

Serenergy A/S

Lyngvej 8, 9000 Aalborg

Company reg. no. 29 61 66 47

Annual report

1 January - 31 December 2015

The annual report have been submitted and approved by the general meeting on the 26 April 2016.

Joseph Kristensen
Chairman of the meeting

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 %.

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Management's report

The board of directors and the executive board have today presented the annual report of Serenergy A/S for the financial year 1 January to 31 December 2015.

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 annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

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, 26 April 2016

Executive board

Anders Korsgaard

Mads Bang

Board of directors

Ejler Holm

Jochen Baurmeister

Roland Fischer

The independent auditor's reports

To the shareholders of Serenergy A/S

Report on the annual accounts

We have audited the annual accounts of Serenergy A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the performed audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Aalborg, 26 April 2016

Redmark

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

Alex Kristensen

State Authorised Public Accountant

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

Ejler Holm
Jochen Baurmeister
Roland Fischer

Executive board

Anders Korsgaard
Mads Bang

Auditors

Redmark Statsautoriseret Revisionspartnerselskab
Hasseris Bymidte 6
9000 Aalborg

Bankers

Jutlander Bank
Spar Nord Bank

Financial highlights

DKK in thousands.	2015	2014	1/10 - 31/12 2013	2012/13	2011/12
Profit and loss account:					
Gross profit	-6.706	2.271	791	3.974	3.150
Results from operating activities	-30.124	-12.293	18	801	266
Net financials	-1.048	-618	-159	-314	-189
Results for the year	-26.091	-14.582	136	537	54
Balance sheet:					
Balance sheet sum	47.909	31.458	29.600	35.898	15.412
Equity	28.411	4.960	4.542	7.769	7.232
Employees:					
Average number of full time employees	39	28	29	26	18
Key figures in %: *)					
Solvency ratio	59,3	15,8	15,3	21,6	46,9

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

Changes in the accounting policies used

The numbers for 2011/12 - 2012/13 have not been adjusted according to the new accounting policies which was changed during the fiscal year 2014.

Financial highlights

Principal activities

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

Profit after tax amounted to DKK -26.091t. The result of the year was as expected due to R&D costs and a negativ gross result.

Capital position

At 31 december 2015 the company has a book equity of DKK 28.411t, giving an equity ratio of 59,3 %.

The management has secured financing of development projects by the increase in the equity. In extension the management has through financial contracts and fixed credit limits secured the financing of the future operations of the company. The company has also entered into multi-annual contracts for development, which among others are financed by public institutions.

The expected development

SerEnergy is currently following an ambitious business scaling strategy. While focusing internally on developing improved designs and production methods to reduce costs at higher volumes, the external focus is on aggressive market penetration and customer acquisition strategy. This is leading to negative results in 2015/2016. Nonetheless, the management is convinced that this strategy will lead to the growth necessary to realize the benefits of larger scale production in 2017 and beyond.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

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 B 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 company 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 company 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, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

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.

Accounting policies used

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.

Cost of sales include 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.

Research and development costs

Research and development costs comprise costs, salaries and wages to the consolidated research and development activities.

Research costs are recognised in the profit and loss account in the year they are incurred.

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 income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

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.

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 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.

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

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

Buildings	30 years
Technical plants and machinery	5 years
Other plants, operating assets, fixtures and furniture	3-5 years

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.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

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. Furthermore, indirect production costs comprise the costs for factory administration and management, and the capitalised development costs concerning the products.

Accounting policies used

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.

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 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. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

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.

Profit and loss account 1 January - 31 December

Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Gross loss	-6.706.268	2.271
1 Staff costs	-21.924.972	-14.051
Depreciation and amortisation of tangible and intangible fixed assets	-1.492.759	-513
Results before net financials	-30.123.999	-12.293
Other financial income	2.738	3
2 Other financial costs	-1.051.066	-621
Results before tax	-31.172.327	-12.911
Tax of the results for the year	5.081.161	-1.671
Results for the year	-26.091.166	-14.582
 Proposed distribution of the results:		
Allocated from results brought forward	-26.091.166	-14.582
Distribution in total	-26.091.166	-14.582

Balance sheet 31 December

Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Assets		
Fixed assets		
Acquired patents	0	1.190
Intangible fixed assets in total	<u>0</u>	<u>1.190</u>
Land and property	8.287.597	7.336
Production plant and machinery	40.241	76
Other plants, operating assets, and fixtures and furniture	986.622	279
Tangible assets under construction and prepayments for tangible assets	<u>1.110.000</u>	<u>0</u>
Tangible fixed assets in total	<u>10.424.460</u>	<u>7.691</u>
Other debtors	400.000	0
Financial fixed assets in total	<u>400.000</u>	<u>0</u>
Fixed assets in total	<u>10.824.460</u>	<u>8.881</u>
Current assets		
Raw materials and consumables	7.480.446	2.254
Prepayments for goods	225.417	104
Inventories in total	<u>7.705.863</u>	<u>2.358</u>
Trade debtors	5.286.415	915
Receivable corporate tax	2.646.053	0
Other debtors	13.130.381	4.156
Debtors in total	<u>21.062.849</u>	<u>5.071</u>
Cash funds	<u>8.315.880</u>	<u>15.148</u>
Current assets in total	<u>37.084.592</u>	<u>22.577</u>
Assets in total	<u>47.909.052</u>	<u>31.458</u>

Balance sheet 31 December

Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Equity and liabilities		
Equity		
3 Share capital	2.171.940	1.245
5 Results brought forward	26.239.023	3.715
Equity in total	<u>28.410.963</u>	<u>4.960</u>
Provisions		
Other provisions	1.252.820	0
Provisions in total	<u>1.252.820</u>	<u>0</u>
Liabilities		
6 Other long-term debts	0	0
Long-term liabilities in total	0	0
Short-term part of long-term liabilities	8.556.000	19.353
Prepayments received from customers	1.526.555	1.426
Trade creditors	4.187.617	2.609
Other liabilities	3.975.097	3.110
Short-term liabilities in total	<u>18.245.269</u>	<u>26.498</u>
Liabilities in total	<u>18.245.269</u>	<u>26.498</u>
Equity and liabilities in total	<u>47.909.052</u>	<u>31.458</u>
7 Mortgage and securities		
8 Related parties		

Notes

Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

	<u>2015</u>	<u>2014</u>
1. Staff costs		
Salaries and wages	19.321.300	12.274
Pension costs	2.004.749	1.432
Other costs for social security	277.032	262
Other staff costs	<u>321.891</u>	<u>83</u>
	<u>21.924.972</u>	<u>14.051</u>
Average number of employees	<u>39</u>	<u>28</u>
2. Other financial costs		
Other interest costs	<u>1.051.066</u>	<u>621</u>
	<u>1.051.066</u>	<u>621</u>
3. Share capital		
Share capital 1 January 2015	1.244.985	967
Cash capital increase	<u>926.955</u>	<u>278</u>
	<u>2.171.940</u>	<u>1.245</u>
The share capital consists of 2.171.940 shares, each with a nominal value of DKK 1. No shares hold particular rights.		
4. Share premium account		
Share premium account 1 January 2015	0	7.295
Transferred to distributed reserves	-48.615.549	-22.017
This year share premium on capital increase	<u>48.615.549</u>	<u>14.722</u>
	<u>0</u>	<u>0</u>

Notes

Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

	<u>31/12 2015</u>	<u>31/12 2014</u>
5. Results brought forward		
Results brought forward 1 January 2015	3.714.640	-3.720
Profit or loss for the year brought forward	-26.091.166	-14.582
Transferred from share premium account	<u>48.615.549</u>	<u>22.017</u>
	<u>26.239.023</u>	<u>3.715</u>
6. Other long-term debts		
Long-term debt	<u>8.556.000</u>	<u>19.353</u>
	8.556.000	19.353
Share of amount due within 1 year	<u>-8.556.000</u>	<u>-19.353</u>
	<u>0</u>	<u>0</u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>
7. Mortgage and securities		
For bank debts, DKK 0, the company has provided security in company assets representing a nominal value of DKK 1.7m. This security comprises the below assets, stating the book values:		
Inventories	DKK 7.480.446	
Trade debtors	DKK 16.028.213	
Other debtors	DKK 1.171.038	
Other plants, operating assets, fixtures and furniture	DKK 986.622	
Technical plants and machinery	DKK 40.241	
8. Related parties		
Ownership		
According to the company's list of shareholders, the following shareholders own a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital:		
F.E.R. ficher Edelstahlrohre GmbH,		