for 55” program, the EU aims to ensure that member countries reduce greenhouse gas emissions by at least 55% (vs. 1990) by 2030. A second goal of the EU’s green transformation is to reduce its dependence on fossil fuels from third countries such as Russia. The EU is aiming for climate neutrality by 2050. The energy generation measures to be taken at national level (such as the decision to phase out coal in Germany by 2030/2038) and at international level support technologies and forms of generation that deliver efficiency gains, considerably reduce resource consumption, significantly reduce greenhouse gas emissions and enable the integration of volatile renewable energies for reliable supplies. This represents one of the strengths of CHP technology from which vigorous international potential demand can grow in the future – also in combination with heat pumps.

8. The development outlined under 7. also implies a fundamental change in the type of generation for heat supply, as around 70% of German coal-fired power plants are integrated into a combined heat and power system in some way. This means that the reduction in coal combustion also eliminates immense amounts of heat. Although heat pumps can make up some of the shortfall, they – like the growing number of electric vehicles on the road – will lead to an increase in power consumption. The German government and numerous scientific studies assume that consumption in Germany will increase by more than 50% by 2030. It will not be possible to consistently cover this additional consumption from variable supply-dependent renewables alone. In other words, new markets and sales opportunities are opening up for CHP systems combined with heat pumps for both heating and power supplies in the future.

9. CHP systems in the medium output range from the 2G product range are natural partner technologies for solar and wind energy thanks to their complementary mode of operation. This is due to the fact that in hazy autumn and winter weather, wind turbines and solar installations are far from being able to fully utilize their generation capacity. As a result, far too little electricity is being generated – while demand tends to be high. This applies even more in clear frosty weather and practically all winter nights with little wind when the demand for heat is clearly high. If more and more conventional power plants are taken off the grid, the question arises as to which generators can close this capacity gap, while at the same time being flexible enough to react to fluctuations in supply and demand at short notice. CHP is ideally suited as a backbone technology for such situations, as it can supply decentralized base-load energy

when wind and solar energy are not sufficient. At the same time, unlike coal-fired power plants, it supplies electricity with significantly lower GHG emissions, even when operated with natural gas.

The combination of technologies and the coupling of sectors creates systemic added value for security of supply. We are convinced that this key function will be in demand over a very long period of time to ensure security of supply – and even if decarbonization is achieved in 2045, CHP systems will be needed to flexibly provide residual load and to convert energy from renewable storage sources such as biogas, hydrogen and methane back into electricity and heat and to operate heat pumps with low emissions, for example with electricity from hydrogen CHP systems. In other words: CHP systems will be an integral part of energy generation, not only on the way to a virtually CO_2-free energy supply, but also beyond the achievement of the target. With its CHP technology for operation with hydrogen, methane and biogas, 2G is well positioned to participate in the foreseeable increase in demand in both phases.

10. The listing of 2G Energy AG in the "Scale" segment of the Frankfurt Stock Exchange creates transparency. Our stock market listing gives the company access to growth and investment capital where required. The transparency requirements that are made contribute to tangible confidence among customers in deciding to invest in 2G CHP power systems and help the company to set itself apart from its competitors through reliability and transparency. This goes hand in hand with 2G's commitment to sustainability standards such as the UN Global Compact and the preparation of a greenhouse gas balance sheet in order to be able to effectively derive measures to further reduce emissions. For the capital market, 2G regularly undergoes a sustainability rating by ISS, which awards 2G an above-average "Prime" rating.

Overall, the Management Board identifies attractive opportunities for 2G on both the German and foreign markets. This assessment is based on the trends in the spark spread, which is important for the economic viability of CHP systems. The opposing trends in electricity prices (up) and gas prices (down) observed in the reporting year underline the fact that spreads remain attractive. The value of the heating and the savings potential for the carbon credits, which have risen in price, are playing an increasingly significant role in economic efficiency. For operators, the attractiveness of investing in CHP systems is enhanced by a secure planning basis for energy costs – which explicitly includes the operation of heat pumps – and not least the future viability of 2G systems with the H_2 conversion guarantee. The fact that they can be operated with flexible control makes CHP systems an ideal and – for supply reliability – essential partner for fluctuating energy sources, such as solar and wind. Combined heat and power generation thereby represents an important building block in a global energy revolution to guarantee value for money, and supply security for electricity and heat consumers.

Overall statement on the risk and opportunity situation

The risk strategy has the character of that of a medium-sized company and is deliberately opportunity-orientated. Taking existing steering and controlling measures into account, no specific risk is deemed to be a going concern risk; it is also the case that the company has not identified any aggregate going concern risk given a simultaneous occurrence of individual risks. From today's perspective, it does not identify any such going concern risks for the future either. The risks listed could nevertheless exert a negative effect on the company's net assets, financial position, results of operations, and business performance.

Significant changes in the risk situation result from increased IT risks in the form of possible cyberattacks or significant disruptions to IT functionalities. By investing heavily in ISO 27001 certification, 2G is continuously adapting its processes and structures to this risk and maintaining a high level of awareness within the company organization. With the product portfolio expanded to include heat pumps and the growing internationalization of the sales base, the risks of underperformance by partners or reputational damage are also on the rise. At the same time, however, the international diversification strategy and foreign expansion via the partner concept are proven methods for 2G to minimize financial and operational risks. In addition, partners are selected according to strict criteria, sales and service staff are trained to 2G standards and activities integrated into 2G's own digital structures.

The structurally higher prices for primary fossil fuels, electricity and heat compared to the years before 2021 as a result of war and geopolitical crises – in addition to the overarching imperative of decarbonization – highlight the need to rapidly reduce dependence on oil, natural gas and coal imports for energy generation. As substitutes, renewable energies, efficient technologies such as CHP, storage media and heat pumps should move to the top of the priority list for politics and industry. CHP systems and heat pumps offer an attractive, decentralized solution profile with numerous flexibilization and modular system options thanks to the traditionally short delivery times in the medium output range, the relatively short life cycle (8 – 12 years) of the systems and the low social and regulatory hurdles for installation and operation.

With its large heat pumps in the thermal output range from 100 kW to 2,600 kW, which will be available as from 2024, 2G is serving a new market that is considered a strategic pillar in the decarbonization of the heating sector. At the same time, we perceive potential in the sale of decentralized package solutions comprising a CHP system and compatible heat pump – systemically linked to our system control. As a project specialist with many years of experience, 2G has a unique selling point in the market with such a combination.

In addition, 2G CHP systems can be converted to run on hydrogen at any time, also if they are already in operation. This rules out stranded investments and secures investments in a climate-friendly, sustainable CHP technology offering this flexibility option for customers. The Management Board believes that demand for highly efficient, climate-friendly technology for generating electricity and heat will remain high internationally against the backdrop of climate change and will continue to gain momentum.

For 2G, the expanded product portfolio with CHP systems, large heat pumps and service, the continued reliable delivery capability, the sound financial situation, the long-standing transparency established through the stock market listing and the strong brand may well open up new opportunities on the global markets.

2G's overall risk profile therefore remained stable in the reporting year compared to the previous year. The business model, which consists of a comprehensive service profile and a broadly covered value chain, is intended to generate diversified and, to a large extent, steady cash flows consisting of ongoing service fees, product and spare parts sales as well as payments from rental and leasing agreements and license fees for the use of IT services.

The company has the capacity to withstand risks on account of its available and potential financial reserves, sound balance sheet ratios, and its existing insurance concept. In our opinion, the business opportunities outweigh the potential risks entailed.

G. Forecast report

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

Orientation of the Group in the following two financial years

2G, as one of the leading international manufacturers of gas-fired CHP systems, continues to vigorously pursue its goal of strengthening sales in existing markets, tapping selected new markets with qualified sales and service partners, refining its CHP technology and winning new groups of customers. The aim is to gradually expand global market share on a profitable basis. We are pursuing four overarching projects for the Group's development: internationalization as part of the partner concept, digitalization, our Lead-to-Lean project, and innovations for our products and services. The following strategic guiding principles for growth and earnings can be derived from these projects:

- expansion of the product portfolio both through in-house developments based on existing, specialized technical expertise and through acquisitions. The rapid integration is based on the growth-proven, scalable structures in production, sales and service.
- tapping additional potential by stepping up the internationalization of sales of CHP systems, large heat pumps, demand response modules and services with the involvement of sales and service partners,
- consistent digitalization of CHP motor control, including in combination with the heat pump, as well as service and maintenance work, and thereby creation of in-house digital products as additional sales potential,
- cost reductions in connection with concurrent quality improvement and capacity expansion through the introduction of industrial processes at the Heek production site covering the entire value chain,

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

These guidelines will continue to determine our business activities in the coming years. To this end, we are always open to new technologies in our strategic considerations and see ourselves as a natural, integrated partner for solar and wind energy. Organic growth will be further pursued in all targeted markets. In this context, 2G is focusing on the regions of North America, Asia, and Central and Eastern Europe.

In addition to its positioning as a technologically leading developer and manufacturer of CHP systems, 2G intends to increasingly establish itself as a supplier of integrated, digitally controlled CHP systems for challenging residual operation. Demand-driven, system-compatible, flexible and digital are the product and system characteristics that we believe will point the way forward for the future. 2G also reflects this future viability with its wide range of hydrogen CHP systems and the conversion guarantee to hydrogen operation for natural gas and biogas CHP systems. As a consequence, a large proportion of 2G products are already "H_2 ready" for virtually emission-free energy generation. Naturally, an admixture of hydrogen is also technically possible.

The company is addressing growing demand for very low emissions with its own developments, such as a combustion concept with low turbocharging and 2G SCR catalytic technology. With the launch of series production of our self-developed, mobile CHP system with pure or dirty hydrogen, we have taken a crucial step further and can offer our customers almost carbon dioxide-free energy supplies.

We have substantially expanded our expertise as a service and product partner in the context of energy management concepts for our customers with the acquisition of NRGTEQ, a manufacturer of large heat pumps. The entry into the heat pump business is the logical continuation of the company's positioning as a full-service provider for decentralized energy supply concepts. By combining CHP systems and heat pumps, our customers can generate heat more flexibly, economically and in a more climate-friendly way. This is because, depending on the weather and the electricity exchange price, heat can be provided cost-effectively and reliably. In this way, 2G is positioning itself in the dynamically developing international energy market – away from individual products and towards system solutions – as a provider of highly efficient, climate-friendly energy generation solutions.

Future macroeconomic situation

The slowing influences on the global economy still dominate for the time being

In its Kiel Economic Report for 2024 published in mid-December 2023, the IfW does not yet assume that the global economy will pick up in 2024. In the advanced economies, growth is being held back by high levels of uncertainty about the economic environment, the impact of the sharp interest rate hikes and geopolitical trouble spots. Fiscal policy programs that were launched in previous years to curb the economic consequences of the pandemic and the rise in energy prices and had an expansive effect are coming to an end. According to the IfW, economic momentum in China remains subdued due to structural problems such as many years of deflation and a highly indebted corporate and private sector. Overall, economic experts anticipate global production to advance by 2.9% in the current year. The IfW expects the global economy to pick up to a growth rate of 3.2% in 2025. The decline in energy and commodity prices, falling inflation rates and possible interest rate cuts by central banks are having a supportive effect in the industrialized countries. The development of the Purchasing Managers' Index (PMI) Composite of the world's major economies at the start of 2024 is encouraging: the US, India and Japan saw economic growth in January. At 50.3 points, the sub-index for industry reached its highest level for fifteen months. Companies are reporting a significant acceleration in growth and a noticeable easing of inflationary pressure.

According to the IfW, economic development in the eurozone will initially stagnate in the current year. This is supported by the low level of business confidence, particularly in industry. However, experts expect a recovery in the further course of the year, fed by a brighter external economic environment, more favorable financing conditions with the expected easing of monetary policy and rising real wages. For 2024, the IfW is forecasting modest GDP growth of 0.8% overall. Experts do not expect the growth rate to accelerate to 1.5%, which is close to potential growth, until 2025. The euro economy continued to slide at the start of 2024, albeit at a somewhat slower pace. According to preliminary data, the Purchasing Managers' Index (PMI) Composite rose by 0.3 points to 47.9 points in January. This is the highest figure since July 2023, but continues to signal that the eurozone remains in the deepest recession since 2013 (with the exception of the first year of the pandemic) at the start of the new year.

The outlook for the German economy in 2024 is becoming increasingly pessimistic. The IfW is still forecasting GDP growth of 0.9%. There is a lack of impetus for the export business. The ECB's restrictive monetary policy is curbing the propensity to invest for the time being, and following the Federal Constitutional Court's ruling on the partial inadmissibility of reallocating the Climate and Transformation Fund, relief measures will have to be partially withdrawn due to the altered budgetary situation. Energy expenditure is subject to long-term upward pressure due to rising grid fees and CO_2 levies, the abolition of the VAT reduction and geopolitical conflicts in the Middle East. In addition, there are home-made problems in Germany due to a policy that does not allow investors to arrive at reliable expectations, which depresses sentiment. The German Economic Institute even predicts a similar decline in GDP in 2024 as in 2023. In the Ifo survey from January 2024, companies were once again more pessimistic about both the current situation and their expectations for the coming months. "The German economy is stuck in recession," commented Ifo President Clemens Fuest. According to the IfW, the economy should gain slightly more momentum in 2025 with GDP growing by 1.2%.

Despite the generally subdued economic outlook, 2G anticipates a continued or renewed willingness to invest in its product portfolio in developed countries (G7/G20). In North America and Europe, it is supported by lavishly endowed subsidy programs such as the IRA in the USA and the Green Deal Industrial Plan in the EU. Many Asian countries have also defined a path towards climate-friendly energy generation and backed it up with investment incentives. In Germany, too, the widespread uncertainty should be gradually alleviated. In our view, refusal to make an investment decision is no alternative, neither economically nor for the climate – and both private and public clients should be aware of this. The ruling by the European Court of Justice (ECJ) at the end of January that the subsidy under the Combined Heat and Power Act (KWKG) does not constitute state aid brought a little more clarity. This could pave the way for subsidies to be increased, at the latest with the amendment of the KWKG in two years' time. Globally, the economic and climate parameters of our CHP systems and heat pumps are convincing. We offer a wide range of adequate solutions for a future-proof and secure energy supply. We believe it is possible and are prepared for the demand for resource-saving, highly efficient CHP systems and heat pumps to spark a boom lasting several years.

Rising incoming orders expected in America

We expect business in the North American market to pick up significantly in the current year. We base this assumption, among other things, on stronger demand that will result from the expiry of the Inflation Reduction Act at the end of 2024. This is due to the fact that projects must be under construction by then and at least 5% of the project costs must have been invested. In addition, energy supply security remains a critical issue for central supply facilities such as hospitals, universities and other public buildings, for which we offer reliable solutions for microgrids or island operation with our natural gas CHP systems.

In Canada, we expect the IESO (Independent Energy System Operator) capacity program to generate significant incoming orders well above the level of recent years. IESO promotes investments by plant operators who are expanding their energy generation capacities to cover peak loads. The CHP systems from 2G underwent a corresponding qualification process at an early stage and have prevailed over the competition thanks to their reliable technology and their very good emission and immission characteristics. Once commissioned, operators are entitled to a fixed, daily capacity remuneration, as well as the opportunity to market the electricity directly.

The Service division's contributions to sales and earnings should also improve in America, as we are continuing to expand our own service capacities – in addition to those of our partners – due to the steadily growing machine population.

Following the first successful projects in Central America, we expect to see much more dynamic developments over the next two years. In addition to further natural gas projects for self-supply of electricity in the urban centers of Colombia, demand for CHP systems for the recycling of sewage gas is particularly evident in Mexico and the Dominican Republic. Talks have begun with interested parties from Chile regarding the supply of hydrogen CHP systems.

Further pick-up in Asian business expected

With a look to Asia, 2G and its regional partners anticipate a further upturn in demand over the next two years. The regulatory environment with defined paths to decarbonizing the energy supply ensures planning security, and the funding programs are well equipped in many cases. Biogas gensets in particular are finding receptive sales markets in agriculture, food production and waste recycling. The occasionally long project lead times are the only drawbacks here. There is also great interest in our hydrogen CHP systems evident in Japan and South Korea, and it is foreseeable that further sales successes will follow.

In China, 2G's sales approach of working with a sales partner and limiting exports to the genset has proved successful to date. The focus is on waste recycling in urban regions using biogas-powered CHP systems. We anticipate a significant increase to more than 30 modules per year in the medium term. In India, we are pursuing a similar sales approach to open up this huge market. 2G supplies the genset, while the packaging is handled by local partners in India. We are confident that we will gradually establish the 2G brand for bioenergy applications in agriculture and waste recycling.

Market developments in Israel since the outbreak of the war in the Gaza Strip are difficult to assess. Further negotiations on natural gas projects are underway. It is difficult to estimate when they can be completed. Currently, energy supplies are being decentralized as a first step with a capacity of 460 MW by 2025.

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

Subdued growth expected in Germany and Europe for the time being

We assume that customers will only gradually reduce their wait-and-see attitude against the backdrop of the subdued economic outlook and the partly unclear energy policy, particularly in Germany. In the biogas market, there is a great deal to be said for further system flexibilization. We have successfully laid the groundwork for this through numerous information events in the area and by participating in trade fairs. In addition to the revenue opportunities from electricity, new sales markets are emerging for biogas plant operators with municipal heating planning, meaning that demand for CHP systems should remain solid. Municipal heating planning can also stimulate demand on the natural gas market. Numerous inquiries from planning offices and municipal utilities already indicate great interest in project solutions from our company. According to the Federal Grant Program for Efficient District Heating Systems (BEW), 75% of the heat must be generated by renewable energies. The combination of CHP systems and heat pumps will enable us to serve this attractive growth market in the future, for example for residential district or island solutions in industrial estates.

Hydrogen infrastructure is slowly taking shape

Over the next two years, sales of hydrogen power plants will probably continue to be reserved for individual projects of a trial nature for gaining experience. Hydrogen is not yet available on a mass scale. In some regions, however, the distribution infrastructure is already being planned or built. The Dutch government has launched the construction of an international hydrogen network based in Rotterdam, Europe's largest port, which will be linked to networks in Germany and Belgium as from 2030. The port expects the first imports – such as from Australia, Chile or Namibia – from the beginning of 2025. According to the National Hydrogen Strategy, Germany wants to increase production capacity using the electrolysis process to at least ten gigawatts by 2030. Even then, however, the German government estimates that 50 to 70% will still have to be imported. An 11,000 km hydrogen core network will ensure transportation to industrial customers. With regard to our headquarters in Heek, the connection to a national hydrogen pipeline is already within reach in the second half of 2024. This will enable numerous industrial and SME customers in the region to connect to the hydrogen supply. The green hydrogen is to be produced in Lingen, Lower Saxony, from electricity generated by wind turbines using an electrolysis plant with a capacity of more than 100 megawatts.

In Eastern Europe, our focus is on Poland, the Czech Republic and Slovakia. The conversion of coal-fired power plants primarily to natural gas-fired power plants and incentives for energy efficiency measures, as in Poland, are likely to be among the market drivers, as well as projects to generate process heat for industrial customers and biogas CHP systems for farms.

With the establishment of a subsidiary and the acquisition of NRGTEQ in the Netherlands in the reporting year, we have laid a sound foundation for expanding our business in the Benelux countries. This also applies to service offerings, for which we initially see great potential in the acquisition of third-party systems. In Italy, we expect demand to pick up, particularly from the bioenergy sector. The feed-in tariffs for the new tenders are indexed to inflation and have a solid term of 20 years.

The French market will depend heavily on the movements in electricity prices in the country. Nuclear power's dominance of electricity generation in France places tight limits on the economic use of natural gas CHPs. Otherwise, biogas plant expansions and the renewal of old plants will dominate.

In the UK, 2G continues to expect good growth prospects for the next two years. Impetus is emanating from an intensifying market shakeout in the new systems and service business. This development could potentially lead to opportunities to strengthen our market position opportunistically. Energy cost savings and the ability to convert to hydrogen operations remain the key selling points for customers in the UK. We see good sales opportunities for 2G large-scale heat pumps, both as a stand-alone product and as a combination of CHP system and heat pump. Lively interest in such supply solutions has already been signaled by the district heating, municipal facilities and industrial sectors.

2G positions itself for the future with an expanded product portfolio

Beyond the ratio of CHP systems and their bridging function for the success of the energy transition, 2G is positioning itself much more broadly for the future. We are expanding our product portfolio with a dual initiative: in 2024, we are launching the 2G large-scale heat pumps and the 2G demand response engine. In this way, we are continuing our diversification strategy in order to minimize our dependence on individual markets and regulations. Regardless of which way the energy policy winds blow and how the energy turnaround progresses, 2G strives to offer the right product portfolio and thereby generate a well-secured, broad sales and earnings base.

With our 2G heat pumps, we are entering an attractive, structural growth market. In Germany and Europe in particular, the energy policy framework is increasingly geared towards heat pumps. We will generate additional business with the heat pumps, but will not replace the CHP systems. In addition to individual sales, we assume that there is considerable potential in the sale of the combination of CHP systems and heat pumps. This is because the economic efficiency of a heat pump depends crucially on the electricity costs. With the further expansion of photovoltaics and wind power, there will be

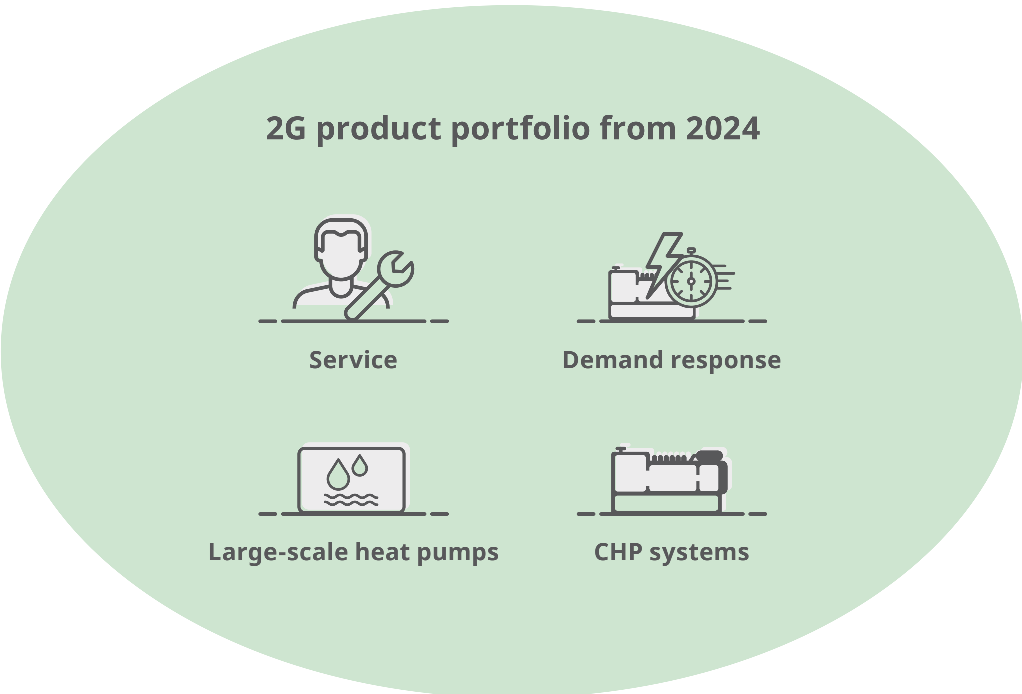

Diagram 5: 2G product portfolio from 2024 (as of December 31, 2023)

times when electricity is available at very low costs. This electricity can be used to generate heat via a heat pump. In the misty autumn and winter months, on the other hand, when photovoltaics and wind power supply little or no electricity, the gas-fired CHP system is used to produce electricity that is cheaper than the prevailing electricity market price. In addition, 2G power plants can be converted to run on up to 100% hydrogen at any time in order to further curb greenhouse gas emissions.

With the acquisition of NRGTEQ, we are pursuing the goal of combining the strengths of both companies to create a powerful, wide-ranging and efficient unit with generation solutions for the heating transition. Together with the NRGTEQ engineering team, we are pressing ahead with development work and have already presented a new prototype with a thermal output of 200 kW and a flow temperature of up to 90 degrees. In addition, the design and construction of a heat pump prototype with a thermal output of 1 MW with natural refrigerant (ammonia) and a flow temperature of 90 degrees is currently pending.

Which market are we addressing? Primarily in Germany, we assume that the law on municipal heat planning will support the development of local heating networks. We consider the widespread expansion of district heating networks as unlikely – over 80% of German households are not connected to a district heating network. Local heating networks, on the other hand, are attractive because they form islands with heat sources at the point of consumption, whether at the city hospital, in residential areas or in industrial estates. We can equip these islands with modular power plants with 250 kW to 2 MW for heat and electricity. The combination of a g-box 50 with a 200 kW heat pump is sufficient to economically supply a residential district with 50 units. In the future, such islands can be connected to form flexible, integrated energy clusters. This should be more economically attractive for municipalities than building an additional central power plant with 20 to 30 MW on the outskirts of the city. This is due to the fact that such a centralized solution requires further investment to develop the accompanying infrastructure, and is only planned and approved with a high level of public participation in order to be built in the shortest possible time.

Market launch of Demand Response (LTP) engine – initially for the American market

The market launch of a natural gas-powered engine for pure electricity generation for short-term, demand-driven operation, so-called demand response, is essentially based on three application considerations: Firstly, with the increasing expansion of renewables, there is an increasing need for generators that can be flexibly switched on at short notice in order to ensure security of supply by covering peak loads and absorbing price peaks. Secondly, the number and severity of extreme weather events with power outages is rising significantly, with the result that power grids must be able to provide a continuous supply to facilities such as data centers, hospitals or industrial sites with high availability, using generators not dependent on variable supply. And thirdly, climate protection considerations play a role when conventional diesel emergency power generators are replaced by natural gas engines to reduce exhaust emissions. With this in mind, we are developing – initially for the

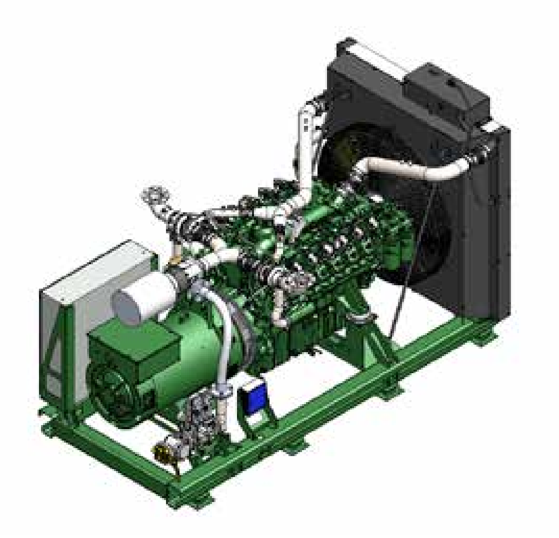

Diagram 6: Construction of the demand response module from 2G: gas engine with front-mounted cooler

American market – an engine that fulfills the emergency power function in particular, with the special requirement of ensuring load switching within less than 10 seconds at 100% power demand. The control technology, turbocharging and cylinder heads must be designed to be resilient and trouble-free. We expect to be able to offer a 12-cylinder engine with 650 kW on the American market from the middle of the current year. As from 2025, we believe that the sale of a low three-digit number of units is possible. Market surveys assume that an additional 38 GW of electrical power will be installed in the USA alone by 2028 to cover peak loads, primarily in data centers and industrial operations. For 2G, this is a standardized, high-volume product business in which we can leverage our technical expertise in gas engine configuration against the competition. The demand response engine has market potential in many countries that are restructuring their electricity markets. At the same time, this will enable us to increase the number of raw engines purchased from central manufacturers disproportionately – to the benefit of both sides.

2G is well prepared for dynamic growth and expects positive sales and earnings developments

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

We follow developments on the global markets closely so that we can adapt our portfolio technically at any time and expand it if necessary. We aim to help shape the far-reaching change in energy generation and in the choice of fuel and to set standards. The expansion of the product portfolio to include large-scale heat pumps and the demand response engine are good examples of this. Drawing on our technical expertise, our industrial production know-how, our knowledge of digital control systems and our experienced project management, we are striving to quickly integrate new products into company processes, standardize them as far as possible and quickly develop them to market maturity for new markets and applications. This allows us to efficiently tap into new opportunities.

We are also constantly putting proven technologies and products to the test. We have evaluated ways of increasing performance for all of our series. The measures to be taken range from recalculating the crankshaft, changing the firing order, improving knock detection and cylinder head strength to increasing the displacement by increasing the stroke or using other engines. Our aim is to achieve performance gains of 20 to 35% across all series over the next few years. With the avus 800plus, which is derived from the avus 1000plus, we are preparing for newly emerging markets at an early stage and are able to offer convincing energy supply solutions. Naturally, the avus 800plus is H_2-ready and then delivers around 600 kW of electric power. For the agenitor series, we have developed an integrated, compact SCR catalytic converter system for exhaust gas aftertreatment of nitrogen oxide emissions. In the current year, we are aiming to reduce nitrogen oxide emissions from 100 mg to less than 50 mg.

2G is prepared for the expected long-term increase in incoming orders for CHP systems from Germany and abroad. With a look to the future, we have secured further expansion space at the Heek site. We assume that we will be able to double our current annual energy generation capacity (approx. 200 MW) without having to make significant investments in additional production halls for the CHP systems. A new hall with an adjoining office wing is to be built to accommodate the heat pump production facility. In addition, the current financial year will continue to be characterized on the investment side by the ongoing ERP project. Investment activities are to be financed primarily from operating cash flow.

In the services area, we are continuing to invest in our goal of growing beyond our own system portfolio by providing service for third-party systems. We essentially use three levers for acquisition: the exclusive cooperation agreement with Liebherr for engine deliveries and spare parts, the sale of our premium parts in the spare parts business, which are tailored to third-party units such as MAN engines, and the active involvement of sales and service partners in the acquisition of third-party systems. With this strategy, our service business provides us with direct contact with CHP operators and investors, who receive an offer for new 2G systems with a service contract at the end of the standard service life of their system. FieldService, a single platform strategy, is another building block for greater efficiency in service. Based on standardized software, the service is supported and managed digitally via the platform, from stocking the service vehicle with spare parts and carrying out maintenance work to invoicing. This improves coordination between departments and the flow of information with the customer and will help to enhance customer satisfaction and further reduce the total cost of ownership. 2G's aim is to act and be recognized globally as an integrated system provider, both in terms of CHP products and the services required for efficient operation. Our claim to technology leadership in the sector applies equally to the digital equipment and communication capabilities of 2G power plants.

With the expansion of the product portfolio into two further structural growth markets, the initiatives to expand the service business and a globally stabilizing order intake, we are approaching the coming years with entrepreneurial confidence.

In January 2024, we took this optimism as an opportunity to raise our medium-term sales revenue forecast for 2025 to a target of up to EUR 450 million. We expect to continue to increase the EBIT margin through efficiency gains from flagship projects, margin contributions from the service business and cost reductions in the production of CHP systems, large-scale heat pumps and demand response engines.

With a look to the current financial year, the order book is well filled at the beginning of the year at more than EUR 150 million. In light of this order book position and additional new orders expected from the CHP business in Germany and abroad, a likely revenue contribution from heat pumps of up to EUR 10 million as well as the growing service business, the Management Board anticipates consolidated net sales in a range between EUR 350 million and EUR 390 million for the 2024 financial year. We expect a further increase in profitability linked to a declining cost of materials ratio, a similar personnel expenses ratio and a similar ratio of other expenses. In addition to the reliable margin contributions from the service business, a normalization of the ratio of input prices to the company's own list prices should be the main contributor to the decreasing cost of materials ratio. Overall, the Executive Board expects the EBIT margin to increase significantly to a level of 8.5% to 10% in the 2024 financial year. This forecast is based on assumptions, meaning that the actual results may diverge from current expectations.

Heek, March 28, 2024

Christian Grotholt
Management Board Chairman
(CEO)

Ludger Holtkamp
Management Board
Member

Friedrich Pehle
Management Board
Member

Frank Grewe
Management Board
Member

Consolidated financial statements

Consolidated balance sheet

Assets

	31/12/2023 EUR	31/12/2022 EUR
A. Fixed assets		
I. Intangible fixed assets		
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	990,737.62	1,149,374.81
Goodwill	6,863,319.50	2,991,523.79
Prepayments rendered	2,409,897.55	866,710.07
	10,263,954.67	**5,007,608.67**
II. Tangible fixed assets		
Land, land rights and buildings, including buildings on third-pary land	14,777,579.10	14,736,348.18
Plants and machinery	924,951.31	993,864.18
Other factory and office equipments	11,904,370.54	10,857,975.68
Prepayments rendered and plants under construction	755,369.59	195,889.96
	28,362,270.54	**26,784,078.00**
III. Financial fixed assets		
Participating interests in associated companies	103,346.15	91,319.86
Other participating interests	10,000.00	10,000.00
	113,346.15	**101,319.86**
	38,739,571.36	**31,893,006.53**
B. Current assets		
I. Inventories		
Raw materials and supplies	62,155,789.89	65,508,942.51
Work in progress	72,293,300.80	66,746,523.78
Prepayments rendered	3,713,649.15	7,631,187.10
Prepayments received for orders	-28,370,749.64	-37,261,952.87
	109,791,990.20	**102,624,700.52**
II. Receivables and other assets		
Trade receivables	58,548,850.76	57,070,885.70
Receivables from associated companies	822,796.54	0.00
Other assets	3,958,484.82	3,049,728.68
	63,330,132.12	**60,120,614.38**

Assets

	31/12/2023	31/12/2022
	EUR	EUR
III. Cash in hand, bank balances	**12,565,221.34**	**13,481,864.70**
	185,687,343.66	**176,227,179.60**
C. Prepayments and accrued income	**1,328,216.97**	**1,471,060.57**
D. Deferred tax assets	**1,698,864.47**	**2,003,698.03**
Total	**227,453,996.46**	**211,594,944.73**

Equity and liabilities

	31/12/2023	31/12/2022
	EUR	EUR
A. Equity		
I. Subscribed share capital	17,940,000.00	17,940,000.00
II. Capital reserve	2,983,300.00	2,983,300.00
III. Other retained earnings	79,342,183.05	69,418,947.28
IV. Consolidated net income	24,564,950.07	19,050,001.48
V. Minority interests	2,078.81	-36,498.15
VI. Equity difference from currency translation	-841,980.60	-740,728.87
	123,990,531.33	**108,615,021.74**
B. Provisions		
Tax provisions	6,020,627.91	3,111,906.29
Other provisions	18,392,964.03	18,328,181.80
	24,413,591.94	**21,440,088.09**
C. Liabilities		
Bank borrowings	8,306,085.97	6,333,442.72
Prepayments received for orders	40,387,364.39	44,668,259.09
Trade payables	17,089,287.41	20,470,991.54
Liabilities to associated companies	24,059.77	8,564.44
Other liabilities	13,243,075.65	10,058,577.11
	79,049,873.19	**81,539,834.90**
Total	**227,453,996.46**	**211,594,944.73**

Consolidated profit and loss account

	01/01/ to 31/12/2023	01/01/ to 31/12/2022
	EUR	EUR
Net sales	**365,064,718.49**	**312,626,961.56**
Increase in work in progress and finished goods	5,753,654.33	26,023,788.76
Other own work capitalized	209,616.36	186,808.10
	371,027,989.18	**338,837,558.42**
Other operating income	3,084,721.35	6,246,272.96
	374,112,710.53	**345,083,831.38**
Costs of materials		
a) Costs of raw materials and supplies, and for purchased merchandise	191,846,934.08	176,583,988.51
b) Costs of purchased services	46,454,425.91	47,546,345.22
	238,301,359.99	**224,130,333.73**
Personnel costs		
a) Wages and salaries	53,889,252.27	47,536,995.30
b) Social security, pensions and other benefits	10,450,408.72	9,488,654.23
	64,339,660.99	**57,025,649.53**
Depreciation and amortization applied to tangible and intangible fixed assets	6,657,857.79	4,672,085.72
Other operating expenses	36,902,965.43	35,264,247.06
Income from associated companies	-72,348.71	-89,403.24
Income from other participating interests	2,000.00	500.00
Other interest and similar income	54,958.49	79,516.46
Interest and similar expenses	620,675.06	383,939.72
Taxes on income	9,086,439.89	7,083,291.37
Profit after tax	**18,188,361.16**	**16,514,897.47**
Other taxes	199,999.84	143,048.63
Consolidated profit for the year	**17,988,361.32**	**16,371,848.84**
Share of profit attributable to other shareholders	-38,576.96	14,055.84
Consolidated net profit	**17,949,784.36**	**16,385,904.68**
Retained earnings	6,615,165.71	2,664,096.80
Consolidated net income	**24,564,950.07**	**19,050,001.48**

Derivation of EBIT

		01/01/ to 31/12/2023	01/01/ to 31/12/2022
		EUR	EUR
	Consolidated profit for the year	**17,988,361.32**	**16,371,848.84**
±	Extraordinary result	0.00	1,797,790.00
+	Taxes on income	9,086,439.89	7,083,291.37
+	Interest and similar expenses	620,675.06	383,939.72
-	Other interest and similar income	54,958.49	79,516.46
=	**Earnings before interest and taxes (EBIT)**	**27,640,517.78**	**21,961,773.47**

Notes to the consolidated financial statements

A. General information about the consolidated statements

1. Basic information

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

2G Energy AG, Heek, prepares the consolidated financial statements for the largest as well as the smallest group of companies. The consolidated financial statements will be submitted electronically to the company register and published via the publication platform.

2. Line of business

The group primarily plan, distribute, produce and install combined heat and power ("CHP") systems for the efficient gain of electrical energy from biogas, landfill/sewage gas, natural gas and hydrogen and provide after-sale services associated with CHP systems. The group also plan, distribute, produce, install and service gas treatment plants for feeding biogas into the natural gas grid.

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.

	Year-end rate		Average rate	
Country/Currency per currency unit	31/12/2023	31/12/2022	01/01/2023 to 31/12/2023	01/01/2022 to 31/12/2022
Great Britain/Pound (GBP)	0.86905	0.88260	0.86991	0.85260
USA/US dollar (USD)	1.10500	1.06250	1.08158	1.05400
Poland/Złoty (PLN)	4.33950	4.61850	4.54206	4.68550
Canada/CA dollar (CAD)	1.46420	1.43650	1.45958	1.37050

The Group's functional currency is the euro. All amounts are consequently presented in euros or thousands of euros (TEUR). Foreign companies' balance sheet items as well as foreign currency transactions in the trade balance II are translated at the respective exchange rate on the balance sheet date (year-end rate). Equity items are translated at historical rates. Cost and income items are translated at average rates for the year related to the financial year (average rate).

Currency translation differences arising from the translation of financial statements denominated in foreign currencies and from foreign exchange transactions in the commercial balance sheet II are recognized directly in equity under equity difference from currency translation.

B. Consolidation methods

1. Consolidation scope and shareholdings

The consolidated financial statements of 2G Energy AG (parent company) include the financial statements of the following subsidiaries:

Subsidiary

	Interest	Subscribed capital in TEUR	Equity in TEUR*	Profit/loss for year in TEUR*	Initial consolidation
2G Energietechnik GmbH, Heek, Germany***	100%	1,000	7,528	0	30/06/2007
2G Rental GmbH, Heek, Germany	100%	50	1,218	292	31/12/2014
2G Energy International GmbH, Heek, Germany	100%	25	414	395	01/04/2021
HJS Motoren GmbH, Amtzell, Germany	100%	25	3,877	1,395	01/06/2021
SenerTec-Center GmbH, Schweinfurt, Germany	100%	25	79	113	01/01/2022
2G Solutions of Cogeneration S.L., Vic Barcelona, Spain	90%	3	21	235	31/01/2008
2G Energie SAS, Sainte-Luce-sur-Loire (Nantes), France	100%	200	5,773	1,591	24/08/2016
2G Italia Srl, Vago di Lavagno (Verona), Italy	100%	10	432	-461	15/03/2011
2G Energie Nederland B.V., Oldenzaal, Netherlands	100%	25	8	-17	01/01/2023
NRGTEQ B.V., Rosmalen, Netherlands	100%	18	452	1	01/09/2023
2G Energy Ltd., Cheshire, United Kingdom**	100%	0	7,003	2,857	19/09/2011
2G Polska Sp. z o.o., Bielsko-Biała, Poland**	100%	1	-172	73	07/11/2011
2G Energy Inc., St. Augustine (FL), USA**	100%	0	306	-1,068	27/02/2012
2G Energy Corp., Fergus (ON), Canada**	100%	205	988	579	01/01/2019

* Equity and profit/loss for the year are taken from the annual financial statements prepared for consolidation purposes (so-called HB-II).
** Converted at reporting date's exchange rate
*** Annual result after profit transfer

The following associated company is accounted using the at-equity method in accordance with Section 312 of the German Commercial Code (HGB):

	KWK-tec GmbH, Mendig, Germany
Interest	40%
Subscribed capital in TEUR	25
Equity in TEUR*	300
Profit/loss for year in TEUR*	78

* Equity and profit/loss for the year are taken from the annual financial statements prepared for consolidation purposes (so-called HB-II).

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

In addition, the purpose of the subsidiary company 2G Energietechnik GmbH is the optimization of core engines for the use as gas engines, and to manufacture and market Otto spark-ignition gas engines.

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

The purpose of the subsidiary 2G Energy International GmbH is the international market development and support as well as the distribution of combined heat and power plants.

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

The purpose of SenerTec-Center GmbH and KWK-tec GmbH is in particular the sale of all types of energy technology systems.

The purpose of NRGTEQ B.V. is the development, manufacture and sale of large heat pumps.

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. Associated companies are accounted using the equity method in accordance with the option for joint ventures pursuant to Section 312 of the German Commercial Code (HGB).

2G-SPE-1, LLC, San Juan, Puerto Rico, was not included in the consolidated financial statements due to its minor significance for the presentation of a true image of the Group's net assets, financial position and results of operations.

In the fiscal year, 2G Energy AG acquired 100% of the shares in NRGTEQ B.V. The company will be fully consolidated in the consolidated financial statements for the first time in the reporting year. Without changes in the scope of consolidation, the consolidated income statement would have been as follows:

in TEUR

	2023 after change in scope of consolidation	2023 before change in scope of consolidation	2022
1. Net sales	365,065	364,754	312,627
2. Increase in work in progress and finished goods	5,754	5,676	26,024
3. Other own work capitalized	210	210	187
4. Other operating income	3,085	3,070	6,246
5. Cost of materials	238,301	238,188	224,130
6. Personnel costs	64,340	64,114	57,026
7. Depreciation	6,658	6,145	4,672
8. Other operating expenses	36,903	36,844	35,264
9. Results from investments in associated companies	-72	-72	-89
10. Other taxes	200	200	143
Earnings before interest and taxes (EBIT)	**27,641**	**28,147**	**21,962**

The changes in the balance sheet attributable to the consolidation of NRGTEQ B.V. mainly relate to non-current assets (TEUR 79), inventories (TEUR 377), other current assets (TEUR 281), provisions (TEUR 63) and liabilities (TEUR 222) at the balance sheet date.

The initial consolidation of NRGTEQ B.V. also resulted in a goodwill, which amounted to TEUR 4,069 as at the balance sheet date.

2G Energie Nederland B.V. was newly founded by 2G Energy AG in the reporting year.

2. Consolidation methods applied

Closing date for consolidated financial statements and companies included in the consolidation scope

The consolidated financial statements are based on the separate financial statements of 2G Energy AG and the financial statements of the subsidiaries included in the consolidation scope. The financial statements are prepared as of the December 31, 2023 closing date.

Capital consolidation

Capital is consolidated according to the revaluation method pursuant to Section 301 (1) of the German Commercial Code (HGB). All balance sheet items at subsidiary level are recognized at fair value on the first-time consolidation date. Share acquisition costs are offset subsequently against revalued proportionate equity. The remaining difference from capital consolidation (goodwill) is capitalized and will be amortized on a straight-line basis over an expected useful life of 8 years in accordance with Section 309 (1) of the German Commercial Code. The amortization period is based on the life cycle of the products.

In deviation from this, the goodwill on the shares in 2G Energietechnik GmbH is amortized on a straight-line basis over the expected useful life of 20 years, as it relates to the sustainable core business activity of 2G Energy AG.

In deviation from this, the goodwill on the shares in NRGTEQ B.V. is amortized on a straight-line basis over the expected useful life of 3 years, as it relates in particular to the know-how of the management and employees as well as existing contractual relationships with them.

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

Consolidation of liabilities

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

Currency translation differences as part of the consolidation of liabilities are recognized without impact on the profit and loss accounts directly in equity as equity difference from currency translation.

Treatment of unrealized results of intragroup transactions

Unrealized results of intragroup transactions are eliminated pursuant to Section 304 (1) of the German Commercial Code (HGB). Accordingly, assets that are based fully or partly on deliveries or services between the companies included in the consolidated financial statements must be recognized at the amount at which they could be recognized in the annual balance sheet for the respective company prepared on the closing date of the consolidated financial statements, if the companies included in the consolidated financial statement were also to form a single entity in legal terms.

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

Currency translation differences in the context of the elimination of interim profits are recognized in profit or loss under other operating income or expenses.

Consolidation of income and expenses

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

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

Equity valuation

The equity method is used when a company is classified as an associated company. This means that the parent company can exercise a significant influence on the business and financial policies of the subsidiary. According to Section 311 of the German Commercial Code (HGB), such a significant influence is to be assumed in the case of investments in companies and thus a valuation "at equity" is to be made.

Shares in associated companies are valued at the proportionate equity plus any goodwill acquired by payment in accordance with Section 312 of the German Commercial Code (HGB). The equity valuation was done according to the book value method at the time of acquisition in the consolidated financial statements.

The remaining difference (goodwill) is capitalized in the investments in associated companies and depreciated on a straight-line basis over the expected useful life of 3 years, as it relates to the acquired know-how of the associated company.

C. Information about accounting policies

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

The annual financial statements of the companies included in the consolidation scope are prepared in accordance with the regulations set out in the German Commercial Code (HGB) and the respective legal form-specific regulations.

Valuation methods were applied unchanged compared with the previous year.

Valuation details are as follows:

1. Intangible fixed assets

Acquired intangible fixed assets are recognized at acquisition cost and, if they comprise depreciating assets, subject to systematic, straight-line amortization:

	Useful life
Software	3–5 years
Licenses	3 years
Other intangible fixed assets	3–6 years

Prepayments rendered are recognized at normal value.

2. Tangible fixed assets

Tangible fixed assets are recognized at acquisition cost and, if they are subject to wear and tear, less scheduled depreciation. Depreciation is applied straight-line according to the assets' prospective useful lives:

	Useful life
Buildings, indoor and outdoor facilities on own land	5–33 years
Buildings on third-party land	9–19 years
Fixtures and fittings	6–21 years
Vehicles and conveyor vehicles	6–8 years
Tools	5–13 years
Computer equipment	3–9 years
Facilities on third-party land	5–21 years
Other operating and office equipment	5–21 years

Prepayments rendered are recognized at normal value.

3. Financial fixed assets

Other participating interests are recognized at the lower of their cost or fair value on the balance sheet date in the event of permanent impairment. 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 reasons for a lower carrying amount no longer exist, a write-up must be made pursuant to Section 253 (5) Clause 1 of the German Commercial Code (HGB).

4. Inventories

Raw materials and supplies are recognized at the lower of cost or fair value. The lower fair value, if any, is determined using reference prices as market prices on the balance sheet date. The lower market prices are obtained from the daily rates of the procurement market. In addition, further value reductions were made for inventories of lower quality or limited marketability.

Work-in-progress and finished goods are recognized at the lower of cost or fair value. In addition to directly attributable specific costs of materials and production, production costs also include materials and production overheads, as well as administrative overheads to the extent that they can be allocated to production. Borrowing costs are not included in production costs.

Prepayments rendered are recognized at nominal value.

If prepayments received do not exceed the value of the work in progress, they are offset with work in progress to the level of the satisfaction amount on a project basis.

5. Receivables and other assets

Receivables and other assets are recognized at the nominal value. Appropriate specific valuation allowances are applied to risky items. General default and credit risk is reflected through general valuation allowance.

In principle, revenues are realized upon acceptance of the work by the customer or in the event of a delay in acceptance. If acceptance is with reservations, the transfer of risk and thus the realization of revenue will be assessed on a case-by-case basis in an overall assessment of the circumstances. A reservation of acceptance of a work ready for acceptance, in which the essential opportunities and risks are transferred to the buyer, does not fundamentally change the fact of acceptance and the associated consequences. Under the mentioned premises, acceptance subject to reservation is thus also considered to be realized in individual cases.

6. Cash in hand and bank balances

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

7. Prepayments and accrued income

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

8. Deferred tax

The calculation of deferred taxes was based on an average Group tax rate of 30%.

Offsetting applied as part of consolidation generates a differential amount that is to be reported as goodwill. Deferred taxes are not charged on this differential amount (German Accounting Standard/DRS 18 Section 25).

9. Equity

Equity is measured at nominal value.

10. Tax provisions

Tax provisions are recognized at the settlement amount.

11. Other provisions

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

12. Liabilities

Liabilities are recognized at the settlement amount.

13. Prepayments received

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

14. Currency translation

Items in the annual financial statements that are based on amounts denominated in foreign currencies are translated at the cash exchange rate in compliance with Section 256a of the German Commercial Code (HGB). At the time of initial recognition, transactions in foreign currencies are generally recorded at the European Central Bank's reference rate recorded on the Friday of the week preceding the booking date.

D. Notes to the consolidated balance sheet

1. Fixed assets

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

Fixed assets include TEUR 1,215 (previous year: TEUR 1,517) of rental plants from the operating activities of 2G Rental GmbH.

The investments in associated companies include a difference (goodwill) of TEUR 81 (previous year: TEUR 121).

2. Receivables and other assets

Specific and general valuation allowances of TEUR 3,519 (previous year: TEUR 3,724) were applied to trade receivables.

Receivables from associated companies result in full from deliveries and services.

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

3. Deferred tax assets

Deferred tax receivables of TEUR 1,699 (previous year: TEUR 2,004) arise from tax loss carryforwards (TEUR 50) at 2G Energie Nederland B.V. and 2G Polska Sp. z o.o. No deferred tax assets were formed in relation to the loss carryforwards of 2G Energy Inc. due to their having generated net losses in previous years. In this context, a cautious approach was adopted that does not consider positive expectations arising from current structural changes of the company. In addition, deferred taxes were formed in relation to eliminated intragroup gains on fixed assets (TEUR 120) and inventories (TEUR 919) deriving from intragroup deliveries and services as of the balance sheet date, and on temporary differences (TEUR 609). These temporary differences arise mainly from adjustments to group accounting and valuation regulations, as well as recognizing differing valuations for inventories and provisions in the financial statements and in the tax accounts.

It is assumed that the tax benefits associated with the capitalized loss carryforwards can be realized with sufficient probability in the next five financial years. Deferred taxes on unutilized tax loss carryforwards were not recognized in the amount of TEUR 1,313.

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

4. Consolidated equity

The share capital amounts to TEUR 17,940 (previous year: TEUR 17,940) and is divided into 17,940,000 (previous year: 17,940,000) ordinary bearer shares, each with a nominal value of EUR 1.

Capital reserves of TEUR 2,983 (previous year: TEUR 2,983) arise almost exclusively from share premiums from capital increases at 2G Energy AG.

In a resolution of the Annual General Meeting of 23 June 2020, the Management Board was authorized to issue convertible and/or option bonds in a total nominal amount of up to TEUR 100,000 with a maximum term of 20 years with the approval of the Supervisory Board during the period up to 22 June 2025. The holders of the convertible and/or option bonds may be granted conversion or option rights to up to 2,215,000 bearer shares of 2G Energy AG corresponding to a pro rata amount of TEUR 2,215 in the share capital (Conditional Capital 2020).

In a resolution of the Annual General Meeting of 3 June 2022, the Management Board was authorized to increase the share capital of the Company once or several times in the period up to 2 June 2027, with the approval of the Supervisory Board, by issuing new shares in cash or in kind up to a total of TEUR 8,970 (Authorized Capital 2022).

Notional dividend payout restrictions exist in relation to deferred taxes of TEUR 1,699.

As of the balance sheet date, an amount of TEUR 93,615, determined from the annual financial statements of the parent company, is available to shareholders for distribution. No restricted amounts that cannot be distributed exist in the separate financial statements of 2G Energy AG.

The consolidated net income breaks down as follows:

Consolidated net income, in TEUR

	31/12/2023	31/12/2022
Consolidated net income (previous year)	19,050	11,824
Dividend payment for previous year	-2,512	-2,243
Allocation to other retained earnings (resolution of AGM)	-9,923	-6,917
Profit carried forward (subtotal)	**6,615**	**2,664**
Consolidated net profit attributable to parent company	17,950	16,386
Consolidated net income	**24,565**	**19,050**

For more information about changes in consolidated equity during the financial year under review, please refer to the corresponding presentation in the consolidated statement of changes in equity.

5. Other provisions

The composition of the changes in other provisions on the balance sheet day are shown in the following statement of changes in provisions:

Other provisions, in TEUR

	31/12/2023	31/12/2022
Residual work on completed plants/ outstanding invoices	7,509	9,130
Warranty commitments	3,975	4,398
Amounts owed to staff	4,158	3,677
Contingent purchase price obligations	1,500	0
Professional cooperative contributions	393	351
Costs of preparing and auditing financial statements	218	205
AGM and annual report	111	84
Litigation costs	50	30
Archiving of business documents	38	38
Misc. other provisions	441	415
Total	**18,393**	**18,328**

6. Liabilities

Liabilities consist of the following:

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

	Up to 1 year	More than 1 year	Thereof more than 5 years	Total
Bank borrowings	2,708 (2,546)	5,599 (3,788)	0 (0)	8,306 (6,333)
Prepayments received for orders	40,387 (44,668)	0 (0)	0 (0)	40,387 (44,668)
Trade payables	17,089 (20,471)	0 (0)	0 (0)	17,089 (20,471)
Liabilities to associated companies	24 (9)	0 (0)	0 (0)	24 (9)
Other liabilities	13,243 (10,059)	0 (0)	0 (0)	13,243 (10,059)
Total	**73,451** **(77,752)**	**5,599** **(3,788)**	**0** **(0)**	**79,050** **(81,540)**

The following collateral instruments relate to bank borrowings:

- EUR 2.2 million land charge, Siemensstrasse 20, Heek
- EUR 2.0 million land charge, Benzstrasse 3, Heek
- EUR 1.5 million land charge, Siemenstrasse 9, Heek
- EUR 1.0 million land charge, Röntgenstrasse 2, Heek
- Collateral assignment of rented plants in the amount of EUR 1.3 million and assignment of corresponding rental claims

Liabilities to associated companies arise in full from supplies and services.

Other liabilities comprise tax liabilities of TEUR 6,572 (previous year: TEUR 5,749) and social security liabilities of TEUR 330 (previous year: TEUR 235).

E. Notes to the consolidated profit and loss account

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

1. Net sales

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

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

	Germany	Abroad	Total
CHP systems/ After Sales	123,139 (82,847)	76,807 (81,636)	199,946 (164,484)
Service	111,868 (103,491)	53,251 (44,652)	165,119 (148,143)
Total	**235,007** **(186,338)**	**130,058** **(126,289)**	**365,065** **(312,627)**

2. Other operating income

Other operating income comprises TEUR 914 (previous year: TEUR 4,626) of income related to other accounting periods that consists mainly of the decrease of bad debt allowances (TEUR 303), insurance compensation payments and loss compensation payments (TEUR 283), the disposal of fixed assets (TEUR 147) and the release of provisions (TEUR 135).

The other operating income related to other accounting periods of the previous year includes income of extraordinary amount or significance of TEUR 1,798 resulting from the reversal of a provision for tax payments and associated tax ancillary benefits.

Other operating income includes income of TEUR 801 (previous year: TEUR 790) from currency translation.

3. Personnel costs

Social security contributions and pension and benefit expenses include TEUR 696 (previous year: TEUR 542) of pension expenses.

4. Depreciation and amortization

Depreciation and amortization applied to tangible and intangible assets includes amortization of goodwill in the amount of TEUR 1,256 (previous year: TEUR 570).

Amortization of goodwill is attributable to previous years in the amount of TEUR 109. Due to a subsequent purchase price obligation, goodwill relating to HJS Motoren GmbH was increased by TEUR 551 in the reporting year and a corresponding liability to the seller was recognized. The amortization of goodwill was adjusted in the current account from the date of initial consolidation.

Depreciation of property, plant and equipment includes impairment losses of TEUR 941 due to permanent impairment of buildings and outdoor facilities, which are of an exceptional magnitude.

5. Other operating expenses

Other operating expenses consist of the following:

Other operating expenses, in TEUR

	2023	2022
Operating expenses	13,200	12,001
Administration expenses	4,520	3,763
Sales and marketing expenses	11,407	11,761
Miscellaneous	7,776	7,739
Total	**36,903**	**35,264**

Other operating expenses comprises TEUR 1,294 (previous year: TEUR 745) of expenses related to other accounting periods, mainly resulting from credit notes and losses on receivables relating to other periods, as well as expenses from the allocation to specific and general bad debt allowances.

Other operating expenses include expenses of TEUR 1,051 (previous year: TEUR 1,603) from currency translation.

6. Other interest and similar income

Other interest and similar income include income from the discounting of provisions in the amount of TEUR 15 (previous year: TEUR 8).

7. Taxes on income

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

Income from deferred taxes, in TEUR

	2023	2022
Deferred tax income	274	417
Deferred tax expenses	-579	0
of which attributable to loss carryforwards (net balance)	-143	26
Income from deferred taxes	**-305**	**417**

Income taxes include prior-period expenses from payments for previous years in the amount of TEUR 499 (previous year: TEUR 110) and prior-period income from tax refunds for previous years and from the reversal of tax provisions in the amount of TEUR 276 (previous year: TEUR 0).

F. Additional information

1. Events of key significance after the reporting date

No events occurred after the balance sheet date that are of material significance for the assessment of the net assets, financial position and results of operations of the company.

2. Consolidated cash flow statement

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

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

Cash and cash equivalents shown in the cash flow statement include cash at banks and in hand, less short-term liabilities to credit institutions. Current liabilities consist of current account drawdowns and borrowings in the form of short-term money market loans.

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

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

4. Derivative financial instruments

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

Financial instruments, in TEUR

	Scope	Maturity	Fair value
Forward exchange transaction EUR – GBP	311	15/01/2024	0
Forward exchange transaction EUR – USD	1,328	15/02/2024	25
Forward exchange transaction EUR – USD	900	05/03/2024	2
Forward exchange transaction JPY – EUR	100	13/03/2024	-7
Forward exchange transaction EUR – CAD	736	15/03/2024	3
Forward exchange transaction EUR – USD	191	15/03/2024	0
Forward exchange transaction EUR – USD	379	28/03/2024	-1
Forward exchange transaction EUR – GBP	1,160	30/04/2024	-1
Forward exchange transaction EUR – USD	473	15/05/2024	14
Forward exchange transaction EUR – USD	383	15/05/2024	11
Forward exchange swap transaction EUR – GBP	583	15/01/2024	-2
Forward exchange transaction	583	15/01/2024	0
Total	**7,127**		**44**

As the conditions for these hedging transactions are met, valuation units are formed in accordance with Section 254 of the German Commercial Code (HGB) (micro hedge). This ensures that the value-determining factors (nominal value, maturity) for the hedged item and hedging instrument match. The individual hedging relationships are therefore classified as fully effective (critical terms match) for the entire hedging period. As of the balance sheet date, the market value of the hedging transactions is positive at TEUR 44. In the event of a negative market value of the hedging transactions, the formation of a provision for impending losses is waived accordingly. The fully offsetting cash flows are settled upon maturity of the underlying transactions, which correspond to the maturity of the hedging transactions. The effectiveness of the valuation unit is based on the matching of the terms and parameters of the hedged item and the hedging instrument. The so-called freezing method is used to reflect the effective portions of the valuation units formed in the balance sheet.

5. Contingent liabilities

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

6. Other financial obligations

Other financial obligations existed in relation to contracts as follows:

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

	Up to 1 year	1 to 5 years	More than 5 years	Total
Permanent rental contracts*	862 (858)	0 (0)	0 (0)	862 (858)
Fixed-term rental contracts	448 (344)	654 (698)	241 (309)	1,342 (1,351)
Lease contracts	474 (479)	1,114 (564)	276 (0)	1,865 (1,043)
Consulting	336 (0)	672 (0)	0 (0)	1,008 (0)
Total	**2,120 (1,681)**	**2,440 (1,262)**	**517 (309)**	**5,076 (3,252)**

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

The use of rental and lease agreements serves to improve the balance sheet structure and to spread the outflow of liquidity over several periods. The outflow of liquid funds in future periods represents both a risk and an advantage.

The order commitment for investments amounts to EUR 3.2 million as of the balance sheet date.

7. Average number of employees during the financial year

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

Number of employees

	2023	2022
Industrial workers	430	397
Commercial employees	491	445
Total	**921**	**842**
of whom part-time employees	116	105

8. Management Board

The Management Board is currently composed as follows:

Management Board

	Since	Appointed until
Mr. Dipl.-Ing. Christian Grotholt (Chairman) Ahaus-Alstätte, Germany CEO of 2G Energy AG Strategy, IT and Sales	17/07/2007	31/07/2025
Mr. Ludger Holtkamp Gronau, Germany COO of 2G Energy AG Procurement, Production and Project Management	17/07/2007	31/07/2025
Mr. Dipl.-Betriebsw. (BA) Friedrich Pehle Soest, Germany CFO of 2G Energy AG Finance, Investor Relations, Controlling and Human Resources	01/12/2017	31/12/2027
Mr. Dipl.-Ing. Frank Grewe Vreden, Germany CTO of 2G Energy AG Service and Research & Development	01/07/2020	30/06/2026

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

9. Supervisory Board

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

Supervisory Board

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

The Supervisory Board members are appointed until the end of the AGM that passes a resolution concerning the discharge of the directors for the 2026 financial year.

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

10. Directors' compensation

Compensation of TEUR 1,886 (previous year: TEUR 1,592) were paid to the Management Board in the financial year under review, and compensation of TEUR 135 (previous year: TEUR 129) to the Supervisory Board.

11. Auditor's fee

Other operating expenses include the fees expensed for the auditor of the financial statements. The auditor's fee is composed as follows:

Auditor's fee, in TEUR

	2023	2022
Audit services	201	179
Other assurance services	2	17
Total	**203**	**196**

TEUR 71 (previous year: TEUR 70) of the auditor's fees for audit services are attributable to network companies of the Group auditor.

The other certification services relate to the following business management review performed in accordance with ISAE 3000 (Revised):

- information in the bonus calculations of the members of the Management Board of 2G Energy AG (TEUR 2).

12. Proposed appropriation of profits

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

The unappropriated profit of EUR 13,581,442.02 reported in the annual financial statements of 2G Energy AG as prepared according to the German Commercial Code (HGB), consisting of net profit of EUR 13,581,442.02 for the year and EUR 0.00

of net retained profits, is to be distributed in an amount of EUR 3,049,800 and to be allocated in an amount of EUR 10,531,642.02 to other retained earnings.

13. Exemption rules

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

Heek, March 28, 2024

Christian Grotholt
Management Board Chairman (CEO)

Ludger Holtkamp
Management Board Member

Friedrich Pehle
Management Board Member

Frank Grewe
Management Board Member

Consolidated statement of changes in fixed assets

	Cost						
	01/01/2023	Currency translation	Changes in scope of consolidation	Additions	Transfers	Disposals	31/12/2023
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets							
Purchased concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets	4,152,827.35	-831.42	0.00	250,699.45	8,372.00	2,790.30	4,408,277.08
Goodwill	10,129,509.81	0.00	4,577,357.14	550,801.22	0.00	0.00	15,257,668.17
Prepayments rendered	866,710.07	0.00	0.00	1,551,559.48	-8,372.00	0.00	2,409,897.55
	15,149,047.23	**-831.42**	**4,577,357.14**	**2,353,060.15**	**0.00**	**2,790.30**	**22,075,842.80**
Tangible fixed assets							
Land, land rights and buildings, including buildings on third-pary land	18,573,334.53	-6,158.55	0.00	1,539,867.02	0.00	0.00	20,107,043.00
Plants and machinery	2,711,528.77	-3,892.27	0.00	82,669.37	0.00	4,930.81	2,785,375.06
Other factory and office equipments	29,464,110.48	-37,801.24	38,288.67	4,412,866.78	139,099.21	1,805,267.94	32,211,295.96
Prepayments rendered and plants under construction	195,889.96	0.00	0.00	722,566.84	-139,099.21	23,988.00	755,369.59
	50,944,863.74	**-47,852.06**	**38,288.67**	**6,757,970.01**	**0.00**	**1,834,186.75**	**55,859,083.61**
Financial fixed assets							
Participating interests in associated companies	91,319.86	0.00	0.00	84,375.00	0.00	72,348.71	103,346.15
Other participating interests	10,000.00	0.00	0.00	0.00	0.00	0.00	10,000.00
	101,319.86	**0.00**	**0.00**	**84,375.00**	**0.00**	**72,348.71**	**113,346.15**
Total	**66,195,230.83**	**-48,683.48**	**4,615,645.81**	**9,195,405.16**	**0.00**	**1,909,325.76**	**78,048,272.56**

Depreciation and amortization						Book value	
01/01/2023	Currency translation	Changes in scope of consolidation	Additions	Disposals	31/12/2023	31/12/2023	31/12/2022
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
3,003,452.54	-767.43	0.00	417,641.65	2,787.30	3,417,539.46	990,737.62	1,149,374.81
7,137,986.02	0.00	0.00	1,256,362.65	0.00	8,394,348.67	6,863,319.50	2,991,523.79
0.00	0.00	0.00	0.00	0.00	0.00	2,409,897.55	866,710.07
10,141,438.56	**-767.43**	**0.00**	**1,674,004.30**	**2,787.30**	**11,811,888.13**	**10,263,954.67**	**5,007,608.67**
3,836,986.35	-997.75	0.00	1,493,475.30	0.00	5,329,463.90	14,777,579.10	14,736,348.18
1,717,664.59	-4,604.56	0.00	152,378.26	5,014.54	1,860,423.75	924,951.31	993,864.18
18,606,134.80	-40,907.50	1,198.40	3,337,999.93	1,597,500.21	20,306,925.42	11,904,370.54	10,857,975.68
0.00	0.00	0.00	0.00	0.00	0.00	755,369.59	195,889.96
24,160,785.74	**-46,509.81**	**1,198.40**	**4,983,853.49**	**1,602,514.75**	**27,496,813.07**	**28,362,270.54**	**26,784,078.00**
0.00	0.00	0.00	0.00	0.00	0.00	103,346.15	91,319.86
0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**113,346.15**	**101,319.86**
34,302,224.30	**-47,277.24**	**1,198.40**	**6,657,857.79**	**1,605,302.05**	**39,308,701.20**	**38,739,571.36**	**31,893,006.53**

Consolidated cash flow statement

		01/01/ to 31/12/2023	01/01/ to 31/12/2022
		EUR	EUR
	Consolidated profit for the year	**17,988,361.32**	**16,371,848.84**
+	Taxes on income	9,086,439.89	7,083,291.37
+	Interest and similar expenses	620,675.06	383,939.72
-	Other interest and similar income	-54,958.49	-79,516.46
-	Income of exceptional magnitude or exceptional significance	0.00	-1,797,790.00
=	**Earnings before interest and tax (EBIT)***	**27,640,517.78**	**21,961,773.47**
+	Depreciation and amortization applied to tangible and intangible fixed assets	6,657,857.79	4,672,085.72
=	**Earnings before interest, tax, depreciation and amortization (EBITDA)***	**34,298,375.57**	**26,633,859.19**
±	Change in raw materials and supplies	3,353,152.62	-12,994,677.02
±	Change in work in progress	-5,247,582.02	-25,726,214.12
±	Change in prepayments rendered on inventory	3,917,537.95	-1,490,920.75
±	Change in prepayments received for orders	-13,172,097.93	23,008,929.31
±	Change in trade receivables	-1,192,807.42	-13,446,878.23
±	Change in trade payables	-3,937,253.45	8,905,726.04
±	**Cash flow from change in operative net working capital***	**-16,279,050.25**	**-21,744,034.77**
±	Change in other provisions	-1,500,717.77	3,360,455.58
±	Change in other assets and assets that are not allocable to investing or financing activities	-1,309,829.54	-315,343.31
±	Change in other liablities and liabilities that are not allocable to investing or financing activities	2,561,356.21	1,100,480.28
±	Gain from fixed asset disposals	-4,054.02	-52,564.22
-	Result from associated companies	72,348.71	89,403.24
±	Income tax payments	-6,114,421.23	-4,090,285.25
=	**Cash flow from operating activities**	**11,724,007.68**	**4,981,970.74**

		01/01/ to 31/12/2023	01/01/ to 31/12/2022
		EUR	EUR
-	Payments for investments in intangible fixed assets	-1,430,097.96	-1,168,336.80
+	Proceeds from fixed asset disposals	235,729.02	477,851.28
-	Payments for investments in tangible fixed assets	-6,728,807.54	-8,201,534.91
-	Payments for investments in financial fixed assets	-28,125.00	-180,723.10
-	Payments for acquisition of consolidated companies	-3,484,830.75	-755,935.76
+	Interest received	54,958.49	79,516.46
=	**Cash flow from investing activities**	**-11,381,173.74**	**-9,749,162.83**
+	Proceeds from raising of loans	4,420,290.19	3,123,062.00
-	Outgoing payments for redemption of loans	-2,500,463.45	-2,113,544.33
-	Interest paid	-620,675.06	-383,939.72
-	Dividends paid to parent company shareholders	-2,511,600.00	-2,242,500.00
=	**Cash flow from financing activities**	**-1,212,448.32**	**-1,616,922.05**
=	**Net change in cash and cash equivalents**	**-869,614.38**	**-6,384,114.14**
±	Currency-related change in cash and cash equivalents	-99,845.49	-40,884.23
+	Cash and cash equivalents at start of period	13,252,026.95	19,677,025.32
=	**Cash and cash equivalents at end of period**	**12,282,567.08**	**13,252,026.95**

* Rounding differences may occur

	31/12/2023	31/12/2022
	EUR	EUR
Composition of cash and cash equivalents		
Cash in hand, bank balances	12,565,221.34	13,481,864.70
Short-term bank borrowings	-282,654.26	-229,837.75
	12,282,567.08	**13,252,026.95**

Consolidated statement of changes in equity

	Parent company				
	Subscribed share capital	Capital reserves	Other retained earnings	Equity difference from currency translation	Consolidated net income attributable to the parent company
	EUR	EUR	EUR	EUR	EUR
Balance on 01/01/2022	**4,485,000.00**	**16,438,300.00**	**62,501,574.95**	**-686,105.05**	**11,823,969.13**
Capital increase	13,455,000.00	-13,455,000.00	0.00	0.00	0.00
Allocation of retained earnings	0.00	0.00	6,917,372.33	0.00	-6,917,372.33
Currency translation	0.00	0.00	0.00	-54,623.82	0.00
Dividends	0.00	0.00	0.00	0.00	-2,242,500.00
Consolidated profit for the year	0.00	0.00	0.00	0.00	16,385,904.68
Balance on 31/12/2022	**17,940,000.00**	**2,983,300.00**	**69,418,947.28**	**-740,728.87**	**19,050,001.48**
Balance on 01/01/2023	**17,940,000.00**	**2,983,300.00**	**69,418,947.28**	**-740,728.87**	**19,050,001.48**
Allocation of retained earnings	0.00	0.00	9,923,235.77	0.00	-9,923,235.77
Currency translation	0.00	0.00	0.00	-101,251.73	0.00
Dividends	0.00	0.00	0.00	0.00	-2,511,600.00
Consolidated profit for the year	0.00	0.00	0.00	0.00	17,949,784.36
Balance on 31/12/2023	**17,940,000.00**	**2,983,300.00**	**79,342,183.05**	**-841,980.60**	**24,564,950.07**

	Minority interests			Consolidated equity
Total	Minority interests before equity differences from currency translation and profit	Profit/loss attributable to other shareholders	Total	
EUR	EUR	EUR	EUR	EUR
94,562,739.03	**300.60**	**-22,742.91**	**-22,442.31**	**94,540,296.72**
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
-54,623.82	0.00	0.00	0.00	-54,623.82
-2,242,500.00	0.00	0.00	0.00	-2,242,500.00
16,385,904.68	0.00	-14,055.84	-14,055.84	16,371,848.84
108,651,519.89	**300.60**	**-36,798.75**	**-36,498.15**	**108,615,021.74**
108,651,519.89	**300.60**	**-36,798.75**	**-36,498.15**	**108,615,021.74**
0.00	0.00	0.00	0.00	0.00
-101,251.73	0.00	0.00	0.00	-101,251.73
-2,511,600.00	0.00	0.00	0.00	-2,511,600.00
17,949,784.36	0.00	38,576.96	38,576.96	17,988,361.32
123,988,452.52	**300.60**	**1,778.21**	**2,078.81**	**123,990,531.33**

Independent Auditor’s Report

To 2G Energy AG, Heek

Audit Opinions

We have audited the consolidated financial statements of 2G Energy AG, Heek, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of 2G Energy AG for the financial year from 1 January to 31 December 2023.

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

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles, and

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

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

Basis for the Audit Opinions

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

Other Information

The executive directors are responsible for the other information.

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

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

In connection with our audit, our responsibility is to read the other information mentioned above – as soon as they are available – and, in so doing, to consider whether the other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Osnabrück, March 28, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Achim Lienau	ppa. Stefan Vox
German Public Auditor	German Public Auditor

Colophon

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Design and layout
Werbeagentur Holl GmbH & Co. KG
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Translation
Baker & Company Language Solutions
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