Serenergy A/S

Lyngvej 8, 9000 Aalborg

Company reg. no. 29 61 66 47

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 19 June 2018.

Joseph Kristensen
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 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 2017.

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 as on 31 December 2017, 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 2017.

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, 19 June 2018

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

Auditor's report on the consolidated annual accounts and the annual accounts

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 2017, 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 2017 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 2017 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.

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 and 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 or 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.

Infringement of the Companies Act's provisions on capital losses

The company has lost more than half of the share capital. The management has not within the limits of the Danish Companies Act ensured that a general meeting has been held, and explain the company's financial position to the shareholders and if necessary proposed appropriate measures to be taken, whereby the management can incur liability.

Aalborg, 19 June 2018

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

Alex Hoffmann Kristensen
State Authorised Public Accountant
MNE-nr. 33705

Company data

The company	Serenergy A/S	
	Lyngvej 8	
	9000 Aalborg	
	Phone	+45 88 80 70 40
	Web site	www.serenergy.com
	Company reg. no.	29 61 66 47
	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	
Parent company	F.E.R. fischer Edelstahlrohre GmbH	
Subsidiaries	Serenergy Pvt. Ltd, India, Mumbai, India	
	Danish Power Systems ApS, Kvistgaard, Denmark	
	SerEnergy (Shanghai) Co., Ltd., China	

Consolidated financial highlights

DKK in thousands.	2017	2016	2015	2014	2013
Profit and loss account:					
Gross profit	-56.657	-36.962	-6.706	2.271	791
Results from operating activities	-92.542	-69.707	-30.124	-13.560	18
Net financials	-3.063	-448	-1.048	-618	-159
Results for the year	-90.026	-65.459	-26.091	-14.582	136
Balance sheet:					
Balance sheet sum	109.449	96.094	47.909	31.458	29.600
Equity	-66.282	24.031	28.412	4.960	4.542
Cash flow:					
Investment activities	-10.927	-10.646	-3.037	-314	-476
Employees:					
Average number of full time employees	98	71	39	28	29
Key figures in %:					
Solvency ratio	-60,6	25,0	59,3	15,8	15,3

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

The key figures appearing from the survey have been calculated as follows:

Equity share $$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$$

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 hereby related systems.

Development in activities and financial matters
The company has made substantial investments in R&D and commercial expansion in the financial year as planned. A part of the investments has been made in production facilities and subsidiaries in line with the company's growth strategy. Profit after tax amounted to DKK 90 mio.

Special risks
The company's main risks are linked to the operating risk of successfully developing state-of-the-art fuel cells and hereby related systems. It is therefore important for the company to be a first mover of the technological development.

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.

The expected development
The company's expected development is described in more detail in the following section. Restructuring will lead to a gradual reduction the company's running costs over the rest of 2018, but losses are still expected.

Management's review

Events subsequent to the financial year

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. SerEnergy will withdraw from several activities to focus on product development, cost optimization and key customers. This leads to a reduction in staff at the headquarters in Aalborg, as well as an evaluation of several of the company's branches around the world. The restructuring is projected to cost ca. 10 million DKK including write-downs of assets and personnel-related expenses.

Serenergy A/S has prepared a forecasted cash flow and financing requirements for 2018. Its sole shareholder, F.E.R. fischer Edelstahlrohre GmbH, has given written confirmation of its intention to finance Serenergy A/S according to these requirements.

The Fischer Group has expressed its strong belief in Serenergy’s future and willingness to continue its support.

Branches abroad

The Group has, as of 2017, a branch office in Indonesia.

Profit and loss account 1 January - 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Gross loss	**-56.657.424**	**-36.962**	**-56.213.247**	**-55.219**
2	Staff costs	-29.892.134	-31.954	-20.817.583	-13.700
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-5.991.954	-778	-1.629.666	-682
	Other operating costs	0	-13	0	-13
	Operating profit	**-92.541.512**	**-69.707**	**-78.660.496**	**-69.614**
	Income from equity investments in group enterprises	0	0	-2.560.992	-93
	Other financial income from group enterprises	0	0	642.123	0
	Other financial income	291.093	0	199.337	0
	Writedown relating to financial assets	0	0	-11.569.081	0
3	Other financial costs	-3.353.680	-448	-3.333.956	-448
	Results before tax	**-95.604.099**	**-70.155**	**-95.283.065**	**-70.155**
	Tax on ordinary results	5.578.355	4.696	5.257.321	4.696
4	**Results for the year**	**-90.025.744**	**-65.459**	**-90.025.744**	**-65.459**

Balance sheet 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Assets

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Fixed assets				
5	Acquired rights and technology	11.524.712	14.424	0	0
6	Goodwill	3.841.571	4.808	0	0
	Intangible fixed assets in total	15.366.283	19.232	0	0
7	Land and property	8.237.719	8.437	8.237.719	8.437
8	Production plant and machinery	298.128	64	298.127	65
9	Other plants, operating assets, and fixtures and furniture	11.360.548	5.146	6.961.452	5.020
10	Tangible assets under construction and prepayments for tangible assets	8.341.907	5.779	8.341.907	5.779
	Tangible fixed assets in total	28.238.302	19.426	23.839.205	19.301
11	Equity investments in group enterprises	0	0	20.186.032	23.065
12	Amounts owed by group enterprises	0	0	7.685.292	1.856
13	Deposits	660.528	493	566.828	400
	Financial fixed assets in total	660.528	493	28.438.152	25.321
	Fixed assets in total	**44.265.113**	**39.151**	**52.277.357**	**44.622**

Balance sheet 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Assets

		Group		Parent enterprise	
Note		2017	2016	2017	2016
	Current assets				
	Raw materials and consumables	25.447.693	13.437	21.314.252	13.437
	Work in progress	294.503	0	294.503	0
	Manufactured goods and trade goods	477.773	0	4.611.213	0
	Prepayments for goods	1.802.379	401	1.802.379	401
	Inventories in total	28.022.348	13.838	28.022.347	13.838
	Trade debtors	6.102.226	10.178	5.521.185	7.785
	Amounts owed by group enterprises	0	0	0	887
	Receivable corporate tax	5.574.175	4.747	5.257.321	4.696
	Other debtors	8.074.561	10.000	4.050.250	8.510
14	Accrued income and deferred expenses	398.925	147	386.272	106
	Debtors in total	20.149.887	25.072	15.215.028	21.984
	Other securities and equity investments	649.289	539	0	0
	Securities in total	649.289	539	0	0
	Available funds	16.362.779	17.494	11.665.135	14.319
	Current assets in total	**65.184.303**	**56.943**	**54.902.510**	**50.141**
	Assets in total	**109.449.416**	**96.094**	**107.179.867**	**94.763**

Balance sheet 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Equity and liabilities

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Equity				
	Contributed capital	3.303.040	3.303	3.303.040	3.303
	Results brought forward	-69.585.449	20.728	-69.585.449	20.728
	Equity in total	**-66.282.409**	**24.031**	**-66.282.409**	**24.031**
	Provisions				
15	Provisions for deferred tax	4.158	94	0	0
16	Other provisions	1.434.631	2.537	1.434.631	2.537
	Provisions in total	**1.438.789**	**2.631**	**1.434.631**	**2.537**
	Liabilities				
	Bank debts	6.639.802	0	6.639.802	0
	Prepayments received from customers	880.587	0	880.587	0
	Trade creditors	12.673.111	12.308	12.244.673	12.263
	Debt to group enterprises	126.935.545	30.853	127.404.295	30.853
	Other debts	27.163.991	25.828	24.858.288	25.079
17	Accrued expenses and deferred income	0	443	0	0
	Short-term liabilities in total	174.293.036	69.432	172.027.645	68.195
	Liabilities in total	**174.293.036**	**69.432**	**172.027.645**	**68.195**
	Equity and liabilities in total	**109.449.416**	**96.094**	**107.179.867**	**94.763**

1 Uncertainties concerning the enterprise's ability to continue as a going concern
18 Mortgage and securities
19 Contingencies
20 Related parties

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2017	3.303	20.728	24.031
Profit or loss for the year brought forward	0	-90.025	-90.025
Adjustment exchange currency Equity investments	0	-18	-18
Other adjustments concerning Equity investments	0	-270	-270
	3.303	**-69.585**	**-66.282**

Statement of changes in equity of the parent enterprise

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2017	3.303	20.728	24.031
Profit or loss for the year brought forward	0	-90.026	-90.026
Adjustment exchange currency Equity investments	0	-18	-18
Other adjustments concerning Equity investments	0	-270	-270
	3.303	**-69.586**	**-66.283**

Cash flow statement 1 January - 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Note		Group 2017	2016
	Results for the year	-90.025.744	-65.459
21	Adjustments	2.279.112	-2.173
22	Change in working capital	89.679.874	24.177
	Cash flow from operating activities before net financials	1.933.242	-43.455
	Interest received and similar amounts	181.238	2
	Interest paid and similar amounts	-3.353.680	-448
	Cash flow from ordinary activities	-1.239.200	-43.901
	Corporate tax paid	4.665.393	2.646
	Cash flow from operating activities	**3.426.193**	**-41.255**
	Purchase of tangible fixed assets	-10.926.750	-9.570
	Purchase of financial instruments	0	-1.076
	Cash flow from investment activities	**-10.926.750**	**-10.646**
	Cash capital increase	0	61.079
	Dividend paid	-270.000	0
	Cash flow from financing activities	**-270.000**	**61.079**
	Changes in available funds	**-7.770.557**	**9.178**
	Available funds 1 January 2017	17.493.534	8.316
	Available funds 31 December 2017	**9.722.977**	**17.494**
	Available funds		
	Available funds	9.722.977	17.494
	Available funds 31 December 2017	**9.722.977**	**17.494**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

Serenergy A/S has prepared a forecasted cash flow and financing requirements for 2018. Its sole shareholder, F.E.R. fischer Edelstahlrohre GmbH, has given written confirmation of its intention to finance Serenergy A/S according to these requirements.

The Fischer Group has expressed its strong belief in Serenergy's future and willingness to continue its support.

	Group		Parent enterprise	
	2017	2016	2017	2016
2. Staff costs				
Salaries and wages	24.437.983	29.143	15.253.004	10.407
Pension costs	2.908.291	2.155	2.543.567	1.858
Other costs for social security	746.030	579	607.099	479
Other staff costs	1.799.830	77	2.413.913	956
	29.892.134	**31.954**	**20.817.583**	**13.700**
Average number of employees	98	71	78	59
3. Other financial costs				
Financial costs, group enterprises	3.263.035	436	3.263.035	436
Other financial costs	90.645	12	70.921	12
	3.353.680	**448**	**3.333.956**	**448**

4. Proposed distribution of the results

Allocated from results brought forward	-90.025.744	-65.459
Distribution in total	**-90.025.744**	**-65.459**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent enterprise	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
5.	**Acquired rights and technology**				
	Cost 1 January 2017	16.813.692	2.317	2.317.201	2.317
	Additions during the year	0	14.496	0	0
	Cost 31 December 2017	**16.813.692**	**16.813**	**2.317.201**	**2.317**
	Amortisation and writedown 1 January 2017	-2.389.682	-2.317	-2.317.201	-2.317
	Amortisation for the year	-2.899.298	-72	0	0
	Amortisation and writedown 31 December 2017	**-5.288.980**	**-2.389**	**-2.317.201**	**-2.317**
	Book value 31 December 2017	**11.524.712**	**14.424**	**0**	**0**
6.	**Goodwill**				
	Cost 1 January 2017	4.832.165	0	0	0
	Additions during the year	0	4.832	0	0
	Cost 31 December 2017	**4.832.165**	**4.832**	**0**	**0**
	Amortisation and writedown 1 January 2017	-24.161	0	0	0
	Amortisation for the year	-966.433	-24	0	0
	Amortisation and writedown 31 December 2017	**-990.594**	**-24**	**0**	**0**
	Book value 31 December 2017	**3.841.571**	**4.808**	**0**	**0**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent enterprise	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
7.	**Land and property**				
	Cost 1 January 2017	8.929.362	8.609	8.929.362	8.609
	Additions during the year	0	320	0	320
	Cost 31 December 2017	**8.929.362**	**8.929**	**8.929.362**	**8.929**
	Depreciation and writedown 1 January 2017	-491.478	-459	-491.478	-459
	Depreciation for the year	-200.165	-33	-200.165	-33
	Depreciation and writedown 31 December 2017	**-691.643**	**-492**	**-691.643**	**-492**
	Book value 31 December 2017	**8.237.719**	**8.437**	**8.237.719**	**8.437**
8.	**Production plant and machinery**				
	Cost 1 January 2017	241.846	476	241.846	477
	Additions during the year	329.123	63	329.123	63
	Disposals during the year	0	-298	0	-298
	Cost 31 December 2017	**570.969**	**241**	**570.969**	**242**
	Depreciation and writedown 1 January 2017	-177.437	-436	-177.438	-436
	Depreciation for the year	-95.404	-39	-95.404	-39
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	298	0	298
	Depreciation and writedown 31 December 2017	**-272.841**	**-177**	**-272.842**	**-177**
	Book value 31 December 2017	**298.128**	**64**	**298.127**	**65**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent enterprise	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
9.	**Other plants, operating assets, and fixtures and furniture**				
	Cost 1 January 2017	6.061.292	2.115	5.870.766	2.038
	Additions during the year	8.034.254	4.632	3.276.729	4.518
	Disposals during the year	0	-685	0	-685
	Cost 31 December 2017	**14.095.546**	**6.062**	**9.147.495**	**5.871**
	Depreciation and writedown 1 January 2017	-915.784	-1.093	-851.946	-1.051
	Depreciation for the year	-1.819.214	-496	-1.334.097	-473
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	673	0	673
	Depreciation and writedown 31 December 2017	**-2.734.998**	**-916**	**-2.186.043**	**-851**
	Book value 31 December 2017	**11.360.548**	**5.146**	**6.961.452**	**5.020**
10.	**Tangible assets under construction and prepayments for tangible assets**				
	Cost 1 January 2017	5.778.534	1.110	5.778.534	1.110
	Adjustment due to change of accounting policies	2.563.373	4.669	0	0
	Additions during the year	0	0	2.563.373	4.669
	Cost 31 December 2017	**8.341.907**	**5.779**	**8.341.907**	**5.779**
	Book value 31 December 2017	**8.341.907**	**5.779**	**8.341.907**	**5.779**

Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

		Group		Parent enterprise	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
11.	**Equity investments in group enterprises**				
	Acquisition sum, opening balance 1 January 2017	0	0	23.158.519	0
	Translation by use of the exchange rate valid on balance sheet date	0	0	-14.739	0
	Additions during the year	0	0	0	23.159
	Cost 31 December 2017	**0**	**0**	**23.143.780**	**23.159**
	Revaluations, opening balance 1 January 2017	0	0	3.299	0
	Results for the year before goodwill amortisation	0	0	1.304.739	3
	Dividend	0	0	-300.000	0
	Revaluation 31 December 2017	**0**	**0**	**1.008.038**	**3**
	Amortisation of goodwill, opening balance 1 January 2017	0	0	-96.643	0
	Translation by use of the exchange rate valid on balance sheet date	0	0	-3.412	0
	Amortisation of goodwill for the year	0	0	-3.865.731	-97
	Depreciation on goodwill 31 December 2017	**0**	**0**	**-3.965.786**	**-97**
	Book value 31 December 2017	**0**	**0**	**20.186.032**	**23.065**
	The items include goodwill with an amount of	0	0	3.841.570	4.808
	Goodwill is recognised under the item "Additions during the year" with an amount of	0	0	0	4.832

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Group enterprises:

	Domicile	Share of ownership
Serenergy Pvt. Ltd, India	Mumbai, India	100 %
Danish Power Systems ApS	Kvistgaard, Denmark	10 %
SerEnergy (Shanghai) Co., Ltd.	China	100 %

		Group		Parent enterprise	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
12.	**Amounts owed by group enterprises**				
	Cost 1 January 2017	0	0	1.856.075	1.856
	Additions during the year	0	0	17.398.298	0
	Cost 31 December 2017	**0**	**0**	**19.254.373**	**1.856**
	Writedowns during the year	0	0	-11.569.081	0
	Writedown 31 December 2017	**0**	**0**	**-11.569.081**	**0**
	Book value 31 December 2017	**0**	**0**	**7.685.292**	**1.856**
13.	**Deposits**				
	Cost 1 January 2017	493.700	493	566.828	400
	Additions during the year	166.828	0	0	0
	Cost 31 December 2017	**660.528**	**493**	**566.828**	**400**
	Book value 31 December 2017	**660.528**	**493**	**566.828**	**400**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

	Group		Parent enterprise	
	31/12 2017	31/12 2016	31/12 2017	31/12 2016
14. Accrued income and deferred expenses				
Other prepayments	398.925	147	386.272	106
	398.925	**147**	**386.272**	**106**
15. Provisions for deferred tax				
Provisions for deferred tax 1 January 2017	94.893	-25	0	0
Deferred tax of the results for the year	-90.735	119	0	0
	4.158	**94**	**0**	**0**
16. Other provisions				
Other provisions 1 January 2017	2.536.806	1.253	2.536.806	1.253
Change of the year in other provisions	-1.102.175	1.284	-1.102.175	1.284
	1.434.631	**2.537**	**1.434.631**	**2.537**
17. Accrued expenses and deferred income				
Prepayments/deferred income	0	443	0	0
	0	**443**	**0**	**0**

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

18. Mortgage and securities

Mortgage and securities for the parent enterprise

For bank debts, DKK 6.726.016, 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 28.022.348
Receivable from sales and services	DKK 5.521.185
Other debtors	DKK 10.335.966
Other plants, operating assets, fixtures and furniture	DKK 6.911.199
Technical plants and machinery	DKK 298.127

Also for bank debts, DKK 6.726.016, the company has provided security in land and property representing a nominal value of DKK 5.750.000. This book value of land and property is DKK 8.237.719.

For intercompany debts, DKK 126.936.454, the company has provided security in land and property representing a nominal value of DKK 5.750.000. This book value of land and property is DKK 8.237.719.

Mortgage and securities for the group

For bank debts, DKK 6.726.016, the group has provided security in assets representing a nominal value of DKK 1.700.000. This security comprises the below assets, stating the book values:

Inventories	DKK 28.022.348
Receivable from sales and services	DKK 5.521.185
Other debtors	DKK 10.335.966
Other plants, operating assets, fixtures and furniture	DKK 6.911.199
Technical plants and machinery	DKK 298.127

Also for bank debts, DKK 6.726.016, the group has provided security in land and property representing a nominal value of DKK 5.750.000. This book value of land and property is DKK 8.237.719.

For intercompany debts(foreign parent company), DKK 126.936.454, the company has provided security in land and property representing a nominal value of DKK 5.750.000. This book value of land and property is DKK 8.237.719.

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

19. Contingencies

Contingent liabilities

Contingent liabilities for the parent enterprise

Leasing liabilities:
In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of k.DKK 93. The leasing contracts have 45-54 months left to run, and the total outstanding leasing payment is k.DKK 389.

Rental liabilities:
The company has entered into rental contracts. The rental contracts are interminable until 6 mounth from 31 Dezember 2017 and until 1 November 2019. The total liability amounts to k.DKK 570.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0.

Contingent 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 k.DKK 93. The leasing contracts have 45-54 months left to run, and the total outstanding leasing payment is k.DKK 389.

Rental liabilities:
The group has entered into rental contracts. The rental contracts are interminable until 6 mounth from 31 Dezember 2017 and until 1 November 2019. The total liability amounts to k.DKK 758.

Notes

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

. **Contingencies (continued)**

Contingent liabilities (continued)

Joint taxation

The group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The group is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0.

20. Related parties

Controlling interest

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

	Group 2017	Group 2016
21. Adjustments		
Depreciation and amortisation	5.991.954	778
Loss from discontinued assets	0	13
Other financial income	-291.093	0
Other financial costs	3.353.680	448
Tax on ordinary results	-5.578.355	-4.696
Other provisions	-1.102.174	1.284
Other adjustments	-94.900	0
	2.279.112	**-2.173**
22. Change in working capital		
Change in inventories	-14.184.332	-6.132
Change in debtors	5.642.465	1.178
Change in trade creditors and other liabilities	98.221.741	29.131
	89.679.874	**24.177**

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).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

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.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

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.

Accounting policies used

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.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

The profit and loss account

Gross loss

The gross loss 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 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.

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.

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.

Accounting policies used

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

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the profit and loss account as costs in the acquisition year.

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 5 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.

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.

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.

Accounting policies used

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 5 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.

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.

Accounting policies used

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred rent and other 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 is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carryover, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by setoff 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.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

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.

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.