Serenergy A/S

Lyngvej 8, 9000 Aalborg

Company reg. no. 29 61 66 47

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 25 June 2019.

Nikolaus Josef Benz
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Serenergy A/S for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2018, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Aalborg, 25 June 2019

Managing Director

Roland Fischer

Board of directors

Nikolaus Josef Benz	Jochen Baurmeister	Roland Fischer

Independent auditor's report

To the shareholders of Serenergy A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of Serenergy A/S for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2018 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 1 in the financial statements, which describes the uncertainty regarding a large customer. Our conclusion is not modified regarding this matter.

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and the company’s ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s and the company’s internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group’s and the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. 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 and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management’s review and in that connection consider whether the management’s review is materially inconsistent with the consolidated annual accounts or the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts and the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Aalborg, 25 June 2019

Redmark
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Alex Hoffmann Kristensen	Johny Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne33705	mne32798

Company data

The company	Serenergy A/S Lyngvej 8 9000 Aalborg	
	Phone	+4588807040
	Web site	www.serenergy.com
	Company reg. no.	29 61 66 47
	Established:	9 June 2006
	Domicile:	Aalborg
	Financial year:	1 January - 31 December
Board of directors	Nikolaus Josef Benz Jochen Baurmeister Roland Fischer	
Managing Director	Roland Fischer	
Auditors	Redmark Statsautoriseret Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Bankers	Jutlander Bank Spar Nord Bank	
Subsidiaries	SerEnergy Pvt. Ltd, India, Mumbai, India SerEnergy (Shanghai) Co., Ltd., China SerEnergy (Philippines) Inc., Philippines	

Consolidated financial highlights

DKK in thousands.	2018	2017	2016	2015	2014
Profit and loss account:					
Gross profit	88.710	-56.657	-36.962	-6.706	2.271
Results from operating activities	41.532	-92.541	-69.707	-30.124	-13.560
Net financials	-8.473	-3.063	-448	-1.048	-618
Results for the year	29.713	-90.026	-65.459	-26.091	-14.582
Balance sheet:					
Balance sheet sum	204.780	109.451	96.094	47.909	31.458
Investments in tangible fixed assets represent	12.973	6.169	9.683	3.037	150
Equity	-37.345	-66.282	24.031	28.412	4.960
Cash flow:					
Operating activities	2.175	3.422	-41.256	-53.338	N/A
Investment activities	-9.322	-10.923	-10.646	-3.037	-314
Financing activities	-7.450	6.370	61.079	49.543	N/A
Cash flow in total	-14.596	-1.131	9.177	-6.832	N/A
Employees:					
Average number of full time employees	89	98	71	39	28
Key figures in %:					
Solvency ratio			25,0	59,3	15,8

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management's review

The principal activities of the group

In conformity with earlier years the main activity has consisted of development and production of fuel cells and related systems.

Development in activities and financial matters

The gross profit for the year is DKK 80,3m against DKK -56,2m last year. The results from ordinary activities after tax are DKK 29,7m against DKK -90,0m last year. The management consider the results satisfactory.

The company has lost its equity. The management is aware of the capital loss rules in §119 of the Danish Companies Act. Equity is expected to be re-established via future earnings or by capital injection.

The activities and financial matters of the company were affected by a number of major issues in 2018: restructuring of the company, outstanding receivables from large costumer and legal proceedings with a customer.

Restructuring of the company

In March 2018, the Board of Directors and the owners of Serenergy A/S decided to carry out substantial changes in the overall corporate company strategy to prepare the organization in the best way to handle the tasks Serenergy faces in the following years by initiating a project to plan and execute a restructuring of the company.

On April 5, Nikolaus Benz entered in the position as Chairman of Serenergy's board of directors, taking over from Ejler Holm.

At the end of April, the executives of Serenergy, Anders Korsgaard and Mads Bang, chose to resign from their positions at their own request and for personal reasons. Roland Fischer, board member and representative of the owner-family, was registered as interim CEO on 10 May 2018.

Restructuring was begun on 15 May 2018 and included various measures to reduce the scope of work and costs of the company. The company decided to focus primarily upon the stationary application market, i.e. power supply and backup power for telecommunications towers.

The major activities of the restructuring were completed by 1 October 2018.

Uncertainties concerning outstanding receivables

In 2018, two large orders were placed by a telecommunications company for the delivery of fuel cell units. Due to numerous administrative delays and negotiations, the first two sets due of payments (down payment and delivery to warehouse), have not yet been paid. This issue has focused management attention, and payment of amounts due is expected in June 2019.

Outstanding Receivables and Legal Dispute with Lange Research Aircraft GmbH

Serenergy currently has outstanding receivables from Lange Research Aircraft GmbH originating from the Contract for Development and Supply of Fuel Cell Systems dated 21 June 2016. After drawn out and unsuccessful negotiations in 2018, Serenergy filed suit against Lange Research Aircraft on 29 March 2019, claiming for immediate payment.

Special risks

The Company's main risks lie with the fulfilment of the targets set in the Cost and Quality Roadmap, successful implementation of the market access strategy, liquidity due to delays in customer payments, and the pending legal issues with Lange Research Aircraft.

Environmental issues

The company has only a limited effect on the external environment, and no special measures have been made to prevent or reduce any damage. The company's products will have a positive impact on the environment and will reduce carbon dioxide emissions.

Know how resources

The qualifications and know-how of the employees in the company is a key competitive factor for Serenergy. These resources are maintained and improved through targeted internal and external development activities.

Research and development activities

Research and development has been the core of the company since the formation in 2006. In the financial year the development projects have been focused on improving and optimizing the performance of the fuel cells and related systems.

Branches abroad

During 2018, Serenergy established a new branch office in Oslo, Norway. Both this office and the existing branch office in Indonesia were closed during the restructuring.

The expected development

In October 2018, the Board of Directors approved the business plan for the company for the coming years, including a Cost and Quality roadmap for 2019-2021, which foresees continued development activities at Serenergy A/S, a pilot production setup and industrialization & ramp up for serial production at the affiliated company fischer Eco Solutions GmbH.

Management's review

Events subsequent to the financial year

The DPS-SPV ApS bankruptcy case has been proceeding, and the curator has sold the company’s assets, some of which were sold to Serenegy A/S. Regarding the legal proceedings against Lange Research Aircraft GmbH, the suit was filed with the court in Zweibrücken in March, and the court informed Lange Research Aircraft of the suit in May 2019.

Due to the new setup of business transaction the management expect a small profit for 2019.

Profit and loss account 1 January - 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Gross profit	**88.709.745**	**-56.657**	**80.251.794**	**-56.214**
3	Staff costs	-33.616.685	-29.892	-23.716.666	-20.818
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-10.724.104	-5.992	-2.937.066	-1.629
	Other operating costs	-2.836.695	0	-2.836.695	0
	Operating profit	**41.532.261**	**-92.541**	**50.761.367**	**-78.661**
	Income from equity investments in group enterprises	0	0	1.645.029	-2.561
	Other financial income from group enterprises	0	0	0	642
	Other financial income	18.544	291	3.585	200
	Writedown relating to financial assets	-1.150.055	0	-11.725.347	-11.569
4	Other financial costs	-7.341.104	-3.354	-7.300.430	-3.334
	Results before tax	**33.059.646**	**-95.604**	**33.384.204**	**-95.283**
	Tax on ordinary results	-3.346.482	5.578	-3.671.040	5.257
5	**Results for the year**	**29.713.164**	**-90.026**	**29.713.164**	**-90.026**

Balance sheet 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Assets

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Fixed assets				
6	Acquired rights and technology	0	11.525	0	0
7	Goodwill	0	3.842	0	0
	Intangible fixed assets in total	0	15.367	0	0
8	Land and property	8.699.452	8.238	8.699.452	8.238
9	Production plant and machinery	4.285.544	299	4.285.544	299
10	Other plants, operating assets, and fixtures and furniture	3.936.250	11.361	3.749.049	6.962
11	Tangible assets under construction and prepayments for tangible assets	1.432.758	8.342	1.432.758	8.342
	Tangible fixed assets in total	18.354.004	28.240	18.166.803	23.841
12	Equity investments in group enterprises	0	0	1.288.474	20.186
13	Amounts owed by group enterprises	0	0	0	7.685
14	Other securities and equity investments	260.860	0	260.860	0
15	Deposits	525.204	661	525.204	567
	Financial fixed assets in total	786.064	661	2.074.538	28.438
	Fixed assets in total	**19.140.068**	**44.268**	**20.241.341**	**52.279**

Balance sheet 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Assets

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Current assets				
	Raw materials and consumables	6.734.699	25.448	6.734.699	21.314
	Work in progress	0	295	0	295
	Manufactured goods and trade goods	10.469.891	478	10.446.744	4.611
	Prepayments for goods	204.718	1.802	199.488	1.802
	Inventories in total	17.409.308	28.023	17.380.931	28.022
	Trade debtors	24.265.653	6.102	24.265.653	5.521
	Amounts owed by group enterprises	139.644.609	0	139.712.220	0
	Receivable corporate tax	0	5.574	0	5.257
	Other debtors	2.242.697	8.075	2.058.465	4.051
16	Accrued income and deferred expenses	311.140	398	311.140	386
	Debtors in total	166.464.099	20.149	166.347.478	15.215
	Other securities and equity investments	0	649	0	0
	Securities in total	0	649	0	0
	Available funds	1.766.390	16.362	680.725	11.666
	Current assets in total	**185.639.797**	**65.183**	**184.409.134**	**54.903**
	Assets in total	**204.779.865**	**109.451**	**204.650.475**	**107.182**

Balance sheet 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Equity and liabilities

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Equity				
	Contributed capital	3.303.040	3.303	3.303.040	3.303
	Results brought forward	-40.648.041	-69.586	-40.648.041	-69.586
	Equity in total	**-37.345.001**	**-66.283**	**-37.345.001**	**-66.283**
	Provisions				
17	Provisions for deferred tax	0	4	0	0
18	Other provisions	4.885.509	1.435	4.885.509	1.435
	Provisions in total	**4.885.509**	**1.439**	**4.885.509**	**1.435**
	Liabilities				
	Bank debts	0	6.640	0	6.640
	Prepayments received from customers	686.358	881	686.358	881
	Trade creditors	4.135.076	12.673	4.135.076	12.245
	Debt to group enterprises	224.536.665	126.936	224.536.665	127.405
	Corporate tax	3.752.619	0	3.750.582	0
	Other debts	4.128.639	27.165	4.001.286	24.859
	Short-term liabilities in total	237.239.357	174.295	237.109.967	172.030
	Liabilities in total	**237.239.357**	**174.295**	**237.109.967**	**172.030**
	Equity and liabilities in total	**204.779.865**	**109.451**	**204.650.475**	**107.182**

1 **Uncertainties concerning outstanding receivables**
2 **Special items**
19 **Mortgage and securities**
20 **Contingencies**
21 **Related parties**

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2018	3.303	-69.585	-66.282
Profit or loss for the year brought forward	0	29.713	29.713
Adjustment exchange currency Equity investments	0	34	34
Other adjustment concerning equity investments	0	-810	-810
	3.303	**-40.648**	**-37.345**

Statement of changes in equity of the parent enterprise

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2018	3.303	-69.585	-66.282
Profit or loss for the year brought forward	0	29.713	29.713
Adjustment exchange currency Equity investments	0	34	34
Other adjustment concerning equity investments	0	-810	-810
	3.303	**-40.648**	**-37.345**

Cash flow statement 1 January - 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Note		Group 2018	2017
	Results for the year	29.713.164	-90.026
22	Adjustments	28.830.774	2.280
23	Change in working capital	-54.624.255	89.680
	Cash flow from operating activities before net financials	3.919.683	1.934
	Interest received and similar amounts	18.543	177
	Interest paid and similar amounts	-7.341.104	-3.354
	Cash flow from ordinary activities	-3.402.878	-1.243
	Corporate tax paid	5.578.078	4.665
	Cash flow from operating activities	**2.175.200**	**3.422**
	Purchase of tangible fixed assets	-13.072.987	-10.923
	Sale of tangible fixed assets	3.751.200	0
	Cash flow from investment activities	**-9.321.787**	**-10.923**
	Dividend paid	-810.000	-270
	Change in short-term bank facilities	-6.639.802	6.640
	Cash flow from financing activities	**-7.449.802**	**6.370**
	Changes in available funds	**-14.596.389**	**-1.131**
	Available funds opening balance	16.362.779	17.494
	Available funds closing balance	**1.766.390**	**16.363**
	Available funds		
	Available funds	1.766.390	16.363
	Available funds closing balance	**1.766.390**	**16.363**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

1. Uncertainties concerning outstanding receivables

In 2018, two large orders were placed by a large customer for the delivery of fuel cell units, valued at a total of 3,6 million EUR (26,9 millon DKK). These orders were subject to pre-negotiated and rather unfavorable payment conditions. Due to numerous administrative delays and negotiations, the first two sets due of payments (down payment and delivery to warehouse), have not yet been paid. This issue has focused management attention, and payment of amounts due is expected in June 2019. Due to these circumstances there are uncertainties related to the assesment of outstanding recieveables valued at 3,1 million EUR (23,2 million DKK).

2. Special items

Special items include significant income and expenses of a special nature in proportion to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any gains and losses related and which over time have a significant impact. Special items also include other significant amounts of non-recurring nature.

As mentioned in the management's review, the results for the year are affected by a number of factors that differ from what the management consider a part of the operating profit.

Special items for the year are specified below, showing where these are recognised in the income profit and loss account.

	Group		Parent enterprise	
	2018	2017	2018	2017
Income:				
Reversal of writedown of current assets	8.118.082	0	0	0
Intercompany sales of rights	68.746.206	0	68.746.206	0
	76.864.288	0	68.746.206	0
Special items are recognised in the following items in the annual accounts:				
Gross profit	76.864.288	0	68.746.206	0
Results of special items, net	**76.864.288**	**0**	**68.746.206**	**0**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		Group		Parent enterprise	
		2018	2017	2018	2017
3.	**Staff costs**				
	Salaries and wages	29.058.869	24.438	19.641.444	15.253
	Pension costs	2.866.517	2.908	2.540.267	2.544
	Other costs for social security	858.515	746	702.171	607
	Other staff costs	832.784	1.800	832.784	2.414
		33.616.685	**29.892**	**23.716.666**	**20.818**
	Average number of employees	89	98	71	78
4.	**Other financial costs**				
	Financial costs, group enterprises	6.473.152	3.263	6.473.152	3.263
	Other financial costs	867.952	91	827.278	71
		7.341.104	**3.354**	**7.300.430**	**3.334**
5.	**Proposed distribution of the results**				
	Allocated to results brought forward			29.713.164	0
	Allocated from results brought forward			0	-90.026
	Distribution in total			**29.713.164**	**-90.026**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
6.	**Acquired rights and technology**				
	Cost opening balance	16.813.692	16.814	2.317.201	2.317
	Disposals concerning company transfer	-14.496.491	0	0	0
	Cost closing balance	**2.317.201**	**16.814**	**2.317.201**	**2.317**
	Amortisation and writedown opening balance	-5.288.980	-2.390	-2.317.201	-2.317
	Depreciation, amortisation and writedown for the year	0	-2.899	0	0
	Depreciation, amortisation and writedown for the year, assets disposed of	-2.899.298	0	0	0
	Depreciation, amortisation and writedown, assets disposed of	5.871.077	0	0	0
	Amortisation and writedown closing balance	**-2.317.201**	**-5.289**	**-2.317.201**	**-2.317**
	Book value closing balance	**0**	**11.525**	**0**	**0**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
7.	**Goodwill**				
	Cost opening balance	4.832.165	4.832	0	0
	Disposals concerning company transfer	-4.832.165	0	0	0
	Cost closing balance	**0**	**4.832**	**0**	**0**
	Amortisation and writedown opening balance	-990.594	-24	0	0
	Depreciation, amortisation and writedown for the year	0	-966	0	0
	Depreciation, amortisation and writedown for the year, assets disposed of	-966.433	0	0	0
	Depreciation, amortisation and writedown, assets disposed of	1.957.027	0	0	0
	Amortisation and writedown closing balance	**0**	**-990**	**0**	**0**
	Book value closing balance	**0**	**3.842**	**0**	**0**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
8.	**Land and property**				
	Cost opening balance	8.929.362	8.929	8.929.362	8.929
	Additions during the year	674.567	0	674.567	0
	Cost closing balance	**9.603.929**	**8.929**	**9.603.929**	**8.929**
	Depreciation and writedown opening balance	-691.643	-491	-691.643	-491
	Depreciation, amortisation and writedown for the year	-212.834	-200	-212.834	-200
	Depreciation and writedown closing balance	**-904.477**	**-691**	**-904.477**	**-691**
	Book value closing balance	**8.699.452**	**8.238**	**8.699.452**	**8.238**
9.	**Production plant and machinery**				
	Cost opening balance	570.969	242	570.969	242
	Additions during the year	8.643.885	329	8.643.885	329
	Disposals during the year	-3.637.651	0	-3.637.651	0
	Cost closing balance	**5.577.203**	**571**	**5.577.203**	**571**
	Depreciation and writedown opening balance	-272.842	-177	-272.842	-177
	Depreciation, amortisation and writedown for the year	-1.018.817	-95	-1.018.817	-95
	Depreciation and writedown closing balance	**-1.291.659**	**-272**	**-1.291.659**	**-272**
	Book value closing balance	**4.285.544**	**299**	**4.285.544**	**299**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
10. Other plants, operating assets, and fixtures and furniture				
Cost opening balance	14.095.546	6.062	9.147.496	5.871
Additions during the year	1.542.846	8.034	1.443.254	3.277
Disposals during the year	-9.260.374	0	-4.399.931	0
Cost closing balance	**6.378.018**	**14.096**	**6.190.819**	**9.148**
Depreciation and writedown opening balance	-2.734.998	-916	-2.186.043	-852
Depreciation, amortisation and writedown for the year	-1.708.038	-1.819	-1.705.414	-1.334
Depreciation, amortisation and writedown, assets disposed of	2.001.268	0	1.449.687	0
Depreciation and writedown closing balance	**-2.441.768**	**-2.735**	**-2.441.770**	**-2.186**
Book value closing balance	**3.936.250**	**11.361**	**3.749.049**	**6.962**

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
11. Tangible assets under construction and prepayments for tangible assets				
Cost opening balance	8.341.907	5.779	8.341.907	5.779
Additions during the year	2.211.689	2.563	2.211.689	2.563
Transfers	-9.120.838	0	-9.120.838	0
Cost closing balance	**1.432.758**	**8.342**	**1.432.758**	**8.342**
Book value closing balance	**1.432.758**	**8.342**	**1.432.758**	**8.342**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
12. Equity investments in group enterprises				
Acquisition sum, opening balance opening balance	0	0	23.143.780	23.159
Exchange rate adjustments at rate valid on balance sheet date	0	0	34.084	-15
Additions during the year	0	0	2.550.403	0
Disposals during the year	0	0	-23.046.580	0
Cost closing balance	**0**	**0**	**2.681.687**	**23.144**
Revaluations, opening balance opening balance	0	0	1.008.038	3
Exchange rate adjustments at rate valid on balance sheet date	0	0	162	0
Results for the year before goodwill amortisation	0	0	-2.607.323	1.305
Reversal of prior revaluations	0	0	1.105.910	0
Dividend	0	0	-900.000	-300
Revaluation closing balance	**0**	**0**	**-1.393.213**	**1.008**
Amortisation of goodwill, opening balance opening balance	0	0	-3.965.786	-97
Exchange rate adjustments at rate valid on balance sheet date	0	0	0	-3
Amortisation of goodwill for the year	0	0	-3.865.731	-3.866
Reversal of amortisation of goodwill concerning disposals	0	0	7.831.517	0
Depreciation on goodwill closing balance	**0**	**0**	**0**	**-3.966**
Book value closing balance	**0**	**0**	**1.288.474**	**20.186**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

The items include goodwill with an amount of	0	0	0	3.842

Group enterprises:

	Domicile	Share of ownership
SerEnergy Pvt. Ltd, India	Mumbai, India	100 %
SerEnergy (Shanghai) Co., Ltd.	China	100 %
SerEnergy (Philippines) Inc.	Philippines	100 %

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
13. Amounts owed by group enterprises				
Cost opening balance	0	0	19.254.373	1.856
Additions during the year	0	0	2.800.000	17.398
Cost closing balance	**0**	**0**	**22.054.373**	**19.254**
Writedown opening balance	0	0	-11.569.081	0
Writedown for the year	0	0	-10.485.292	-11.569
Writedown closing balance	**0**	**0**	**-22.054.373**	**-11.569**
Book value closing balance	**0**	**0**	**0**	**7.685**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
14.	**Other securities and equity investments**				
	Additions during the year	1.410.915	0	1.410.915	0
	Cost closing balance	**1.410.915**	**0**	**1.410.915**	**0**
	Writedown for the year	-1.150.055	0	-1.150.055	0
	Nedskrivninger closing balance	**-1.150.055**	**0**	**-1.150.055**	**0**
	Book value closing balance	**260.860**	**0**	**260.860**	**0**
15.	**Deposits**				
	Cost opening balance	660.528	494	566.828	567
	Additions during the year	0	167	0	0
	Disposals during the year	-135.324	0	-41.624	0
	Cost closing balance	**525.204**	**661**	**525.204**	**567**
	Book value closing balance	**525.204**	**661**	**525.204**	**567**
	Group and parent enterprise				
16.	**Accrued income and deferred expenses**				
	Other prepayments	311.140	398	311.140	386
		311.140	**398**	**311.140**	**386**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
17. Provisions for deferred tax				
Provisions for deferred tax opening balance	4.158	95	0	0
Deferred tax of the results for the year	-4.158	-91	0	0
	0	**4**	**0**	**0**
18. Other provisions				
Other provisions opening balance	1.434.631	2.537	1.434.631	2.537
Change of the year in other provisions	3.450.878	-1.102	3.450.878	-1.102
	4.885.509	**1.435**	**4.885.509**	**1.435**

19. Mortgage and securities

Mortage and securities for the parent enterprise

For bank debts, DKK 0, the company has provided security in company assets representing a nominal value of DKK 1.700.000. This security comprises the below assets, stating the book values:

Inventories	DKK 17.380.931
Receivable from sales and services	DKK 24.265.653
Other debtors	DKK 2.058.465
Other plants, operating assets, fixtures and furniture	DKK 3.749.049
Technical plants and machinery	DKK 4.285.544

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

19. Mortgage and securities (continued)

Mortage and securities for the group

For bank debts, DKK 0, the group has provided security in company assets representing a nominal value of DKK 1.700.000. This security comprises the below assets, stating the book values:

Inventories	DKK 17.380.931
Receivable from sales and services	DKK 24.265.653
Other debtors	DKK 2.058.465
Other plants, operating assets, fixtures and furniture	DKK 3.749.049
Technical plants and machinery	DKK 4.285.544

20. Contingencies

Contingent liabilities for the parent enterprise

Leasing liabilities:

The company has entered into operational leasing contracts with an average annual leasing payment of DKK 59.016. The leasing contracts have 40-45 months left to run, and the total outstanding leasing payment is DKK 206.884.

Rental liabilities:
The company has entered into rental contracts. The rental contracts are interminable until 6 mounth from 31 Dezember 2018 and until 1 November 2019. The total liability amounts to DKK 259.923.

Contigent liabilities for the group

Leasing liabilities:
In addition to financial leasing contracts, the group has entered into operational leasing contracts with an average annual leasing payment of DKK 59.016. The leasing contracts have 40-45 months left to run, and the total outstanding leasing payment is DKK 206.884.

Rental liabilities:
The group has entered into rental contracts. The rental contracts are interminable until 6 mounth from 31 December 2018 and until 1 November 2019. The total liability amounts to DKK 284.332.

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

21. Related parties

Controlling interest

F.E.R. Fischer Edelstahlrohre GmbH	Majority shareholder
Im Gewerbegebiet 7	
77855 Archern	
Germany	

	Group 2018	Group 2017
22. Adjustments		
Depreciation and amortisation	10.724.104	5.992
Loss from sale of fixed assets	2.836.695	0
Other financial income	-18.544	-291
Other financial costs	7.341.104	3.354
Tax on ordinary results	3.346.482	-5.578
Other provisions	3.450.878	-1.102
Other adjustments	1.150.055	-95
	28.830.774	**2.280**

23. Change in working capital

Change in inventories	10.613.040	-14.184
Change in debtors	-151.888.387	5.642
Change in trade creditors and other liabilities	86.651.092	98.222
	-54.624.255	**89.680**

Accounting policies used

The annual report for Serenergy A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

Changes in the accounting policies used

Due to use of incorrect accounting policies, the accounting policies have been changed in the following areas:

> During the financial year, the company reclassified short-term bank facilities in the cash flow statement due to a precise interpretation. Previously, bank facilities were presented as the part of the company's cash and cash equivalents, in the future they will be presented as part of the financing activity. The comparative figures for 2017 have been adjusted accordingly.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Serenergy A/S and those group enterprises of which Serenergy A/S directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Other operating costs

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including losses on disposal of intangible and tangible fixed assets.

Research and development costs

Research and development costs comprise costs, salaries and wages and depreciation directly or indirectly attributable to the consolidated research and development activities.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Accounting policies used

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Accounting policies used

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	Useful life	*Residual value*
Buildings	*30 years*	*20 %*
Technical plants and machinery	*5-10 years*	*0-20 %*
Other plants, operating assets, fixtures and furniture	*3-5 years*	*0-20 %*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Leasing contracts

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Accounting policies used

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax assets, including the tax value of tax losses eligible for carry?over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set?off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the group.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

Accounting policies used

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.