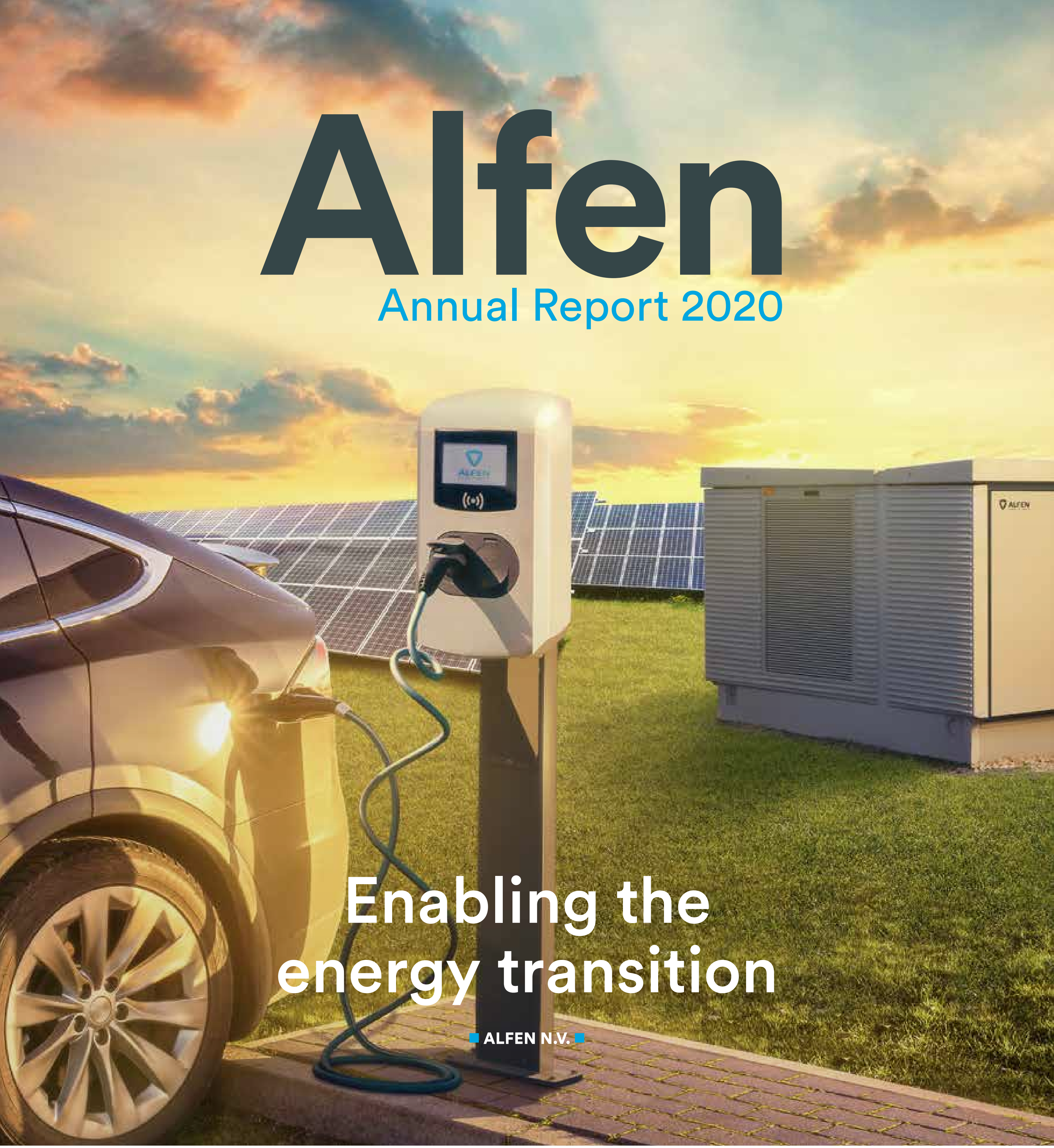

Alfen

Annual Report 2020

Enabling the energy transition

ALFEN N.V.

ALFEN


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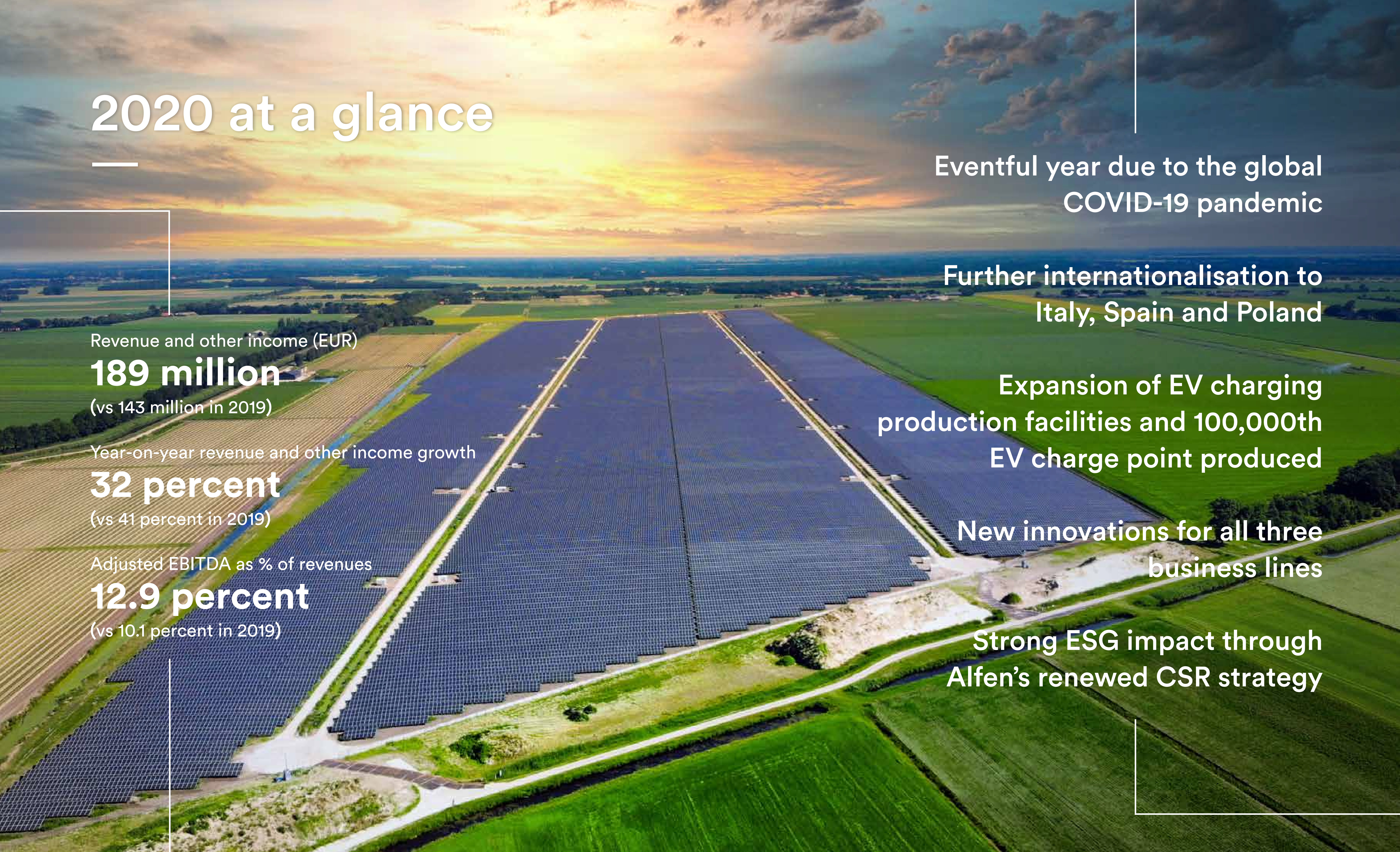


2020 at a glance

Revenue and other income (EUR)
189 million
(vs 143 million in 2019)

Year-on-year revenue and other income growth
32 percent
(vs 41 percent in 2019)

Adjusted EBITDA as % of revenues
12.9 percent
(vs 10.1 percent in 2019)

Eventful year due to the global COVID-19 pandemic

Further internationalisation to Italy, Spain and Poland

Expansion of EV charging production facilities and 100,000th EV charge point produced

New innovations for all three business lines

Strong ESG impact through Alfen's renewed CSR strategy

About Alfen

Company profile

Alfen operates at the heart of the energy transition providing smart energy solutions to enable the electricity grid of the future: reliable, sustainable and innovative. We have a unique combination of activities as we design, engineer, develop, produce and service smart grids, energy storage systems, and electric vehicle charging equipment. We combine our activities in integrated solutions to address the electricity challenges of our clients.

We build on our vast experience of more than 80 years in the energy industry. We have a market leading position in the Netherlands and experience fast international growth benefitting from our first mover advantage.

We are headquartered in Almere, the Netherlands, where we reside in multiple buildings with associated production facilities. In addition we are present in Belgium, Finland, France, Germany, Italy, Norway, Poland, Spain, Sweden, and the United Kingdom and serve the rest of Europe through our partners and resellers.

Our growing business

Smart grid solutions

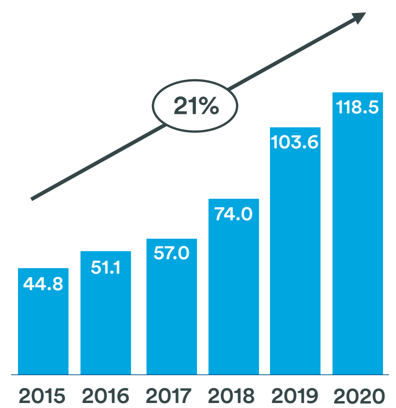
Alfen offers an in-house developed, produced and assembled range of secondary transformer substations. In addition, we have in-house developed and produced devices for grid automation and a proprietary back-end system for remote management and control of electricity grids. We also supply microgrids, grid connections and supplementary offerings for e.g. the greenhouse horticulture sector, EV fast-charging hubs and solar PV farms.

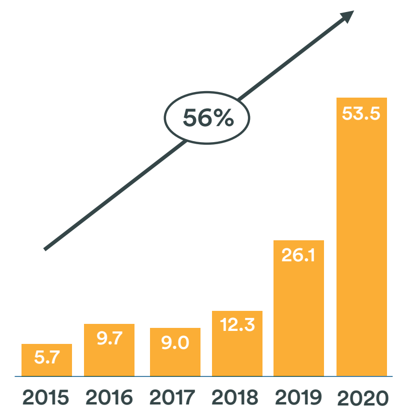
EV charging equipment

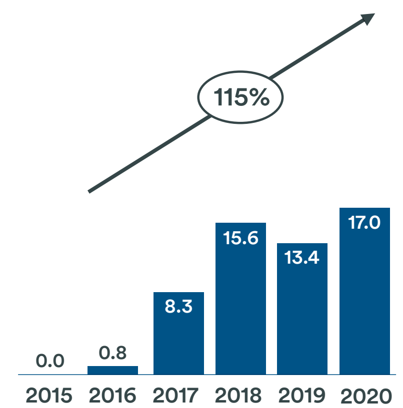
Alfen offers an in-house developed and produced range of smart and connected electric vehicle (EV) chargers for use at home, office and public locations. We have a proprietary online management platform for our charging infrastructure and offer standardised solutions for smart charging, load balancing and charging hubs.

Energy storage systems

Alfen offers an in-house developed and produced range of modular energy storage systems for applications such as load balancing, peak shaving, grid frequency control and energy trading. We offer both stationary and mobile battery energy storage solutions. Our proprietary developed embedded software and back-office enables remote monitoring and control, and supports all major storage applications.





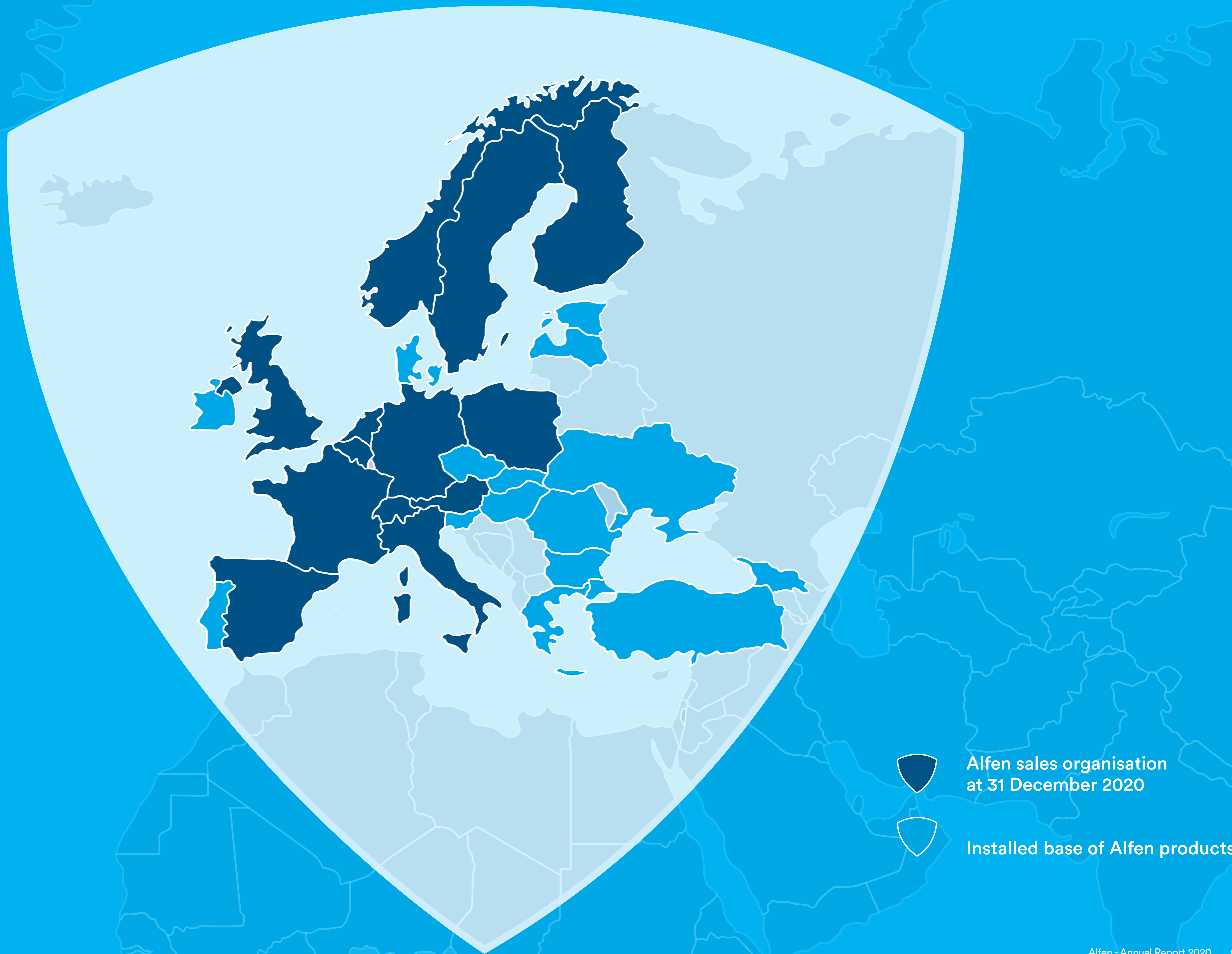


Integrated solutions

Besides offering smart products and services for all three business lines, we also offer integrated solutions across our business lines where we can seamlessly combine and integrate our products and services. This is increasingly needed to address the growing complexity of the energy challenges emerging from the energy transition.

International footprint

We employ staff in 13 countries being Austria, Belgium, Finland, France, Germany, Italy, Norway, Poland, Spain, Sweden, Switzerland, the Netherlands and the United Kingdom, and sell our products and services in more than 25 countries across Europe, and also beyond Europe.



Report of the Management Board

Marco Roeleveld
CEO

Jeroen van Rossen
CFO

Richard Jongsma
CCO

Business review

2020 was a dynamic year for Alfen in which we were able to continue our journey of strong profitable growth leading to the strongest financial year in the history of Alfen in the midst of the COVID-19 pandemic, while we had to do our utmost to protect the health and safety of our employees and partners.

Profitable growth in a challenging 2020

2020 has been an eventful year. We celebrated various records like the 100,000th produced charge point in March, our growing international footprint with presence in 13 European countries and financially, 2020 was again the strongest year in the history of Alfen, both from a revenue and profitability perspective. At the same time, the global COVID-19 pandemic has significantly impacted people's lives and the wider economy, including Alfen's end-markets.

It has been a challenging year for everyone as we had to get used to a new normal where we needed to re-invent how we work together while safeguarding the health and safety of all of us: our employees, our customers, our suppliers and everyone around us. We take great pride in how in these circumstances we truly showed our Power to Adapt and we want to thank our employees for their continued commitment and dedication.

Despite the COVID-19 pandemic we have been able to grow our revenues with 32% to €189m in 2020 compared with 2019 driven by all our business lines (Smart grids +14%, EV charging +105%, Energy storage +26%) and our unique capability to offer integrated solutions for the increasingly complex energy challenges of our clients. Additionally, we have been able to improve our profitability as we drive forward our strategy of operational leverage. Our adjusted EBITDA increased to €24.4m or 12.9% of revenues in 2020 versus €14.5m or 10.1% of revenues in 2019.

We benefitted from a continued focus on the energy transition, which continues to be strong as more and more countries increasingly invest in sustainability evidencing their commitment to the European Union's Green Deal, which embodies Europe's ambition to become climate neutral by 2050. As the long-term energy transition growth drivers remain unchanged and strong, we continued to invest in our organisation, innovation and production facilities. For instance, we successfully relocated our EV charging operations to a new and larger facility and significantly expanded our EV charge points production capacity.

Additionally, we look back at a successful capital raise in June, of which the proceeds are being deployed to further strengthen our leading position as a provider of energy solutions in the field of EV charging, Energy storage and Smart grid solutions.

Sustainability

Alfen's vision is a connected, smart and sustainable energy system for future generations. To deliver this, our mission is to boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart. We have strong impact through enabling sustainable energy developments with our three business lines, but we have been considering it our responsibility to further strengthen this impact through an active Corporate Social Responsibility (CSR) strategy. To provide more details and transparency of our CSR activities and more non-financial information, we would like to refer you to the section "CSR and non-financial information".

We are actively shaping up and further improving our sustainability performance. For instance, over the years we managed to avoid up to 1.4 million tonnes CO_2e emissions as our installed charge points power electric vehicles and avoid harmful emissions, and we enabled the supply of renewable energy to up to 142,000 households in 2020 by the solar PV farms that we connected over the years to the public grid through our Smart grids solutions.

We are committed to continue to further improve our sustainability performance as we transition towards a truly sustainable society for future generations.

Long-term Shareholder value creation

The energy transition is a long-term trend that fuels the growth of Alfen. Based on that, we have put in place a long-term growth strategy that consists of four elements. First, we aim to benefit from strong market growth trends and to further grow our market share. Second, we internationalise with a focus on Europe, further strengthening our position in existing countries and entering new countries. Third, we expand our existing service & maintenance offering and benefit from an increasing installed base driving recurring revenue. Finally, we have the ambition to increase cross-selling across Alfen's three business lines and offering of integrated solutions. Overall, we aim for profitable growth.

Market developments

Thanks to our position in the heart of the energy transition, we benefit from positive market trends in each of our business lines.

In our Smart grid solutions business line, grid operators continued to further expand the grid to accommodate the growing number of decentralised wind and solar PV installations on the supply side as well as the ongoing electrification of the demand side through for instance electric vehicles. We benefitted through our existing framework agreements with grid operators and through new contract and client wins in our microgrid business. Although the number of the renewables developments are growing considerably, some projects have been delayed as a result of COVID-19, which affected order intake and thus revenue.

Our customer base has been further diversified in 2020. Commercial successes include a 3-year framework agreement with PerPetum Energy, specialist in sustainable energy projects, for the supply of transformer substation for their renewable energy projects in the Netherlands, and a 3-year framework agreement in Finland to yearly supply 300 substations to three grid operators in the eastern part of Finland.

Our EV charging equipment business line was affected by a difficult year for the automotive industry due to COVID-19. Demand dropped and car factories had to be closed for multiple weeks during the initial lockdown in spring. To support the automotive sector European governments made available extensive support packages for the industry, often with sustainability conditions. Additionally, governments have further stimulated the decarbonisation of the transportation sector by increasing subsidies, grants, tax breaks and other incentives for electric vehicles. This has resulted in a strong rise in EV adoption across Europe further boosting the need for EV charge points. Alfen benefitted from increasing volumes under framework agreements that have been set-up over the past years, new client wins and further internationalisation. For instance, we further strengthened our international organisation and expanded to Italy, Spain and Poland.

Selected examples of commercial successes are a 3-year framework agreement with British Gas, UK's largest energy supplier, to supply EV chargers for its own business and also for customers of its parent Centrica, a framework agreement to supply charge points to one of Sweden's leading charge point operators Bee, and a 3-year framework agreement with Engie S.A. to supply EV charge points to their customers throughout Europe via Engie's European subsidiaries.

In the Energy storage systems business line, COVID-19 introduced headwinds after strong momentum at the end of 2019 and in the first quarter of 2020. The coronavirus slowed down the growth of the energy storage markets as businesses rethink their capital expenditure programs. Although energy storage is an essential component of the future sustainable energy system, for some businesses it is not yet deemed business critical, which has delayed investments and projects. Yet, energy storage solution costs are coming down and the market appears to be recovering. On the back of this, our company has been able to secure new contracts and framework agreements towards the end of 2020 based on our strong market position, such as a 3-year framework agreement with Centrica to supply energy storage solutions across Europe, a 3-year framework agreement with the German energy supplier EnBW to supply our full portfolio of energy storage solutions, and a 5-year framework agreement for the supply of energy storage solutions with SemperPower.

Internationalisation

We continue to pursue our internationalisation strategy and we have been able to grow our revenues outside of the Netherlands with 54% from €40.0m in 2019 to €61.5m in 2020, which is predominantly driven by our EV charging business line.

Alfen's organisation now covers 13 countries, as we have entered Italy, Spain and Poland in 2020. Additionally, we further strengthened our organisation in countries we already operated in. Besides our own growing organisational presence, we benefitted from clients with an international footprint and have our products installed in more than 25 European countries.

> "We take great pride in how in these circumstances we truly showed our Power to Adapt and we want to thank our employees and partners for their continued commitment and dedication"
>
> - Marco Roeleveld, CEO

Integrated solutions and cross-selling

We believe to be unique in the fact that we offer integrated solutions across our three business lines. Therefore, we do not only benefit from positive market dynamics in each of our business lines, but also from cross-selling and integrating solutions between our business lines. An example of cross-selling is Centrica, for which Alfen won a framework agreement for the supply of EV charge points as well as a framework agreement for the supply of energy storage solutions. An example of an integrated solution is PZEM, for which we supplied an energy storage system in combination with grid integration and a charging plaza for electric vehicles at their office in the Middelburg municipality in the Netherlands. As the energy transition evolves, more and more complex challenges arise for which a holistic integrated approach is required.

Expanding our service offering

We have further expanded and optimised our service offering across our business lines in 2020. For instance, we widened our service offering for Smart grids and for our EV charging business and we further optimised our service proposition to fulfil customer needs even better. For EV charging, we offer remote and on-site service throughout Europe, where we have international service partners lined up in Finland, France, Germany, Italy, Norway, Portugal, Spain, Sweden and the United Kingdom. Our company increasingly benefitted from our growing installed base, both through existing and new customers.

Investments in growth and innovations

We continued to invest in our organisation to prepare for anticipated further growth of the business. As such, our organisation has grown from 497 FTE at 31 December 2019 to 588 FTE at 31 December 2020. Despite a challenging labour market, we were able to attract new talent benefitting from our growing brand across Europe, the interest in the energy transition that increasingly gains momentum, and our in-house education program. We further strengthened our organisation as for example we hired more international sales people to further drive our internationalisation, we added production personnel to increase our production capacity and we expanded our R&D department to work on new innovations.

In terms of production, we invested in a new and larger production facility for our EV charging equipment, resulting in increased capacity, flexibility and efficiency. With the strong growth of our business we continue to closely monitor the optimal strategy for further expansion.

Furthermore, we continued to invest in innovations which led to new technologies, features and product developments. For instance, in our Smart grids business line we introduced a new advanced transformer substation for the Dutch market, Alfen Elkamo developed an innovative substation especially for onshore wind farms, and we started a pilot to use recycled cement in our substations to further reduce our impact on the environment.

Innovation examples in our EV charging business comprise the introduction of direct payment functionality in Germany, which can be further rolled out throughout Europe, the implementation of the new Open Charge Point Protocol (OCPP) 2.0 that replaces the existing OCPP 1.6 version and the introduction of cementless concrete foundations reducing our CO2 impact.

Finally, selected innovations of our Energy storage business are our second generation mobile energy storage solution with new and improved features of which various systems are already in operation, our high density energy storage solution that allows up to 50% more storage capacity per storage unit, and the development of a new SCADA system based on the most relevant communication protocols for industrial applications, for optimal integration in the energy management systems of our customers.

Such innovations for the future further advance our product portfolio and allows us to remain the partner of choice for our customers.

Outlook

We expect that, in 2021, COVID-19 will continue to impact the wider economy and our end-markets, which may impact our order intake and revenue growth. To what extent, depends on the duration of the pandemic and how quickly vaccines can successfully be rolled out and get the virus under control, as well as any measures adopted by governments.

At the same time, we expect the energy transition to keep building further momentum as European governments increasingly take action to support the European Union's Green Deal to become climate neutral by 2050. As such, we continue to anticipate long-term positive market developments in all our business lines and in 2021, we plan to further invest in our organisation, new innovations and further optimisation of our production facilities.

Similar to 2020, we expect our capital investments to exceed depreciation and amortisation. We also anticipate a further increase in the number of personnel. In terms of financing, we do not foresee a change in our working capital credit facility.

Growing together with our partners

We aim to be a powerful forward-thinking leader in developing, producing and connecting the key elements of our future electricity grid. We leverage our vast knowledge and experience in the distribution and storage of electrical energy to provide smart, safe and sustainable products and solutions, working as a reliable and adaptive partner. This is also reflected in the core values we adhere to as a company: Sustainable, Partner, Adaptive, Reliable and Knowledgeable (in summary, 'SPARK').

As we develop, design and produce all our products and systems in-house, we can accommodate maximum flexibility and very rapid time-to-market of new innovations. We are looking forward to continue working on this basis and grow together with our customers and partners on the back of the rapidly evolving energy transition.

Senior Management
Marco Roeleveld (CEO),
Jeroen van Rossen (CFO),
Richard Jongsma (CCO)

Corporate Social Responsibility and non-financial information

Alfen's vision is a connected, smart and sustainable energy system for future generations. To deliver this, Alfen's mission is to boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart. Alfen has a strong impact through enabling sustainable energy developments with its smart grids, EV charging equipment and Energy Storage solutions. This section provides further details on Alfen's Sustainable Development, how Alfen provides impact through its Corporate Social Responsibility (CSR) framework, and more non-financial information such as the CO2 performance of the company.

Sustainable Development

Alfen strives to further enable sustainable development to promote a society that makes responsible choices both economically, socially and environmentally. Sustainable development is development that meets the needs of present generations without jeopardising the ability of future generations to meet their needs[1]. Relevant impact includes, but is not limited to, environmental change, poverty and equality, and economic, cultural, technological and political globalisation. As such, we recognise that we, as a company, have the opportunity to create positive environmental and social impact, while at the same time, we need to endeavour to eliminate potential negative impact from our activities and those of our suppliers. To address this, we developed a Sustainable Development Policy.

Alfen's Sustainable Development Policy is an overarching policy that is the umbrella for any Environmental, Social and Governance (ESG) activity or policy within the company. The ambitions and expectations described herein always relate to all Alfen entities, business partners and suppliers. The company's Sustainable Development Policy has been set up in accordance with the requirements and expectations of "ISO 26000: 2010 Guideline for social responsibility of organisations".

The policy entails seven core themes:

1. Organisational governance;
2. The environment;
3. Human rights;
4. Working conditions;
5. Fair business practices;
6. Consumer and customer matters; and
7. The local community.

For all these core themes we have various initiatives running, of which selected highlights are provided in the next section.

Sustainable Development Initiatives

Organisational governance

There is a myriad of frameworks and methodologies to disclose sustainability performance. At the end of 2020, after a thorough analysis of the various frameworks and methodologies such as SASB (Sustainability Accounting Standards Board), CDP (Carbon Disclosure Project), GRI (Global Reporting Initiative) and various ESG rating agencies such as MSCI and Sustainalitics, Alfen has decided to follow the ISO 26000 standard as it is a comprehensive ESG standard that covers most of the requirements of the various frameworks that were analysed. This allows Alfen to report on ESG in a standardised, open and transparent manner. Additionally, through ISO 26000, Alfen can demonstrate that the company adheres to the principles of organisational governance as described in the OECD[2] Guidelines for Multinational enterprises.

Furthermore, to keep Alfen's policies and procedures up to date, the Code of Conduct and the Whistle-blower procedure are being updated to ensure that they contain the latest best practices.

[1] *United Nations, Brundtland Commission report, 1987*
[2] *Organisation for Economic Co-operation and Development: https://www.oecdguidelines.nl/*

The environment

Alfen recognises that the economic activities of its business operations can have undesired consequences for the environment. As such, we actively strive to minimise our impact on the environment and to operate responsibly. In relation to the environment, we are specifically committed to four areas:

a. Environmental friendly operations:
    i. To protect and strengthen the environment; and
    ii. To use natural resources efficiently and optimally.
b. Minimise impact of our products and their components:
    i. Avoid the use of harmful or dangerous components in used (auxiliary) substances and articles;
    ii. Minimise our exposure to suppliers who have a material negative social and environmental impact;
    iii. Reduce the environmental impact in the life cycle of products and make this transparent; and
    iv. Reduce packaging waste.
c. Renewable energy use and energy efficiency:
    i. Operate climate-neutral and energy-efficient and make this transparent;
    ii. Lower the CO2 footprint and make this transparent; and
    iii. Use renewable energy sources where possible.
d. Circular economy:
    i. Promote the development of a circular economy.

Human rights

At Alfen, we strongly believe in human rights. We therefore embed non-discriminatory practices, we adhere to international acceptable working conditions and embrace diversity in our work force. As an example, Alfen employs people with 28 different nationalities. Furthermore, we believe that our suppliers should also observe the United Nations' universal declaration of human rights and the international working conditions and circumstances as formulated by the International Labour Organisation. Therefore, this is part of our Supplier Code of Conduct.

Working conditions

The objectives for Alfen in relation to the working conditions are:

- To be a company without unacceptable deviations to health & safety procedures;
- To have healthy and happy employees who are employed on a long-term basis; and
- To prevent unacceptable risks to the environment that may result from our activities.

To achieve these objectives Alfen has updated its Quality, Health, Safety & Environment (QHSE) policy. The policy intents to further drive and strengthen the Alfen culture and as such, to further solidify the safe working conditions at Alfen.

The policy is depicted as a wheel with five elements, which are Knowledge, Organisation, Leadership, Strengthening Culture, and Ambition, as can be seen in the Figure CSR-1. At the heart of the wheel lie our values which are summarised under SPARK (Sustainable, Partner, Adaptive, Reliable and Knowledgeable). These core values determine how we meet the needs of our customers and add value to their business models.

Figure CSR-1 : Alfen's QHSE policy framework

"Fair business operations are at the core to adequately manage and control business processes within Alfen. It is essential to be able to deliver quality in a responsible way"

- Hans Nagtegaal, manager QHSE & CSR

Implemented integrally, the sum of all QHSE elements have a greater effect than each of them individually.

A dedicated SPARK program to enhance our core values will also support the effective implementation of the updated QHSE policy.

Fair business practices

Fair business operations are at the core to adequality manage and control business processes within Alfen. It is essential to be able to deliver quality in a responsible way and therefore needs to conform to the Sustainable Development Policy of Alfen.

To ensure fair business practices, Alfen is operating with a Code of Conduct for internal guidance and a Supplier Code of Conduct to guide our supply chain partners. Both of these are currently updated to include the latest best practices.

Consumer and customer matters

Our philosophy is to provide our customers with products & services that are sustainable, reliable and safe. In order to do that, we conform to the OECD guidelines. All our products comply with the respective European directives and regulations and are CE[3] certified and marked. Additionally, we endeavour to limit the use of hazardous substances in electrical and electronic equipment and to promote the collection and recycling of our equipment.

Moreover, Alfen is a member of WEEE Nederland[4] and has concluded collection contracts with the help of this organisation in the countries where Alfen's products are sold in order to increase the recycling and reuse of such products. In addition, Alfen is also a member of STIBAT to promote the collection and recycling of industrial batteries.

[3] CE stands for Conformité Européenne, which means that the product meets the applicable European regulations and legislation.
[4] WEEE Nederland organises the collection and recycling of waste electrical and electronic equipment (WEEE, or e-waste) in the Netherlands for our affiliated producers and importers.

The local community

The company has been located in Almere since 1983 and has built up a strong relationship with the municipality. There are various initiatives that Alfen undertakes to strengthen this even more.

Not only does a significant part of our employees live close to our premises in Almere, we also have our own Alfen Academy where we train and educate students of regional schools in order for them to get their accreditation and diplomas. Founded in 2018, the Alfen Academy continues to grow in size, from 25 students in 2017, to 37 in 2018, 49 in 2019, and 58 in 2020. Furthermore, we collaborate with the local municipality to help unemployed people get a job at Alfen.

Additionally, we support the local football club FC Almere City, which besides being a football club also supports and promotes the physical and sportive development of kids, and in 2020, we were one of the founding fathers of the Almere Social Club, which is a local network club that aims to connect and inspire entrepreneurs in Almere to enrich the city of Almere and increase its sustainability impact.

Impact on UN Sustainable Development Goals

Besides Alfen's products and services that are fully geared towards enabling the energy transition, Alfen considers its responsibility to further strengthen its impact and, together with its key stakeholders, aligned its CSR framework to four UN Sustainable Development Goals[5] as can be seen in Figure CSR-2.

To measure our impact under the CSR framework, we start reporting this year on key performance indicators for each focus area, as outlined in our 2019 Annual Report. The KPIs are:

- **For SDG7 – Affordable and Clean Energy:** potentially avoided CO2 emissions by the use of Alfen's EV charging equipment, as well as the potential number of households powered by solar PV parks where Alfen provided its microgrid solution;
- **For SDG8 - Decent Work and Economic Growth:** safe working environment performance captured by the Lost Time Injury Frequency Rate, as well as the sickness absence rate;
- **For SDG9 - Industry, Innovation and Infrastructure**: provide insight through sharing Alfen's investments in R&D together with impactful innovation examples;
- **For SDG12 - Responsible Consumption and Production:** results of Alfen's Operational Excellence program.

[5] Visit https://sdgs.un.org/goals for more information.

Figure CSR-2: Alfen's CSR framework

7 Affordable & clean energy

Management of customer relationship

1.4

Million tonnes CO2e emissions avoided

Potentially avoided emissions by Alfen charge points that have been powering electric vehicles and avoiding harmful emissions over the years.

142,000

Households supplied with renewable energy in 2020

Number of households in 2020 that were potentially supplied with green energy from solar PV parks that were grid connected through Alfen's smart grid solutions over the years.

9 Industry, Innovation & Infrastructure

Research & Development

10M€

Invested in R&D and innovations for the future

Smart Grid Solutions

Alfen started a pilot to use recycled cement in its substations to further reduce its impact on the environment.

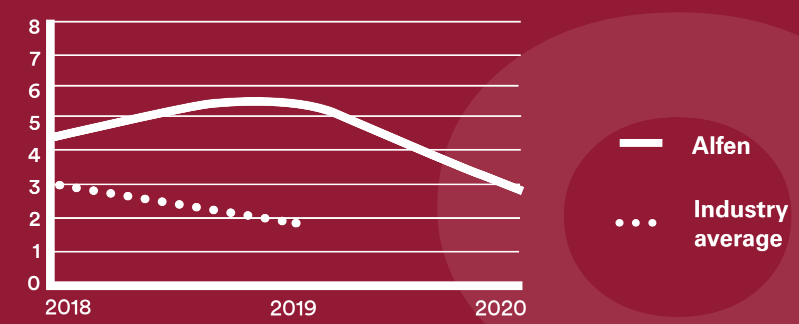
EV Charging Equipment

The implementation of the new Open Charge Point Protocol (OCPP) 2.0 that replaces the existing OCPP 1.6 version for EV charging stations.

Energy storage systems

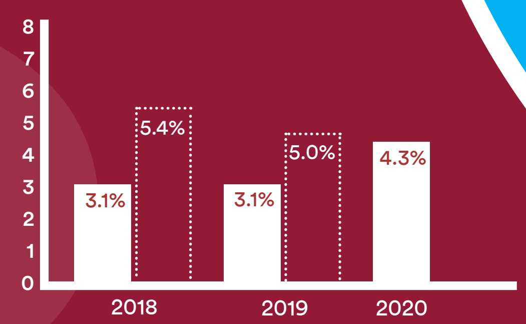
The launch of Alfen's second generation mobile energy storage solution with new and improved features of which various systems are already in operation.

Alfen's impact



Lost time injury frequence rate

Alfen's LTIFR performance has been improving over the last 3 years. However, it has been above industry average although it can be difficult to compare performance with the industry as the definition for recordable LTI cases varies from, for instance, 24 hours at Alfen to multiple days at other businesses. Nevertheless, Alfen is committed to improve its safety performance. As an example, Alfen has a dedicated SPARK program to support the effective implementation of its updated QHSE policy, also with the goal to further improve risk awareness and risk perception.



Sickness absence rate

Alfen's performance in sickness absence has been better than industry average, reflecting the positive engagement of its employees. The rise in 2020 compared to previous years is related to COVID-19 and Alfen's policy to stay at home at the earliest indications of potential illness to minimise the risk of spreading the virus.

Note: Alfen recognises a LTI after 24 hours of absence from work as a result of a work-related incident. Data for 2020 not yet available. Industry average as defined by FME, which is the entrepreneurial union for the technology industry in the Netherlands.

8 Decent work & economic growth

Occupational Health & Safety

Results of operational excellence program

Alfen has a dedicated operational excellence team with the objective to continuously drive improvements of its business operations and product quality. Selected examples of 2020 improvements include:

Smart Grid Solutions

Streamlining Alfen Elkamo's transformer substation production & logistics which resulted in increased capacity, improved quality and reduced lead times.

EV Charging Equipment

Successfully moved Alfen's EV charging production operations to a new and larger facility, where Alfen further optimised production process efficiencies.

EV Charging Equipment

Optimised the EV charging service tools and processes to further improve Alfen's service capabilities as well as the collaboration with Alfen's partners.

12 Responsible consumption & production

Product quality performance

CO2 performance

2020 CO2 performance

Alfen aims to have full insights in its CO2 footprint with the ambition to reduce it and report it through certified bodies. Currently, we are certified externally at level 4 (out of 5) of the CO2 performance scale of SKAO[6].

In recent years, the business has been growing strongly, and as such, logically our CO2 emissions would also grow with the growth of our business without any further action. To offset this, we had set ourselves the goal to achieve at least equivalent CO2 emissions per FTE in 2020 compared with 2019, despite the growth.

Various measures have been taken in 2020 to reduce our CO2 footprint per FTE. For instance, the energy supply of Alfen Elkamo now consists of 100% renewable energy, we installed LED lighting in the new and larger EV charging offices and production facility where we moved into in June 2020, and we further increased the share of electric vehicles in accordance with our active EV policy. Additionally, COVID-19 reduced Alfen's mobility CO2 emissions as we worked more from home and flights were significantly reduced.

The measures that we took in combination with the influence of COVID-19, resulted in a reduction of the absolute CO2 emissions in 2020 compared with 2019. In other words, we were able to drive down the CO2 emissions per FTE, even while the business has been growing rapidly with a 32% revenue growth. Therefore, we have achieved our objective and beat the set target.

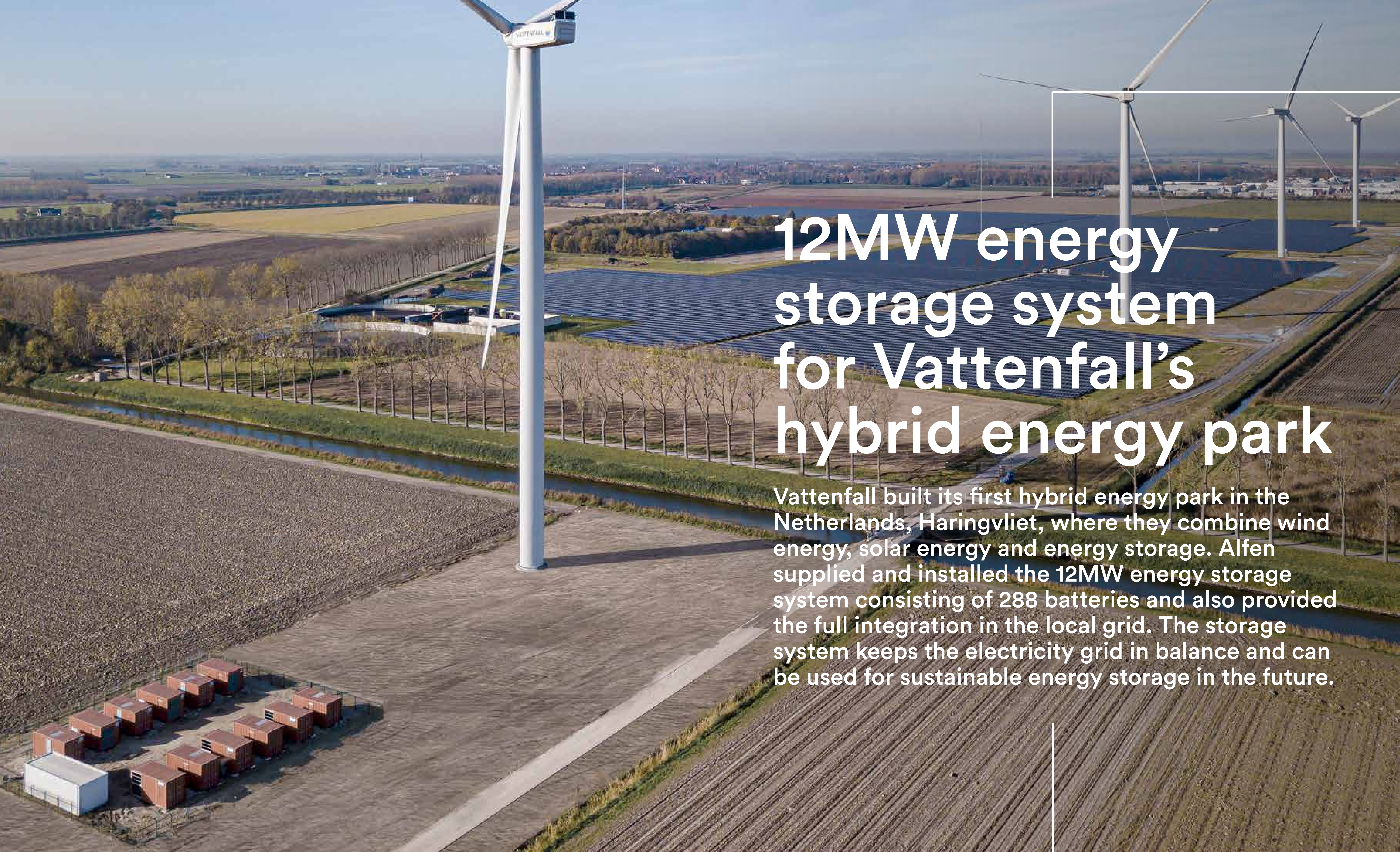
Future CO2 emissions objective

Looking forward, Alfen anticipates to further grow the business strongly. Therefore, we have decided to maintain the current objective for the next two years based on emission levels of 2019. With effect from reporting year 2021, this objective will be divided into three parts: Scope 1, Scope 2 and Scope 3 "business travel", which is in line with the CO2 performance scale manual 3.1 where business travel has been moved from Scope 2 to Scope 3.

To achieve our objective, we will adopt a number of new measures defined within the framework of the CO2 performance scale. Further details can be found in our CO2 performance report available on our website.

In 2020 Alfen further sharpened and strengthened its sustainable development performance and as we move forward, we continue to further integrate our CSR strategy in our business model in our drive to not only operate at the heart of the energy transition, but also to continuously improve our QHSE performance.

[6] *Stichting Klimaatvriendelijk Aanbesteden en Ondernemen, or "Institution for climate friendly tendering and entrepreneurship".*



12MW energy storage system for Vattenfall's hybrid energy park

Vattenfall built its first hybrid energy park in the Netherlands, Haringvliet, where they combine wind energy, solar energy and energy storage. Alfen supplied and installed the 12MW energy storage system consisting of 288 batteries and also provided the full integration in the local grid. The storage system keeps the electricity grid in balance and can be used for sustainable energy storage in the future.

2020 month-by-month

15 January
Alfen awarded with multi-year contract to supply substations to Enexis Netbeheer

Enexis Netbeheer, one of the largest grid operators in the Netherlands, awarded Alfen a contract for the supply of prefab and accessible distribution substations to Enexis Netbeheer. This is a continuation of a decades-long relationship between Enexis Netbeheer and Alfen of offering smart and reliable grid solutions, and marks another step in further preparing the electricity grid for the energy transition. The contract has an initial term of four years, and can be extended with four additional years.

22 January
Alfen supplied microgrid for new Estonian innovative biomass plant

Alfen was selected by Baltania to provide the microgrid for a large innovative torrefaction biomass plant in Vägari, Estonia. Torrefaction is a thermal process that improves biomass' fuel characteristics. Alfen supplied the local microgrid, including substations, cable infrastructure and the local grid connection.

11 February
Moixa and Alfen demonstrate how AI could revolutionise home EV charging

Moixa, the developer of smart software for domestic battery and electric vehicle (EV) charging, and Alfen launched a new EV charging partnership. The companies use GridShare, Moixa's AI powered software, to enable EV drivers to deliver essential flexibility to the UK energy system while reducing home energy bills.

13 February
Shell ultrafast EV charging service incorporated Alfen energy storage

Alfen's energy storage solution was selected by Shell for its ultrafast electric vehicle charging service at its forecourt in Zaltbommel, the Netherlands. The 350kWh battery-based system is used for 'peak shaving', providing additional power for car charging to reduce load on the grid in periods of peak electricity demand. Also, the storage system is used to offer grid stability services.

26 March
Continuing business with precautions for Covid-19

Our number one priority always has been to keep everyone safe: our suppliers, customers and employees. As such, we put measures in place to optimally safeguard the health and safety of all of us. This was key to ensure we continued to operate and serve our customers. In these unprecedented times, we focused on staying safe and remained committed to continue to serve and support our customers.

2020 month-by-month

07 April
Alfen was selected by Vattenfall to supply a 20MWh energy storage system in Sweden

A mega energy storage system in Swedish university town Uppsala, contributes to Vattenfall's mission of 'fossil free living within one generation'. Vattenfall selected Alfen to deliver the battery energy storage system of 20MWh, being the third large-scale energy storage system that Alfen delivered to Vattenfall. Additionally, Alfen provided its 'TheBattery Connect' energy management system and the local grid connection.

16 April
Alfen proud to have produced over 100,000 EV charge points

Alfen proudly announced it celebrated the milestone of having produced more than 100,000 charge points! The 100,000th charge point was produced early March 2020. Since the inception of its EV charging business in 2008, Alfen's charge points have been installed in more than 25 European countries. Additionally, for its growing installed base, Alfen provides remote and on-site service in most parts of Europe, from the Nordics to Iberia.

23 April
Infrabel selected Alfen for the supply of 25 transformer substations for European Train Control System

Infrabel, the Belgium rail network operator, selected Alfen to supply approximately 25 transformer substations through Engie Fabricom. The substations are utilised for the roll out of the European Train Control System (ETCS) currently being implemented in the Belgium rail network, which is deployed to further harmonise and enhance rail safety throughout Europe.

23 June
Alfen supplied smart transformer substations for new solar park Borssele

At the site of Elektriciteits-Productiemaatschappij Zuid-Nederland (EPZ) - an energy production company in the South of the Netherlands - in the Sloe area in Zeeland, the Netherlands, Alfen supplied smart transformer substations for a new large solar park, by order of PFALZSOLAR. Alfen's substations are optimally suited for the latest technology in solar installations. 60,000 solar panels provide a total capacity of 21MWp, able to supply 7,000 households with green energy.

01 September
Alfen supplied EV charge points for port terminals of Volkswagen Group UK

Alfen was selected by ElectrAssure as EV charging partner for key import points of Volkswagen Group UK. Alfen supplied 30 smart charge points in the three Volkswagen port terminals to charge imported electric vehicles in order to support the rapid growth of the VW Group UK range of electric vehicles.

17 September

Alfen expanded microgrid for lighting system Red Harvest

Red Harvest, one of the larger tomato growers in the Netherlands, installed a grow lighting system in the last of its four greenhouses at their location in Middenmeer in the Netherlands. To provide the necessary power supply to the lighting system, Alfen expanded the existing microgrid and connected this new grid section to the existing high-voltage grid of Red Harvest.

22 September

Vattenfall chose Alfen to supply 4,000 charge points for Dutch provinces Noord-Brabant and Limburg

Vattenfall selected Alfen to supply smart charging infrastructure for electric driving in municipalities of the provinces Noord-Brabant and Limburg. Vattenfall is responsible for deploying and exploiting the planned 4,000 smart public charge points, which are supplied by Alfen over the next two years. It is possible to extend the number of charging stations during the period of installation, if desired.

29 September

Steag chose Alfen as partner for solar park Leeuwarden

Steag Solar Energy Solutions, an international solar power developer, assigned Alfen to install the local energy grid for solar park Drachtsterweg in Leeuwarden (the Netherlands), Steag's first project in the Netherlands which can supply approximately 3,500 local households with green energy. They chose Alfen for its technical expertise and knowledge of the Dutch market.

06 October

Alfen proud to be the partner of choice to supply smart EV charging stations to London Borough of Newham

Together with Alfen's lead partner Allego, Alfen supplied 80 publicly accessible EV charge points for the London Borough of Newham. Allego who secured this important Transport for London concession installed and operates the charging stations, where Alfen was the partner of choice to supply the smart EV charging stations. The project was part of a program to make London carbon-free by 2050.

22 October

Alfen Elkamo selected as preferred substation supplier for three major grid companies

Alfen's Finnish subsidiary, Alfen Elkamo, was selected as the preferred substation supplier for three major grid companies in the eastern part of Finland. The agreement concerns the yearly supply of 300 ELMO substations to three different grid companies: Savon Voima Verkko Oy, Kymenlaakson Sähköverkko and Järvi-Suomen Energia. The agreement initially covers a period of three years and can then be extended twice for two years.

27 October

SSE Enterprise selected Alfen for fleet electrification

SSE Enterprise, one of the largest energy companies in the UK, signed a 3-year framework agreement with Alfen to provide it with smart, reliable EV charge points which are deployed for SSE Enterprise customers. Investment in EV infrastructure is being made by SSE to help get its 12,000 staff on the road to net zero carbon emissions as well as to convert its 3,500 strong fleet to EVs.

05 November

Alfen supplied an integrated energy solution with energy storage, charging plaza and local grid connection for PZEM Middelburg

PZEM, a Dutch energy producer and supplier, selected Alfen for the supply of an energy storage system in combination with grid integration and a charging plaza for electric vehicles at its office in the Middelburg municipality. This project is a good example of Alfen's role in the energy transition and how it can address the increasingly complex energy challenges of its clients.

08 December

British Gas selected Alfen as supplier for integrated EV smart charging

British Gas, the UK's largest energy supplier, signed a 3-year framework agreement with Alfen to supply EV chargers for its own business and also for customers of Centrica, the parent company of British Gas. Alfen's smart chargers were initially rolled out at the homes of British Gas's engineers as it accelerates the electrification of its own fleet. Subsequently, Alfen chargers will also be installed at their premises and those of Centrica. The latter will also offer Alfen's range of chargers to its commercial customers who plan to electrify their fleets.

15 December

Direct payment with debit card possible at Alfen charging stations in Germany

Alfen was pleased to announce that the first Alfen charging station with Giro-e functionality was put into use, as Alfen introduced Giro-e for its complete portfolio of German public and semi-public charging stations. The feature offers users the option of paying for a charging session directly with their Girocard debit card where previously, this was only possible with specific charge cards.

17 December

Alfen supplied 12MW energy storage system for Vattenfall's hybrid energy park Haringvliet Zuid

Vattenfall built its first hybrid energy park in the Netherlands, Haringvliet, where they combine wind energy, solar energy, and energy storage. Alfen supplied and installed the 12MW energy storage system consisting of 288 batteries and also provided the full grid integration with the local energy network. The storage system keeps the electricity grid in balance and can be used for sustainable energy storage in the future.

Financial performance

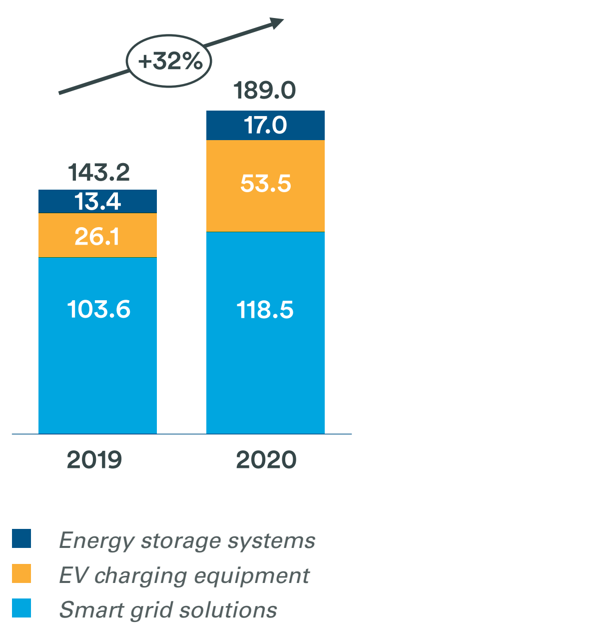
Alfen is operating internationally in the heart of the energy transition, being a specialist in energy solutions for the future. With over 80 years history, Alfen has a unique combination of activities. Alfen designs, engineers, develops, produces and services Smart grid solutions, Energy storage systems and EV chargers and combines these in integrated solutions to address the electricity challenges of its clients. As there is a strong interrelationship between Alfen's different business activities, management reviews the profitability of the Company on an aggregate level.

All financial segment information can be found in the consolidated financial statements.

Revenue and other income

Revenue and other income increased by 32% from €143.2 million in 2019 to €189.0 million in 2020, driven by growth across all business lines. Alfen continued to execute its strategy and benefitted from market growth, further internationalisation, cross-selling and service.

Revenue and other income
(in EUR million)



Financial performance

In the Smart grid solutions business line, 2020 revenues were €118.5 million, a growth of 14% compared with €103.6 million in 2019. Grid operators continued to further expand the grid to accommodate both the growing number of decentralised wind and solar PV installations on the supply side as well as the ongoing electrification of the demand side through for instance electric vehicles. Alfen benefitted through its existing framework agreements with grid operators and through new contract and client wins in their microgrid business.

Although the number of the renewables developments are growing considerably, some projects have been delayed as a result of COVID-19, which affected order intake and thus revenue.

In the EV charging equipment business line, 2020 revenues were €53.5 million, a growth of 105% compared with €26.1 million in 2019. It has been a challenging year for the automotive industry due to COVID-19. Demand dropped and car factories had to be closed for multiple weeks during the initial lockdown in spring. To support the automotive sector, European governments made available extensive support packages for the industry, often with sustainability conditions. Additionally, governments have further stimulated the decarbonisation of the transportation sector by increasing subsidies, grants, tax breaks and other incentives for electric vehicles. This has resulted in a strong rise in EV adoption across Europe, further boosting the need for EV charge points. Alfen benefitted from increasing volumes under framework agreements that have been set-up over the years, new client wins and further internationalisation.

In the Energy storage systems business line, revenues were €17.0 million, a growth of 26% compared with €13.4 million in 2019. COVID-19 introduced headwinds after strong momentum at the end of 2019 and in the first quarter of 2020. The coronavirus slowed down the growth of the energy storage markets as businesses rethink their capital expenditure programs. Although energy storage is an essential component of the future sustainable energy system, for some businesses it is not yet deemed business critical, which has delayed investments and projects. Yet, energy storage solution costs are coming down and the market appears to be recovering.

On the back of this, Alfen has been able to secure new contracts and framework agreements towards the end of 2020 based on its strong market position.

Gross margin, EBITDA and net profit (loss)

Gross margin was 36.7% in 2020 compared with 35.1% in 2019. Alfen benefitted from its strong market position, further leverage from increased scale, a shift towards increasingly complex solutions and favourable product mix effects within each business line.

EBITDA increased by 72% from €13.9 million in financial year 2019 to €23.8 million in financial year 2020. The adjusted EBITDA margin improvement is a result of a combination of increasing gross margins as well as operational leverage.

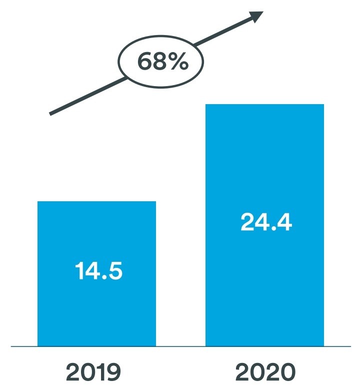
Depreciation and amortisation charges increased from €5.2 million in 2019 to €6.5 million in 2020.

Finance income and costs in financial year 2020 are in line with prior year.

The effective tax rate for the financial year 2020 slightly decreased compared to the financial year 2019, mainly caused by a relative lower share of non-deductible share-based payment expenses relating to Long-Term Incentive Plans for key employees and the Board of Directors ("the Long-Term Incentive Plans"). This positive effect is partly offset by an increase in future tax rates impacting the deferred tax position.

As a consequence, the net profit of €5.6 million in the financial year 2019 grew with 113% to €12.0 million in the financial year 2020.

Adjusted EBITDA
(in EUR million)



In the financial year 2019, Alfen incurred one-off costs and special items of €0.7 million related to share-based payment expenses associated with a Celebration Share Award Plan for all Company employees and the Long-Term Incentive Plan for key employees (see Note 12), an audit fee related to new IFRS accounting standards and a related party consultancy fee (see Note 30). EBITDA adjustments in financial year 2020 amounted to €0.5 million and comprised of share-based payment expenses associated with the Celebration Share Award Plan and Long-Term Incentive Plans (see Note 12) and a related party consultancy fee (see Note 30).

The following summary reconciles EBITDA and net profit with the adjusted EBITDA and adjusted net profit:

In EUR '000	2020	2019
EBITDA	23,841	13,872
Related party consultancy fee	32	143
Audit fee related to new IFRS Accounting Standards	-	22
Share-based payment expenses	502	488
Adjusted EBITDA	24,375	14,525
Net profit / (loss)	11,987	5,625
Aggregated one-off costs and special items after tax	526	612
Adjusted Net profit / (loss)	12,513	6,237

Adjusted EBITDA amounted to €24.4 million, an increase of 68% versus €14.5 million in financial year 2019. Adjusted for one-off costs and special items after tax, net profit amounted to €12.5 million (versus €6.2 million in financial year 2019).

Finance and investments

Net cash position at 31 December 2020 amounted to €32.4 million, compared to a net debt position of €19.3 million at 31 December 2019. Net cash at 31 December 2020 was positively impacted by the share issuance in June 2020 for an amount of €49.4 million (net of directly attributable costs). Excluding this effect, net debt at 31 December 2020 amounted to €17.0 million, compared to €19.3 million at 31 December 2019.

The decreased net debt position (adjusted for the positive impact of issuance of shares) is primarily caused by the increased positive cash flow from operating activities in 2020.

In December 2019, Alfen increased its working capital credit facility from €20 million to €30 million, as well as its separate facility for bank guarantees from €5 million to €10 million. As disclosed in note 25 of the financial statements, Alfen has to meet an EBITDA covenant. This EBITDA-covenant was met as at 31 December 2020.

The solvency ratio (equity divided by total assets) is 50.6% at 31 December 2020 compared to 17.0% at 31 December 2019, mainly as a result of the capital that Alfen raised in June 2020 further amplified by the positive cash flow from operating activities in conjunction with strong profitability in financial year 2020.

Capital expenditure amounts to €9.6 million (or 5.1% of revenues) compared to €6.7 million (or 4.7% of revenues) in 2019. Capex includes amongst others investments in new moulds for Smart grids as well as investments in a new and significantly larger EV charging production facility. Additionally, Alfen capitalised €5.0 million of development costs (2019: €4.2 million) which demonstrates the company's continued efforts to invest in innovations for the future.

Providing smart grid connections and energy storage for Shell's ultrafast EV charging service

Alfen provided grid connections for more than 50 Shell forecourts across the Netherlands as well as a 350kWh battery energy storage system at one of the forecourts, as part of the development of Shell's ultrafast EV charging network.

Risks and Uncertainties

Risks and Uncertainties

Summary of risks, our risk appetite, likelihood and potential impact.

Risk category	Risk description	Risk appetite	Likelihood	Impact
Strategic and commercial	The energy transition embodied by current trends towards alternative energy sources may be addressed by various solutions and there is no certainty that any of the solutions offered by Alfen will prove to be acceptable for addressing these.	High	Low	High
	The market for electric vehicles is relatively new which makes it difficult to predict the future demand for charging equipment as well as charging behaviour.	High	Medium	Medium
	The market for energy storage is relatively new and still developing which may result in uncertainty regarding the future performance of its Energy storage business line.	Medium	High	Medium
	Competition in the industries and market segments in which Alfen operates may materially adversely affect its market shares, margins and overall profitability.	High	Medium	Medium
	Alfen's business depends, in part, on contracts with certain significant clients. If one or more of such contracts were discontinued, Alfen's financial position and results of operation could be materially adversely affected.	Medium	Low	Medium
	Alfen may be unsuccessful in adequately protecting its technological know-how and trade secrets.	Medium	Low	Medium
	A global health pandemic might slow down the energy transition and as such the markets that Alfen operates in, or could significantly reduce our production capacity, which could adversely affect or delay revenues, profits and cash flows.	High	Medium	Medium
Operational	Alfen depends on its ability to hire and retain management, key employees and other qualified and skilled employees and may not be able to attract and retain such personnel.	Medium	Medium	Medium
	Failure to properly manage projects, or project delays, may result in additional costs or claims and adversely affect or delay revenues, profits and cash flows.	Medium	Medium	Medium
	Alfen is dependent on third-party suppliers to deliver raw materials and components for its products and may experience supply problems.	Medium	Medium	Medium
	Disruptions of Alfen's information technology systems could have a material adverse effect on its business.	Low	Low	High
	Alfen's IT systems' security could be breached by a third party that might misuse or hijack Alfen assets or information which could have a material adverse effect on its business.	Low	Medium	High
Compliance	Alfen is exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it.	Medium	Low	Medium
	Alfen may not fully comply to laws and regulations across multiple jurisdictions, which are becoming increasingly stringent, particularly related to environmental, health and safety and transportation.	Low	Medium	Medium

For information about Alfen's credit risk, liquidity and market risks as well as the capital management structure, please refer to the information outlined in Note 3 and 4 of the financial statements. Furthermore, risks related to external reporting are considered limited due to the limited amount of estimates in the financial statements, and because Alfen was not faced with any indication for impairment in financial year 2020.

Strategic and commercial risks and uncertainties

The energy transition embodied by the current trends towards alternative energy sources may be addressed by various solutions and there is no certainty that any of the solutions offered by Alfen will prove to be acceptable for addressing these.

Various solutions are and may be brought to market to address the energy transition and current trends affecting the energy landscape. Technologies such as hydrogen storage or fuel cells may compete with Alfen's products, systems and solutions of its Energy storage or EV charging business lines. If Alfen fails to achieve market acceptance for its products, systems or services as solutions to current trends, Alfen's business, financial condition, results of operations and prospects could be materially adversely affected.

To mitigate this risk, Alfen continuously monitors market developments and initiates R&D efforts accordingly. Through its open-architecture approach and its technology-agnostic solutions it is relatively flexible to adapt its products and solutions to changing market trends.

The market for electric vehicles is relatively new which makes it difficult to predict the future demand for charging equipment as well as charging behaviour.

The market for electric vehicles is relatively new, is continuously evolving and is characterised by changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demand and behaviour. Future developments in technology trends are still uncertain.

A slower than anticipated increase, or even a decrease, in the sales of electric vehicles in the countries in which Alfen operates could lead to a slower than anticipated growth of revenues in Alfen's EV charging business line, which may have a material adverse effect on Alfen's business, financial condition, results of operations and prospects.

To mitigate this risk, Alfen continuously monitors market developments with regard to EV charging behaviour and initiates new R&D projects to address possible future trends with regard to EV charging. In addition, as a result of its internationalisation strategy, Alfen is becoming less dependent on country-specific, often regulation or subsidy related, fluctuations in demand patterns for EVs or EV charging equipment.

The market for energy storage is relatively new and still developing which may result in uncertainty regarding the future performance of its Energy storage business line.

Alfen started its activities in the development, production and installation of energy storage systems in 2011 and released its first meaningful commercial successes in 2016, in a relatively new market. The market has since then been maturing but is still in a relative nascent stage. As such, the development and expansion of this business line may be subject to significant uncertainty and volatility. In addition, as the market evolves, the costs involved in developing the Energy storage business line may be significantly greater than currently anticipated and the estimated amount of capital expenditures required may be insufficient to cover the actual cost due to cost overruns or other unexpected expenses.

This risk is reducing over time, as the market for energy storage is gradually maturing and Alfen's customers are gaining more experience with energy storage projects, including business case development, internal approval procedures and project management. Alfen further reduces this risk by continuously focusing on expanding its range of storage applications, making it less vulnerable to a change in business case dynamics for a specific storage application. In addition, as a result of its internationalisation strategy, Alfen is becoming less dependent on country-specific, often regulation or subsidy related, fluctuations in demand patterns for energy storage systems.

Competition in the industries and market segments in which Alfen operates may materially adversely affect its market shares, margins and overall profitability.

Alfen's industries and market segments are highly competitive, and it faces significant competition from large international competitors as well as smaller regional competitors in certain markets. In addition, certain industry players who currently do not compete with Alfen in terms of quality and market share may enter Alfen's market and disrupt the competitive environment which may reduce Alfen's market share. Current clients may decide to develop or acquire certain capabilities in-house, reducing demand for Alfen's products, systems and services. If Alfen is unable to compete successfully in its product and geographic markets, its business, financial condition, results of operations and prospects could be materially adversely affected.

To mitigate this risk, Alfen is continuously focusing on product upgrades and new product development, cost engineering and purchasing savings. In addition, Alfen continuously monitors its competitive environment and, through SWOT analyses, seeks to identify its unique selling points that are valuable to its customers. Alfen also increasingly focusses on integrated solutions covering multiple business lines, in order to further differentiate from the majority of its competitors who focus on individual business lines only.

Alfen's business depends, in part, on contracts with certain significant clients. If one or more of such contracts were discontinued, Alfen's financial position and results of operation could be materially adversely affected.

The success of Alfen's business depends, in part, on significant customer contracts entered into with a limited number of grid operators and large companies. Alfen may not be able to renew such contracts upon their expiry which could have a negative impact on Alfen's revenue and profits.

This risk is mitigated by a continuous effort to further diversify its customer base. The clients Enexis and Alliander, representing a large part of the Smart grid solutions business line, have separated their commercial activities into separate entities, which further contributes to a diversification of customers. This risk is further mitigated by a structured approach to tenders in the market supported by multi-disciplinary tender teams.

Alfen may be unsuccessful in adequately protecting its technological know-how and trade secrets.

Alfen relies on certain technology, know-how and business and trade secrets. There is a risk that third parties, in particular competitors, may copy such technology and know-how or develop it independently and later challenge Alfen's use of it. In addition, employees who in the course of their employment with Alfen have access to important proprietary information which may or may not be protected by intellectual property rights may leave to go work for a competitor.

To mitigate this risk Alfen relies on confidentiality agreements with suppliers and customers, non-compete clauses in contracts with employees and technical precautions to protect its technology, know-how and other proprietary information. However, there is no guarantee that these agreements and precautions or Alfen's ability to enforce its contractual rights, will provide sufficient protection in the case of any unauthorised access or use, misappropriation or disclosure of such information. Defending against any unauthorised access or use may result in lengthy and costly litigation or administrative proceedings and cause significant disruption to the business and operations of Alfen.

A global health pandemic might slow down the energy transition and as such the markets that Alfen operates in, or could significantly reduce our production capacity, which could adversely affect or delay revenues, profits and cash flows.

A global health pandemic such as COVID-19 might impact the wider economy and also the end-markets of Alfen. This could have the effect that businesses in these markets reduce their capital expenditures in light of such pandemic, which in return may result in lower order intake for Alfen. Additionally, there is the risk that Alfen needs to reduce or even completely stop its production to safeguard the health and safety of its employees. These events could materially impact revenue, profits and cash flows.

To mitigate this risk, Alfen is continuously diversifying its customer base. Not only in the markets Alfen currently operates in, but also by further internationalising in Europe. To safeguard the health and safety of its employees, Alfen complies to all relevant national and international guidelines, standards and policies for health and safety. Also, Alfen can implement

Risks and Uncertainties

additional safety measures where required to continue safe and responsible operations during a pandemic, as evidenced during the COVID-19 crisis.

Operational risks and uncertainties

Alfen depends on its ability to hire and retain management, key employees and other qualified and skilled employees and may not be able to attract and retain such personnel.

Alfen's future performance depends in significant part on the continued service of the Senior Management and other key personnel, including the heads of Alfen's business lines and other employees involved in research and development, staff, marketing and sales personnel and employees with critical know-how and expertise. The loss of the services of one or more members of Senior Management or other key personnel could have a material adverse effect on Alfen's business, financial condition, results of operations and prospects.

Alfen's success also depends on its continuing ability to attract, retain and develop qualified and skilled personnel, including scientists, designers, technical employees and engineers with the requisite technical background. This is especially important given the expected high growth in the segments in which Alfen is active. Competition for such personnel is intense, in particular for technical and industrial employees. This is particularly relevant in the Netherlands, since it is the country where Alfen has its headquarters, significant business operations and research and development activities.

To mitigate this risk, Alfen seeks to make optimally use of its increased public profile after the IPO and the widespread interest in the energy transition in order to attract talent. Retention and development are key focus areas of the HR department and management. Through Alfen's in-house Academy (for which it was awarded a prize for best program in the Netherlands in 2017) important personnel continues to be attracted and incentivised to further develop at Alfen.

Failure to properly manage projects, or project delays, may result in additional costs or claims and adversely affect or delay revenues, profits and cash flows.

Alfen generates part of its business by participating in projects for the installation of its products, systems and solutions, and it expects that in the future there will be an increase in the number and size of the projects that it undertakes. Alfen may not be successful in executing these projects or its project management services, or a project may be delayed by events beyond its control which may lead to delays in revenue streams that may adversely affect Alfen's profits or cash flows.

Alfen mitigates this risk by continuously working on further professionalisation of its project management department, supply chain management and the interrelation between these two by, for example, weekly meetings in which project management together with supply chain management identified and determined bottlenecks and priorities, respectively.

Alfen is dependent on third-party suppliers to deliver raw materials and components for its products and may experience supply problems.

Alfen's production and assembly processes depend on the availability and timely supply of raw materials, components and finished goods, from third-party suppliers. Alfen obtains a significant portion of certain of its processed raw materials from a limited number of key suppliers.

If any of Alfen's suppliers are unable to meet their obligations under purchase orders or supply agreements, Alfen may be forced to pay higher prices to obtain the necessary raw materials from other suppliers, change suppliers, or may not be able to locate suitable alternatives at all. Supply interruption could lead to interruption of Alfen's own production at one or more production facilities. This could be particularly relevant for the supply of batteries, since the rapidly developing market for energy storage projects and the roll-out of EVs may put significant pressure on the production and supply capacities of a relatively small number of global battery suppliers.

Alfen may experience supply problems and may be unable to fill clients' orders on a timely and cost-effective basis or in the required quantities, which could result in damage claims, order cancellations, decreased sales or loss of market share and damage to Alfen's reputation.

To mitigate this risk, Alfen seeks to have multiple interchangeable suppliers for its key purchases. Alfen is in continuous dialogue with its key suppliers to discuss potential supply chain challenges and, in case of any disruptions, seeks to jointly address these and return to normal course of business as quickly as possible. Any potential disruptions can further be mitigated by, temporarily, increasing stock levels and adjusting working procedures. In case of more structural challenges with certain suppliers, Alfen has the in-house capabilities to adjust product design and configurations to develop alternatives.

Disruptions of Alfen's information technology systems could have a material adverse effect on its business.

Alfen depends on its information technology systems to, among other things, conduct operations, to interface with clients (for example through its web shop) and to maintain financial records and accuracy. Alfen also develops and supplies software to clients. Information technology systems failures could disrupt operations leading to increased costs. In addition, Alfen's computer systems, including its back-up systems, could be damaged, hacked or interrupted which could impair its ability to effectively and timely provide products, systems, solutions and services, and could damage Alfen's reputation.

The mitigation of these risks starts with an IT security policy that is in place and sufficient resources to manage the IT related risks. As such, Alfen further strengthened the IT department and continues to do so in 2021. To further mitigate the risks related to privacy related information as well as data protection in general several actions have been taken and Alfen maintains a cyber-security insurance policy.

Alfen's IT systems' security could be breached by a third party that might misuse or hijack Alfen assets or information which could have a material adverse effect on its business.

Alfen's business activities are increasingly online. It uses collaborative software and data in the cloud and its IT systems are increasingly accessible remotely for more efficient operations. Also, its smart energy solutions are more and more connected to the internet of things to allow remote monitoring and operation of its products and services. Third parties might be able to breach security and get access to Alfen's IT systems and/or products, and as such, they could hijack or misuse sensitive information or they could hijack or misuse Alfen's products. This could impair Alfen's ability to effectively and timely conduct its business and/or damage Alfen's reputation.

To mitigate this risk, Alfen uses cloud based solutions for its own IT systems from suppliers that have proven and tested security which they continuously update to protect it from the latest threads. Furthermore, to mitigate the risks related to privacy related information as well as data protection in general several actions have been taken and Alfen maintains a cyber-security insurance policy. Additionally, Alfen has implemented an information security policy to safeguard and secure remote communication and operation of its products & services. For this, Alfen is certified by ISO 27001.

Compliance risks and uncertainties

Alfen is exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it.

In the normal course of business Alfen is exposed to product liability, warranty and recall claims, lawsuits and any other claims that might lead to higher costs and/or reputational damage.

Furthermore, Alfen may become subject to other proceedings alleging violations of due care, safety provisions and claims arising from breaches of contract or fines imposed by government or regulatory authorities in relation to its customised and semi-customised products, systems and solutions.

To mitigate this risk, Alfen aims to have back-to-back agreements in place with its suppliers. Furthermore, throughout the design and production phases, there is a continuous focus on quality with quality assurance being an integral part of Alfen's working processes. Moreover Alfen is able to continuously improve its products and services through valuable performance information obtained from its integrated service offering. Finally, Alfen has insurance policies in place to limit the costs of manufacturing defaults and design flaws.

Alfen may not fully comply to laws and regulations across multiple jurisdictions, which are becoming increasingly stringent, particularly related to environmental, health and safety and transportation.

Alfen is subject to numerous environmental, health and safety laws and regulations across multiple jurisdictions, which are becoming increasingly stringent. Additionally, Alfen's products and business operations are subject to a broad range of local, state, national and multi-national laws and regulations in the jurisdictions in which it operates and markets its products. Amendments or revisions to such laws and regulations may require changes to Alfen's product designs or production processes and may lead to additional costs or failure to comply.

To mitigate this risk, the quality of Alfen's products and compliance to the relevant safety and quality certificates is strictly monitored by the QHSE-department. Additionally, Alfen's in-house general counsel monitors or requests specialist assistance from foreign outside counsel about laws and regulations across multiple jurisdictions. Finally, in order to increase the safety awareness and accreditations of its personnel Alfen uses its in-house education centre to train its people in a controlled environment where real-life situations can be simulated.

Risk management and control systems

Management Board approach towards risk management

The Management Board is responsible for the control environment, including risk management and internal control systems in order to properly manage the strategic, operational and other risks and uncertainties that could have a material adverse effect on Alfen's business and day-to-day operations. The applicable risks and uncertainties for Alfen are evaluated on a periodic basis by the Management Board and discussed with the Supervisory Board.

The Management Board is convinced that actual control should start with setting the right mind-set ('tone at the top'), allocating the right responsibilities and implementing day-to-day working procedures for all employees within Alfen.

The Management Board recognises the importance of a formalised approach towards risk management for a rapidly growing organisation like Alfen. In practice this means that it is important to maintain the right balance between formalised systems and procedures and the informal hands-on approach that is necessary to further boost the growth of the company. Alfen's corporate culture is also an important 'soft-control' to mitigate risks and fraud.

During financial year 2020, Alfen continued to support its corporate culture and other foundations of its risk management and control systems with its Code of Conduct, Whistle blower policy, insider trading policy, safety and quality certifications, periodic reports and meetings. In addition, further consolidation and professionalisation has been achieved in financial year 2020 by means of the newly introduced and implemented Alfen Integrated Management System ("AIM"), in which our business processes as well as our day-to-day working procedures are formally documented in one central system.

The Management Board, to the best of its knowledge, is not aware of any significant deficiencies in its control environment, including risk management and internal control systems.

Code of Conduct

Alfen has a Code of Conduct that applies to all employees. The principles and best practices established in the Code of Conduct reflect the corporate culture that the Management Board wants to embed in the day-to-day routines of all employees. The core values included in the Code of Conduct are related to professional conduct, flexibility, reliability and integrity and safety. The Code of Conduct includes topics including acting with integrity, gifts, anti-bribery, corporate social responsibility and health and safety. The Code of Conduct can be found on Alfen's website. Alfen also has a Supplier Code of Conduct in order to ensure our supply chain abides by our culture and values. No violations of the Code of Conduct were reported in the financial year 2020.

Whistle-blower policy

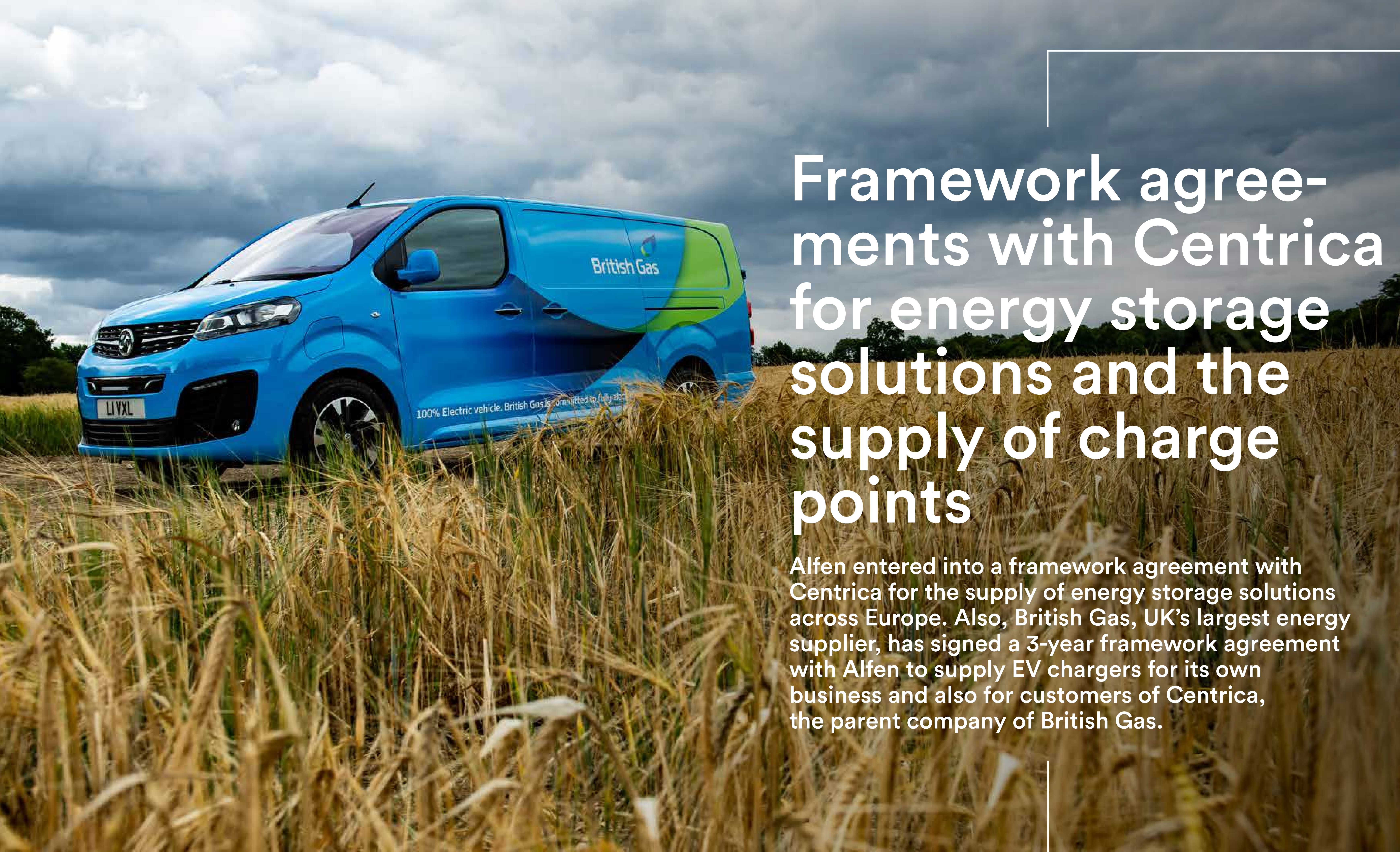
Alfen employees are offered the opportunity to report irregularities or suspicions with regards to violations of the Code of Conduct, the law, safety policies, the environment or any other forms of misbehaviour without bringing their (legal) position in jeopardy. Reporting of such instances by Alfen employees can be either by designated 'persons of trust' or in complete anonymity through a prescribed website. No violations or irregularities were reported under the Whistle-blower policy in financial year 2020.

Insider trading policy

Alfen continues to adhere to its implemented regulations covering security transactions by the members of the Management Board and Supervisory Board, the Management Team, independent contractors and other designated employees that have insight into market-sensitive information. The Insider trading policy is published on Alfen's website. Alfen's Insider trading policy aims to promote compliance with the relevant obligations and restrictions under applicable securities law, including The European Market Abuse Regulation ((EU) No 596/2014) and intends to limit the risk of Alfen's good reputation and business integrity being harmed as a result of prohibited or undesirable dealing in Alfen Securities. During the financial year 2020, several questions were asked about the insider trading policy and addressed by the compliance officer. No violations or irregularities were reported in financial year 2020.

Safety and quality certifications

Alfen has been awarded with several ISO certifications and possesses other relevant safety and quality certificates. The quality of Alfen's products and compliance to the relevant safety and quality certificates is strictly monitored by the QHSE-department.



Framework agreements with Centrica for energy storage solutions and the supply of charge points

Alfen entered into a framework agreement with Centrica for the supply of energy storage solutions across Europe. Also, British Gas, UK's largest energy supplier, has signed a 3-year framework agreement with Alfen to supply EV chargers for its own business and also for customers of Centrica, the parent company of British Gas.

Corporate governance

General

Alfen N.V. is a publicly limited liability company incorporated under the laws of the Netherlands, with its registered seat in Amsterdam and its offices at Hefbrugweg 28, 1332 AP Almere, the Netherlands ("Alfen" or the "Company"). For details regarding Alfen's share capital, reference is made to the section "Capital Structure".

Alfen, as the ultimate parent company, directly holds all the shares of Alfen B.V., Alfen ICU B.V., Alfen Projects B.V. and Alfen International B.V., and indirectly holds all the shares of Alfen België BV and Alfen Elkamo Oy Ab. Alfen is subject to the Dutch large company regime and has a works council.

Corporate governance within Alfen is based on statutory requirements applicable to public limited liability companies in the Netherlands as well as Alfen's articles of association. Alfen's articles of association are published on the Investor Relations section of its website www.alfen.com (Articles of Association) (the "Articles of Association").

This section gives an overview of the information concerning the Management Board, the Supervisory Board and the General Meeting of Shareholders.
Alfen has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board together with one senior manager of the Company forms the senior management of the Company ("Senior Management") which is responsible for the day-to-day management of the Company. The Management Board and the Supervisory Board are jointly responsible for the governance structure of Alfen.

Management Board

Powers, responsibilities and functioning

The Management Board is the executive body and is entrusted with the management of Alfen and responsible for the continuity of Alfen, under the supervision of the Supervisory Board.

The Management Board timely provides the Supervisory Board with the information necessary for the performance of the Supervisory Board's duties. The Management Board keeps the Supervisory Board informed and consults with the Supervisory Board on important matters. The Management Board has informed the Supervisory Board of the main outlines of the Company's strategic policy, the general and financial risks, and the risk management and control systems.

Two Managing Directors are jointly authorised to represent Alfen. Pursuant to the Articles of Association, the Management Board may grant one or more persons, whether or not employed by the Company, a power of attorney or other form of continuing authority to represent the Company or to grant one or more persons such titles as it sees fit. No long term powers of attorney have been granted.

The General Meeting of Shareholders (the "General Meeting") appoints the Managing Directors who constitute the Management Board. A resolution of the General Meeting to appoint a Managing Director can be adopted by a majority of the votes cast, without a quorum being required. The Articles of Association provide that a Managing Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Managing Director can be adopted by a majority of the votes cast, without a quorum being required.

The Supervisory Board has appointed one of the Managing Directors as CEO (Chief Executive Officer). In addition, the Supervisory Board has appointed one of the Managing Directors as CFO (Chief Financial Officer) to specifically oversee the Company's financial affairs.

Members of the Management Board

The Management Board is composed of the following members:

Name	Age	Position	Member since	End of current term
Mr Marco Roeleveld	59	CEO and COO	November 2015	AGM of 2022
Mr Jeroen van Rossen	47	CFO	August 2017	AGM of 2022

Marco Roeleveld (born 1962, Dutch) is Alfen's CEO (Chief Executive Officer) and COO (Chief Operations Officer). Marco Roeleveld is a member of the Management Board since the Company's incorporation in November 2015. He joined the subsidiary of the Company, Alfen B.V., as a Managing Director in 1997. Prior to joining Alfen, Marco Roeleveld was commercial director of Hitec Power Protection in the Netherlands. He holds a master of science degree in Business Administration from the Technical University in Eindhoven, the Netherlands.

Jeroen van Rossen (born 1973, Dutch) is Alfen's CFO (Chief Financial Officer) since September 2015 and a member of the Management Board since August 2017. Prior to joining Alfen, he was a partner at KPMG (2010-2015) and worked as an auditor and advisor for a number of large and mid-size companies in the Netherlands. Jeroen van Rossen holds an accounting degree from Nyenrode University in Breukelen, the Netherlands.

Senior Management

The members of the Management Board comprise the Senior Management of the Company together with the following non-statutory member:

Name	Age	Position	Member since
Mr Richard Jongsma	52	CCO	August 2013

Richard Jongsma (born 1968, Dutch) is Alfen's CCO (Chief Commercial Officer) since 2013. Prior to joining Alfen, he gained experience as managing director at Joolz, global sales director at Bugaboo International and global sales and marketing director at De Beer Car Refinishes, a Valspar Corporation brand. Richard Jongsma holds a bachelor's degree in Marketing, Economics and Management from Ryerson University in Toronto, Canada. In 2017, he was also appointed as a board member of Dutch Power, a foundation promoting cooperation and discussion between market parties in the energy sector.

The business address of the Senior Management of the Company is Hefbrugweg 28, 1332 AP in Almere, the Netherlands.

Supervisory Board

Powers, responsibilities and functioning

The Supervisory Board supervises the Management Board and the general course of affairs of the Company, its subsidiaries and the business affiliated therewith. The Supervisory Board is accountable for these matters to the General Meeting. The Supervisory Board also provides advice to the Management Board. In performing its duties, the Supervisory Directors focus on the effectiveness of the Alfen's internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Directors assist the Management Board with advice on general policies related to the activities of Alfen. In the fulfilment of their duty, the Supervisory Directors focusses on the interests of the Company and its related business.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	Member since	End of current term
Mr Henk ten Hove	68	Chairman	22 March 2018	AGM of 2022
Mrs Eline Oudenbroek	51	Member	6 July 2020	AGM of 2023
Mr Willem Ackermans	65	Member	6 July 2020	AGM of 2024

The business address of the Supervisory Board of the Company is Hefbrugweg 28, 1332 AP in Almere, the Netherlands.

The former dependent Supervisory Board members Mr Erwin Riefel and Mr Edmond van der Arend stepped down on 6 July 2020, as was agreed with Infestos, the former majority shareholder and the new independent Supervisory Board Members Mrs Eline Oudenbroek and Mr Willem Ackermans were appointed by the Extraordinary General Meeting on 6 July 2020.

Henk ten Hove (born 1952, Dutch) is the Chairman of the Supervisory Board since 22 March 2018. He also holds supervisory board positions at the publicly listed company Kendrion since 2013 (as chairman) and at Unica since 2014. He is also chairman of the foundation owning the shares in BDR Thermea group. Henk ten Hove has spent most of his career at Wavin, where he started in 1982 and held various positions over time, including that of financial manager, general manager Germany, member of the executive board and, between 2010 and 2013, CEO of the group. Henk ten Hove is independent within the meaning of the corporate governance code. He does not hold any shares in the Company. Henk ten Hove holds a master's degree in Economics from the University of Amsterdam, the Netherlands.

Willem Ackermans (born 1955, Dutch) is a member of the Supervisory Board. He is also a member of the investment committees of BOM and FSFE Fûns Skjinne Fryske Enerzjy and a member of the Advisory Board of GBM Works. He has worked as Treasurer/Finance Director at Boskalis International B.V., as Corporate Treasurer at Koninklijke KPN N.V., as CFO at KPN International and KPNQwest N.V., and as Director Corporate Development, Strategy & Innovations at Eneco N.V. Willem Ackermans is independent within the meaning of the corporate governance code. He does not hold any shares in the Company. Willem Ackermans holds a degree in Construction and Architecture from the Technical University of Delft, the Netherlands.

Eline Oudenbroek (born 1969, Dutch) is a member of the Supervisory Board. She is Vice President Operations EMEA at Interface Inc. She is also the president of the Supervisory Board of Tauw Group B.V. Previously she worked as operations manager at The Royal Dutch

Coporate governance

Mint N.V. and Gelderblom CNC Machines AV and as Managing Director at Elysee Dental Solutions B.V. and Holland Lift International B.V. Eline Oudenbroek is independent within the meaning of the corporate governance code. She does not hold any shares in the Company. Eline Oudenbroek holds a degree in Chemical Engineering (MSc) from the Technical University in Eindhoven and a degree in Business Administration from the University of Utrecht, the Netherlands.

Remuneration

The remuneration policy applicable to the Management Board and the Supervisory Board (the "Remuneration Policy") was adopted by the General Meeting on 8 April 2020 after the Works Council had been granted the opportunity to determine its point of view thereon. Any subsequent amendments to this remuneration policy are subject to adoption by the General Meeting. The remuneration of, and other agreements with, the Managing Directors have been determined by the Supervisory Board in 2020, with due observance of the remuneration policy.

The Remuneration Policy aims to attract, motivate and retain highly qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned with the long-term business strategy of the Company. The Remuneration Policy fosters alignment of interests of the Managing Directors with its shareholders and other stakeholders. It is designed in the context of competitive market trends, statutory requirements, corporate governance best practice, the societal context around remuneration and the interests of the Company's shareholders and other stakeholders.

Based on the Remuneration Policy, the remuneration of the Managing Directors consists of the following components: annual base pay, a share-based long-term incentive plan (LTIP), a short term incentive plan (STIP) and pension and other benefits. A summary of the remuneration of the Management Board is available on ir.alfen.com and is set out in the Remuneration Report of the Supervisory Board below.

Related Party Transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control, jointly control or significantly influence the Company are considered a related party. In addition, statutory and Supervisory Directors and close relatives are regarded as related parties.

Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:

- Key management compensation;
- Share-based payments;
- Remuneration of the Management Board and Supervisory Board.

The agreement with the previous related parties Infestos Energy Transition B.V. and Infestos Holding M B.V. regarding the provision of advisory and consulting services terminated on 30 June 2020.

Share award plans

The Management Board recognised the importance of its key employees to the future success of the Company. Therefore, on 4 October 2018, a long-term incentive plan ('LTIP') was introduced for a number of designated employees within the group of the Company. The second grant under this plan was made at 1 January 2020 and comprises of a total of 38,434 Ordinary Shares for no consideration.

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is four years after the grant date, on the condition that the relevant employee of Alfen continues to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee). Besides the aforementioned service vesting condition no other vesting conditions are applicable for the LTIP.

None of the outstanding shares related to the LTIP are exercisable at 31 December 2020.

The Celebration Share Award Plan vested and was settled on 22 March 2020. On that day eligible employees had the right to exercise their conditional rights to shares and under this plan 94,238 Ordinary Shares were exercised by eligible employees.

Remuneration of the Management Board and Supervisory Board

Details of the remuneration of the Management Board and Supervisory Board can be found in the Remuneration Report by the Supervisory Board.

The transactions which were carried out with related parties are also set out in Note 30 in the consolidated financial statements.

General Meetings of Shareholders

General Meetings must be held in Almere or Amsterdam, each in the Netherlands. The 2020 Annual General Meeting of Shareholders was announced on 25 February 2020 to be held in the Rosarium in Amsterdam, but due to the Corona (COVID-19) outbreak in March 2020, the venue was announced to be changed to Hefbrugweg 28 in Almere, the Netherlands on Wednesday 8 April 2020 (the "AGM"). After the outbreak of COVID-19 shareholders were discouraged to participate in person, but were asked to participate in the webcast, which also provided the opportunity to ask questions. During the Annual Meeting, the following agenda items were scheduled, whereby the * Items were put on the agenda for voting:

1. 2019 Annual Report
    a. Report of the Management Board for 2019
    b. Remuneration report for 2019 *
2. 2019 Financial Statements
    a. Proposal to adopt the Financial Statements for 2019 as included in the 2019 Annual Report *
    b. Explanation of dividend and reserve policy
3. Discharge of the members of the Management Board and the Supervisory Board from liability for the exercise of their respective duties
    a. Proposal to discharge the members of the Management Board from liability *
    b. Proposal to discharge the members of the Supervisory Board from liability *
4. Remuneration policy
    a. Proposal to adopt the remuneration policy for the Management Board *
    b. Proposal to adopt the LTI plan for members of the Management Board *
    c. Proposal to adopt the remuneration policy for the Supervisory Board *
5. Extension of the authorities of the Management Board
    a. Proposal to extend the designation of the Management Board to issue shares and/or grant rights to subscribe for shares and to limit or exclude pre-emptive rights for a period of 18 months *
    b. Proposal to authorise the Management Board to cause the Company to acquire own shares for a period of 18 months *
6. Proposal to appoint the external auditor PwC for 2021 *

During the Annual Meeting, the Shareholders voted to:

- Adopt the Remuneration Report for 2019, as included in the 2019 Annual Report;
- Adopt the Financial Statements for 2019 as included in the 2019 Annual Report;
- Discharge of members of the Management Board from liability as stipulated in article 30 of the Articles of Association, insofar as the exercise of such duties is reflected in the 2019 Annual Report or information is otherwise disclosed to the General Meeting of Shareholders prior to the adoption of the Financial Statements. The scope of the release from liability shall be subject to limitations by virtue of the law;
- Discharge the members of the Supervisory Board from liability for the exercise of their respective duties, as stipulated in article 30 of the Articles of Association, insofar as the exercise of such duties is reflected in the 2019 Annual Report or information is otherwise disclosed to the General Meeting of Shareholders prior to the adoption of the Financial Statements. The scope of the release from liability shall be subject to limitations by virtue of the law;

- Adopt the remuneration policy for the Management Board;
- Adopt the LTI plan for the Management Board;
- Adopt the remuneration policy for the Supervisory Board;
- Extend the designation of the Management Board to issue shares and/or grant rights to subscribe for shares for a period of 18 months following the Annual Meeting 2020, subject to the approval of the Supervisory Board, and to limit or exclude pre-emptive rights of existing shareholders up to a maximum of 10% of the issued share capital on 8 April 2020, which authorisation will therefore end on 8 October 2021;
- Authorise the Management Board, subject to the approval of the Supervisory Board, to cause the Company to acquire its own shares up to a maximum of 10% of the issued share capital on 8 April 2020, either through a purchase on a stock exchange or otherwise at a price, excluding expenses, not lower than the nominal value of the shares and not higher than the opening price on Euronext Amsterdam on the day of the repurchase plus 10%, for a period of 18 months following the Annual Meeting 2020, which authorisation will therefore end on 8 October 2021;
- Re-appoint PwC as the external auditor for the financial reporting year 2021.

Whenever the Company's interests so require, the Supervisory Board or the Management Board may convene extraordinary General Meetings. One extraordinary electronic General Meeting was convened in 2020. The electronic Extraordinary General Meeting was announced on 25 May 2020 to be held on Monday 6 July 2020 (the "EGM"). During the EGM, the following agenda items were scheduled:

Changes to the Supervisory Board

a. Proposal to appoint Willem Ackermans as member of the Supervisory Board;
b. Proposal to appoint Eline Oudenbroek as member of the Supervisory Board.

During the EGM, the Shareholders voted to:

a. Appoint Willem Ackermans as member of the Supervisory Board;
b. Appoint Eline Oudenbroek as member of the Supervisory Board.

In addition to the rights of the Supervisory Board and the Management Board to convene a shareholders meeting, shareholders representing alone or in aggregate at least one-tenth of the issued and outstanding share capital may, pursuant to the Dutch Civil Code, request that a General Meeting be convened. If no General Meeting has been held within eight weeks of the shareholders making such request, the shareholders making such request may, upon their request, be authorised by the district court in summary proceedings to convene a General Meeting.

The convocation of the General Meeting must be published through an announcement by electronic means. Notice of a General Meeting must be given by at least such number of days prior to the day of the meeting as required by Dutch law, which is currently 42 days. The notice convening any General Meeting must include, among other items, the subjects to be dealt with, the venue and time of the General Meeting, the requirements for admittance to the General Meeting, the address of the Company's website and such other information as may be required by Dutch law. The agenda for the annual General Meeting must contain certain subjects, including, among other things, the adoption of the annual accounts, the discussion of any substantial change in the corporate governance structure of the Company and the allocation of the results, insofar as these are at the disposal of the General Meeting. In addition, the agenda must include such items as have been included therein by the Management Board, the Supervisory Board or shareholders (with due observance of Dutch law as described below). Shareholders holding at least 3% of the Company's issued and outstanding share capital may request by a motivated request that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Company at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

Shareholders who, individually or with other shareholders, hold Ordinary Shares that represent at least one-tenth of the issued and outstanding share capital or a market value of at least €225,000 may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting, provided that the Company has done a so-called "identification round" in accordance with the provisions of the Securities (Bank Giro Transactions) Act. The Company can only refuse disseminating such information, if received less than seven business days prior to the day of the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

More information about the authority of the General Meeting of Shareholders and the Articles of Association can be found on Alfen's website.

Special provisions relating to shares

Unless indicated otherwise, there are no restrictions on the transfer of shares, the exercise of voting rights or the term for exercising those rights, and there are no special controlling rights attached to shares.

On 8 April 2020, the Annual General Meeting of Shareholders granted the Management Board the authority to, subject to the prior approval of the Supervisory Board, (i) issue shares or grant rights to subscribe for shares and/or (ii) cause the Company to acquire its own shares (including shares issued as stock dividend) both for a period of 18 months following the AGM.

Diversity policy

The diversity policy of Alfen has been in effect since its adoption by the Supervisory Board on 26 March 2018 and is in accordance with best practice provision 2.1.5 of the Dutch Corporate Governance Code (the Policy).

The Management Board and the Supervisory Board collectively are considered diverse and balanced from an educational background and work experience. The Management Board and the Supervisory Board consist of people with a good mix of sector knowledge, financial expertise and management capabilities. Annually, the Supervisory Board assesses the composition of the Supervisory Board and of the Management Board. The Supervisory Board agrees to measurable objectives for achieving diversity on the Boards. The Supervisory Board comprises of two men and one woman. The Management Board comprises of two men and therefore the Supervisory Board meets the quota as previously prescribed by Section 2:166 of the Dutch Civil Code, but the Management Board does not meet this quota. The Company's policy is to improve the gender diversity such that also at least 30% of the Management Board will be comprised of women. Where searches for appointment to the Management Board or to Senior Management are conducted by the Company or by search firms, they will identify and present a long list of candidates who are considered to meet the essential criteria for the relevant vacancy, including qualified females and people with different cultural backgrounds. The Boards will consider suitably qualified candidates for positions from as wide a pool as appropriate, including candidates with little or no previous listed company board experience but whose skills and experience will add value to the (diversity of the) relevant Board.

In a broader sense, Alfen has a very diverse group of employees with men and women from different backgrounds, cultures and religions.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, as amended, entered into force on, and applies to any financial year starting on or after, 1 January 2017, and finds its statutory basis in Book 2 of the Dutch Civil Code (the "Dutch Corporate Governance Code"). The Dutch Corporate Governance Code applies to Alfen as Alfen has its registered office in the Netherlands and its Ordinary Shares are listed on Euronext Amsterdam.

The Dutch Corporate Governance Code is based on a 'comply or explain' principle. Accordingly, companies are required to disclose in their management report whether or not they are complying with the various best practice principles of the Dutch Corporate Governance Code that are addressed to the Management Board or, if applicable, the Supervisory Board of the company. If a company deviates from a best practice principle in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its management report. No violations of the Corporate Governance Code were reported in the financial year 2020.

Since 6 July 2020 Alfen is in compliance with the best practice principle 2.1.7 that requires that more than half of the Supervisory Directors shall be independent. If Alfen does not indicate below that the Company deviates from a certain best practice principle, the Company complies with the best practice principle of the Dutch Corporate Governance Code.

Deviations from the best practice principles of the Dutch Corporate Governance Code

The Company acknowledges the importance of good corporate governance. The Company agrees with the general approach and with the majority of the provisions of the Dutch Corporate Governance Code. However, considering Alfen's interests and the interest of its stakeholders, the Company deviates from three best practice principles, which are the following:

- Until 6 July 2020 the Company was not in compliance with the best practice principle 2.1.7 that requires that more than half of the Supervisory Directors shall be independent. Infestos had the right to designate two Supervisory Directors, and the Supervisory Directors Edmond van der Arend and Erwin Riefel were not independent under this best practice principle, but they stepped down after the EGM on 6 July 2020. Since the appointment of the new Supervisory Directors, Alfen's Supervisory Board consist of independent Supervisory Directors and is therefore in compliance with the best practice principle 2.1.7;
- The Company is not in compliance with the best practice principle 2.3.3 to appoint an audit, remuneration, selection and appointment committee. Under the bylaws of the Supervisory Board, the Supervisory Board may, and will do so when it consists of more than four members. No such committees have been established due to the fact that the Supervisory Board only consists of three members. However, two members of the Supervisory Board have the following focus areas: Willem Ackermans - Finance and audits, Eline Oudenbroek - Remuneration, selection and appointments;
- The Company is not in compliance with best practice principle 5.3.1-5.3.3 that requires the external auditor and the audit committee to be involved in drawing up the work schedule of the internal auditor. The current size of the Company does not justify the appointment of an internal auditor. In 2020 the Supervisory Board has reassessed the need for an internal auditor. Based on this review, the Supervisory Board has recommended the Management Board that the current size of the Company still does not justify the appointment of an internal auditor.

Takeover Directive (Article 10)

In the context of the EU Takeover Directive (Article 10) Decree, the following notifications must be given insofar as they are not included in this Annual Report.

Capital structure

Following the issuance of the 1,750,000 new shares on 16 June 2020, the total number of issued shares of Alfen has increased and the Company's share capital at 31 December 2020 of €2,175,000 is divided into 21,750,000 ordinary shares, fully paid-up, with a par value of €0.1 each (the "Ordinary Shares"). 55,416 treasury shares are held by the Company. The remainder of the Ordinary Shares: 21,694,584 are outstanding. Each share confers the right to cast one vote.

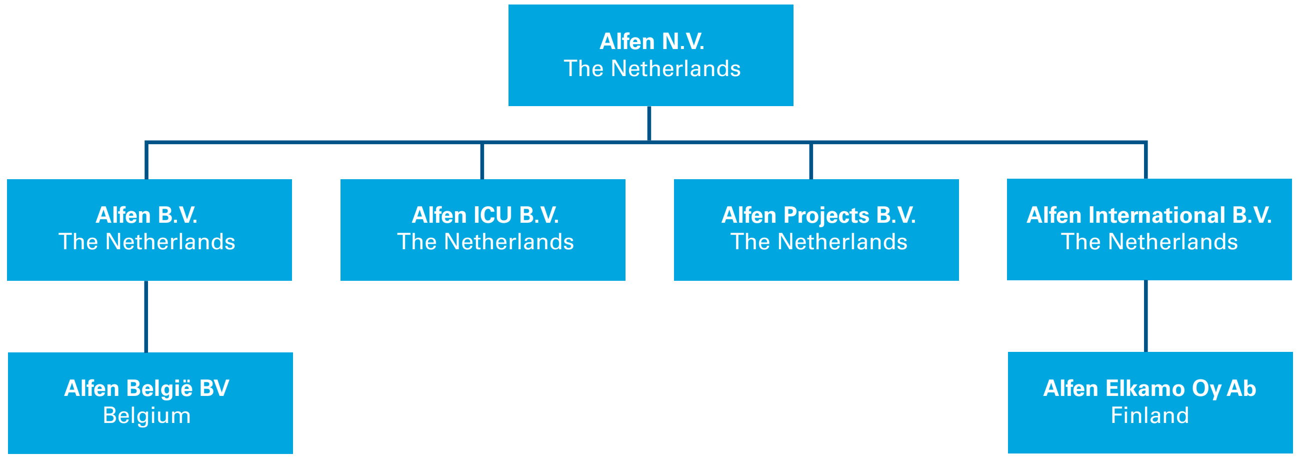
Limitations on the transfer of shares

Alfen has not imposed any limitations on the transfer of its shares and therefore there are no outstanding or potential protection measures against a takeover of control of the company. No depositary receipts for shares have been issued with the cooperation of the company.

Substantial holdings

See 'Shareholders'.

Material subsidiaries of Alfen



Special controlling rights

No special controlling rights are attached to the shares in the company.

Celebration Share Award Plan

On 22 March 2020, the rights for all eligible employees vested to acquire the celebration shares and a cumulative total of 94,238 Ordinary Shares were awarded for no consideration as a one-off share incentive. This was based on the Celebration Share Award Plan which provided conditional rights to acquire existing Ordinary Shares granted to be exercisable in exchange for Ordinary Shares on the day that was two years after the IPO date, on the condition that the relevant employee of Alfen continued to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee).

The Company and Infestos had an agreement, dated 12 March 2018, in place pursuant to which the Company had the right to acquire the shares for no consideration.

Long term incentive plan

The Management Board recognised the importance of its key employees to the future success of the Company. Therefore, on 4 October 2018, a long-term incentive plan ('LTIP') was introduced for a number of designated employees within the group of the Company. The second grant under this plan was made at 1 January 2020 and comprise of a total of 38,434 Ordinary Shares for no consideration.

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is four years after the grant date, on the condition that the relevant employee of Alfen continues to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee). Besides the aforementioned service vesting condition no other vesting conditions are applicable for the LTIP.

None of the outstanding shares related to the LTIP are exercisable at 31 December 2020.

Limitations on voting rights

Each share confers the right to cast one vote. The voting rights attached to the shares in the company are not restricted, and neither are the terms in which voting rights may be exercised restricted.

Agreements on limitations on the transfer of shares

Eligible and selected managers of the Company have been given the opportunity to participate indirectly in the share capital of the Company. These indirect share investments are held via a foundation ("Stichting Administratiekantoor"), which has issued Depositary Receipts ("DRs") to participating managers. This management participation plan is classified as an equity-settled share-based payment arrangement.

As of the IPO date these DRs have been cancelled as a result of which these participating managers ultimately received Ordinary Shares and cash. These Ordinary Shares of the key managers and certain members of senior management of the Company are subject to lock-up restrictions. The Ordinary Shares transferred to the key managers and certain members of senior management of the Company are released from the lock-up restrictions as follows: 60% of the Ordinary Shares have been unconditionally released from the lock-up restrictions on the day that was one year after the first day of trading after the IPO, 20% of the Ordinary Shares have been unconditionally released from the lock-up restrictions on the day that is two years after the first day of trading after the IPO, and the remaining 20% of the Ordinary Shares will be unconditionally released from the lock-up restrictions on the day that is three years after the first day of trading after the IPO, in each case on the condition the key managers and certain members of senior management of the Company continues to be employed by the Company on these dates.

Appointment and dismissal of Management Board members and Supervisory Directors and amendment of the Articles of Association

The General Meeting appoints the Managing Directors. A resolution of the General Meeting to appoint a Managing Director can be adopted by a majority of the votes cast, without a quorum being required. The Articles of Association provide that a Managing Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Managing Director can be adopted by a majority of the votes cast, without a quorum being required.

The Articles of Association provide that the number of Managing Directors is determined by the Supervisory Board after consultation with the Management Board, but there will be at least two Managing Directors. The Supervisory Board appoints one of the Managing Directors as CEO (chief executive officer). In addition, the Supervisory Board may appoint one of the Managing Directors as CFO (chief financial officer) to specifically oversee the Company's financial affairs.

The Supervisory Board Rules provide that the Supervisory Board must consist of a minimum of three members. The exact number of Supervisory Directors shall be determined by the Supervisory Board. The Supervisory Board consists of three members. Only natural persons may be appointed as Supervisory Directors.

In accordance with the Articles of Association, the Supervisory Board has prepared a profile for its size and composition, taking into account the nature and activities of the business, the desired expertise and background of the Supervisory Directors, the desired mixed composition and the size of the Supervisory Board and the independence of the Supervisory Directors. The Company's diversity policy is also taken into account.

The General Meeting appoints the Supervisory Directors. A resolution of the General Meeting to appoint a Supervisory Director can be adopted by a majority of the votes cast. A Supervisory Director may be suspended or dismissed by the General Meeting at any time.

The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast, but only (i) on a proposal of the Management Board that has been approved by the Supervisory Board or (ii) in the absence of such a proposal, with the explicit approval of the Management Board and the Supervisory Board or (iii) on the proposal of a Shareholder, or Shareholders acting jointly provided that they belong to the same group, for as long as they solely or jointly represent at least 30% of the issued capital of the Company. Any such proposal must be stated in the notice of the General Meeting. In the event of a proposal to the General Meeting to amend the Articles of Association, a copy of such proposal containing the verbatim text of the proposed amendment will be deposited at the Company's office, for inspection by shareholders and other persons holding meeting rights, until the end of the meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons holding meeting rights from the day it was deposited until the day of the meeting. A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast. A resolution of the General Meeting to amend the Articles of Association that has the effect of reducing the rights attributable to holders of shares of a particular class, is subject to approval of the meeting of holders of shares of that class.

The Management Board's powers especially to issue shares

On the 8th of April, 2020 the General Meeting of Shareholders granted the Management Board the authority to, subject to the prior approval of the Supervisory Board, (i) issue shares or grant rights to subscribe for shares and/or (ii) cause the Company to acquire its own shares (including shares issued as stock dividend) both for a period of 18 months following the IPO. The Management Board used this authority to issue shares in 2020 and with the approval of the Supervisory Board issued 1,750,000 new shares on 16 June 2020 with a par value of €0.1 each.

Significant agreements and changes in the control of the company

Alfen's credit facility agreement, contains events of default customary for this type of facility, including change of control events.

Redundancy agreements in the event of a public takeover bid

Alfen has not concluded any agreements with a Management Board member or employee that provides for any severance pay in the case of a termination of employment in connection with a public bid within the meaning of Article 5:70 of the Financial Supervision Act.

Shareholders

As of 19 June 2020, there are 21,750,000 shares outstanding in the market. Pursuant to the Dutch Disclosure of Major Holdings in Listed Companies Act (Wet Melding Zeggenschap, or WMZ), interests in the issued capital of Alfen of 3% or more are required to be disclosed to the Netherlands Authority for the Financial Markets (AFM). At year-end 2020, the following shareholders were known to hold interests of at least 3% directly in the Company (as per AFM disclosure on 31 December 2020):

Shareholder	Interest	Notification date
Capital Research & Management Company	6.38%	22 Mar. 2018
Mirova	3.94%	18 July 2019
KBC Asset Management N.V.	3.10%	16 Nov. 2018

Dividend policy

The dividend policy is to reserve all profits until the policy is revised. Alfen does not pay dividends to its Shareholders at this moment in time.

Financial calendar

Date	Event
17 February 2021	Publication full year results 2020
8 April 2021	Annual General Meeting of Shareholders
12 May 2021	Q1 2021 trading update
27 August 2021	Publication half-year results 2021
11 November 2021	Q3 2021 trading update

The following closed periods are applicable for transactions directly or indirectly, relating to, shares and other financial instruments in Alfen :

- From 17th of January until 17th of February 2021
- From 12th of April until 12th of May 2021
- From 27th of July until 27th of August 2021
- From 11th of October until 11th of November 2021

In accordance with best practice provision 1.4.3. of the Corporate Governance Code, the Management Board states to the best of its knowledge that:

- *the report provides sufficient insight into any shortcomings in the effectiveness of the internal risk management and control systems;*
- *those systems provide reasonable assurance that the financial report does not contain any material misstatements;*
- *in the current situation, it is appropriate for the financial report to be prepared on a going concern basis; and*
- *the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.*

As required by the relevant statutory provisions, the Management Board hereby declares that to the best of its knowledge:

- *The Report of the Management Board provides a true and fair view of the position of Alfen and its subsidiaries included in the consolidation on the reporting date and of the course of their affairs during the financial year. The Report of the Management Board provides information on any material risks to which Alfen is exposed;*
- *The Consolidated Financial Statements as at and for the year ended 31 December 2020, give a true and fair view of the assets, liabilities, financial position and result of the financial year of Alfen and its subsidiaries included in the consolidation as a whole.*

Almere, 16 February 2021

Management Board

Marco Roeleveld	**Jeroen van Rossen**
CEO	CFO

Report of the Supervisory Board

Henk ten Hove
Chairman

Eline Oudenbroek

Willem Ackermans

Report of the Supervisory Board

“In 2020 Alfen delivered excellent results in a very turbulent year”

- Henk ten Hove, Chairman

2020 in summary

2020 was a year dominated largely by COVID-19, but with strict measurements and equal discipline of our employees, health issues have been very limited. Business wise COVID-19 initially created a few issues in the supply chain while a limited number of projects by customers were temporised or delayed. However, overall in 2020 Alfen succeeded again in combining strong growth with good returns.

Alfen increased its international footprint mainly through the EV charging business unit and to a lesser extent trough the international opportunities for the Energy storage business unit. The number of employees in Almere has been increased substantially, while crucial key positions could be maintained or filled with competent and experienced managers. Another major event was the successful capital raise in June 2020, which created a strong financial buffer for continuous growth. For the Company’s shareholder base, the biggest change was that Infestos completely sold the minority stake which was still held in the beginning of the financial year. This has led to a very diverse international shareholder base.

Regarding the four areas to which the Supervisory Board promised to pay special attention in 2020, the following can be said:

- The controlled scale up of the internal organisation has been discussed regularly and has been managed very well by the Management Board;
- The growth of the Energy storage business unit was substantial, but remains to be influenced by a market still in a nascent stage. This is also reflected in less predictable time to order schemes and a high level of customisation. This business unit needs and gets the extra management attention required to grow into a relative young market segment;
- Alfen Elkamo went through an internal upgrade of the organisation, which showed its results in the second half of the year. Unfortunately the export to Sweden is still somewhat delayed;
- During 2020 the CSR mid-term plan was implemented with focused coordination within the company and an accelerated roll out in 2021.

For 2021 the Supervisory Board has selected the following focus areas:

- Monitoring the internationalisation and the related business and organisational challenges;
- Monitoring the developments in the energy storage market and the positioning of Alfen in the chain;
- Reviewing Alfen’s strategic priorities against the growing visibility of the EU plans to address climate change;
- Corona experiences and lessons to be maintained post Corona.

Responsibility and composition

The Supervisory Board provides oversight, evaluates progress and performance, maintains a sound and transparent system of checks and balances and advises the Management Board, when appropriate. The focus is on long-term value creation to the best interest of all stakeholders of the company.

The Supervisory Board consists of three members:

- Henk ten Hove (born 1952, Dutch) as from 22 March 2018;
- Eline Oudenbroek (born 1969, Dutch) as from 6 July 2020;
- Willem Ackermans (born 1955, Dutch) as from 6 July 2020.

The Supervisory Board operates independently of the Management Board, the Management Team, any other participating interests and each other. Each of the Supervisory Board members has the necessary expertise, experience and background to perform his or her tasks and responsibilities. The Supervisory Board decided to appoint Willem Ackermans as Vice Chairman.

All three members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. After the sell down by Infestos this organisation did not have the right to designate members of the Supervisory Board anymore and the two dependant Supervisory Board Member stepped down. We are very grateful for the valuable contributions by Edmond van der Arend and Erwin Riefel in their Supervisory Board Roles since the IPO and they both enabled a smooth transfer to their successors which is much appreciated. The recruitment of their successors took place with the assistance of an executive search agency based on a profile combining individual competences and the competence matrix of the full Supervisory Board. We are very happy that the extraordinary General Shareholders Meeting appointed the new Supervisory Board Members: Eline Oudenbroek and Willem Ackermans. In the absence of committees, next to their general responsibilities, Eline Oudenbroek pays extra attention to selection, remuneration and other HR matters and Willem Ackermans focusses extra on finance, control and IT.

Meetings and attendance

In 2020, the Supervisory Board held 7 regular meetings and one special meeting whereby Alfen's outside counsel provided a workshop regarding Corporate Governance and Compliance, all with an attendance of 100%. Next to the regular meetings, a number of extra on-line sessions were held related to the possible impact of the Corona pandemic. The agenda of the regular meetings covered standard items like financial and operational performance, personnel and organisation, governance and compliance and risks associated with operations. During every meeting we invited one or two key managers to update the Supervisory Board about plans and progress of their responsibility. This year, we covered twice the BU Energy Storage and one time the BU EV charging, twice the Finnish business and further Investor Relations, QHSE, IT, R&D, and HR. One of the 7 meetings concerned the budget for 2021, where the opportunities and challenges for the upcoming years were discussed. Mid year we had a special session with management to discuss the ins and outs of the strategic mid term plan.

In addition to the regular meetings, the Chairman holds monthly meetings with the CEO and once a year a meeting with key managers below the Management Board. Willem Ackermans, as finance and control specialist, meets the CFO on a regular basis. Eline Oudenbroek meets the HR manager on a regular basis.

Evaluation Supervisory Board and the Management Board

The Supervisory Board conducted a self-evaluation of their functioning collecting input from its members, Senior Management and the Company Secretary. The written assessment includes a review of the composition and expertise of the Supervisory Board, time management, effectiveness and dynamics, allocation of responsibilities, effectiveness and performance of the chairman and interaction with management. For 2021 an external review is planned. The outcome of the self-evaluation for 2020 is as follows: One of the major events was the departure of 2 of the 3 Supervisory Board members. The transition from the departing members to the new members went smoothly thanks to the cooperation between the previous and new Supervisory Board members. Eline Oudenbroek and Willem Ackermans went through an extensive introduction programme and therefore could actively participate rather quickly. The competences of the new Supervisory Board members are perceived as valuable and relevant. The Supervisory Board and the Management Board are positive about their interaction with each other and about the open and transparent discussions in the meetings.

Attention points remain the permanent education in relation to the energy transition plan in Europe going forward and corporate governance in the Netherlands in general. In the new setting the Supervisory Board will also pay extra attention to their way of working and the interaction with the Management Board.

As both the annual general meeting and the extraordinary general meeting were webcast meetings, the Supervisory and Management Board missed the physical interaction with shareholders but are satisfied with the webcast sessions and the online participation by the shareholders as next best alternative.

The evaluation and performance of the Management Board took place on an individual basis. We discussed last year's performance and observations as well as spearheads for 2021 with the relevant KPI's and key attention points.

Selection and Remuneration Committees

Under the bylaws of the Supervisory Board, the Supervisory Board may appoint committees, and will do so when it consists of more than four members. At this moment, the Supervisory Board has not established a selection and remuneration committee due to the fact that the Supervisory Board only consist of three members.

In the absence of the committees, Eline Oudenbroek has a specific focus on selection, remuneration and other HR matters. In 2020, there have been no resignations and no new Managing Director appointments. As from 2020 onwards, a new remuneration policy has been adopted by the AGM in April 2020.

Remuneration report

During the annual general meeting of shareholders of the Company on 8 April 2020 the Shareholders adopted (i) the Company's amended remuneration policy with effect as from 1 January 2020 (the Remuneration Policy) and (ii) the long-term incentive plan for the Management Board. In conformity with paragraph 3.4.2 of the Dutch Corporate Governance Code, the essential elements of the agreements between the Company on one side and Marco Roeleveld and Jeroen van Rossen on the other side are summarised below and the amounts for 2020 are indicated.

In 2020 the Company was able to maintain and realize its financial guidance and able to realize its planned expansion program. As a consequence Alfen did not have to apply for governmental support. Therefore, the Supervisory Board will stick to the agreed Short Term and Long Term bonus schemes and approves the cash bonus for 2020 which will result as outcome of the calculation of the KPI's. We also will increase the basic salary for the CEO and the CFO per 1 January 2021, as approved in the AGM of 2020.

The Remuneration Policy and business strategy have been aligned through the creation of specific short and long term targets that link each Managing Director's variable pay to the success of the Company. As such both the short term and long term incentive plans are linked to the business strategy and accordingly to longer term value creation and sustainability of the Company. Reference is made to the STIP and LTIP paragraphs below on target setting. Variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Managing Directors' interests with that of the Company's stakeholders and create a true pay-for-performance culture.

Before setting proposed targets the Supervisory Board carried out scenario analyses of the possible financial outcomes of meeting target levels as well as maximum performance levels and how they may affect the total remuneration of the Management Board.

Report of the Supervisory Board

Fixed remuneration

In accordance with the Remuneration policy, the fixed gross remuneration for the Management Board is as follows:

Board member	Annual base fee as per 1 January 2020	Annual base fee as per 1 January 2021
Marco Roeleveld - CEO	€320,000	€356,000
Jeroen van Rossen - CFO	€242,000	€277,000

Pension and other benefits

The Managing Directors will participate in the pension scheme of the industry wide pension fund for Metalektro, whereby the pensionable compensation is capped in line with the Dutch fiscal regime. Other benefits are a company car and participation in a collective health insurance plan. The Company has also arranged a Director liability insurance for the members of the Management Board.

Notice period

The management agreements for the Managing Directors are entered into for an indefinite term. The notice period for the Managing Directors is three months and for Alfen N.V. six months.

Severance payment

In line with current employment arrangements, the maximum severance payment applicable to the Management Board members is one year base pay in the proceeding financial year. No severance payment will be payed if the agreement is terminated earlier at the request or in the event of a seriously negligent behaviour of the Director. No such severance payments were made in 2020.

The variable remuneration

The variable remuneration consists of a short-term incentive ("STI") and a long-term incentive ("LTI").

STI Plan Summary

- The STI allows Managing Directors to receive annual awards in cash;
- The 'at target' amount of the STI is 10% of the annual base fee with a bandwidth of 5-15%, whereby the performance conditions, weighting and bonus percentages for 2020 are set out below;
- A one-year performance period applies.

STI performance KPI's 2020 for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35%	8.07%	2.82%
	Adjusted EBITDA	35%	12.39%	4.34%
Non-financial performance conditions	New product introductions	15%	-%	-%
	Footprint reduction	15%	15.00%	2.25%
				9.41%

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2020 amounts to € 30 thousand (2019: n/a).

STI performance KPI's 2020 for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35%	8.07%	2.82%
	Adjusted EBITDA	35%	12.39%	4.34%
Non-financial performance conditions	Procurement	15%	15.00%	2.25%
	Working capital management	15%	8.55%	1.28%
				10.69%

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2020 amounts to € 26 thousand (2019: n/a).

LTI Plan Summary

- The LTI allows Managing Directors to receive annual conditional awards of performance shares, i.e. fully paid ordinary shares in the capital of the Company;
- The value of the 'at target' number of performance shares is 40% of the annual base fee at the start of the performance period with a bandwidth of 30-50% taking into account the value of a fully paid ordinary share in the capital of the Company at the start of the performance period;
- A three year performance period applies;
- Dependent on the actual achievement of the performance criteria after the three years performance period and, subject to continued engagement, the Managing Directors will be granted an unconditional award of performance shares;
- In case the performance shares are unconditionally granted, an additional holding period applies for one year.

The following grant, comprising of Ordinary Shares in the Company, has been made under this plan:

Board member	Grant date	Number of Awards Granted *	Grant date fair value	Exercise price
CEO - Marco Roeleveld	8 April 2020	7,848	€24.55	Nil
CFO - Jeroen van Rossen	8 April 2020	5,935	€24.55	Nil

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) and 17,229 (at 125% realisation).*

The LTI grant for the financial year 2020 is subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's 2020 for the CEO and CFO (i.e. under the long-term incentive plan)		Weight
Financial performance conditions	Revenues and other income	32,50%
	Adjusted EBITDA percentage	32,50%
Non financial performance conditions	Internationalisation	11,67%
	HSE evaluation	11,67%
	Footprint reduction and CO2 emissions	11,67%

Please note that the realisation of the LTI grant of 2020 will be based on the financial year 2022 outcome.

Total remuneration

The total remuneration of the Management Board, split by component and presented in relative proportion between fixed and variable remuneration is as follows:

	M. Roeleveld - CEO		J. van Rossen - CFO	
In EUR '000	**2020**	**2019**	**2020**	**2019**
Salaries and wages	322	250	242	210
Short-term incentive plan	30	-	26	-
Social security contributions	16	14	14	14
Pension contributions (DC)	19	37	15	13
Share-based payments	52	-	39	-
Other	21	19	18	21
Total	460	320	354	258
Percentage of variable remuneration	18%	n/a	18%	n/a

Internal pay ratio

In EUR '000	2020	2019 *
Management Board compensation		
Salaries and wages	564	460
Short-term incentive plan	56	-
Social security contributions	30	28
Pension contributions (DC)	34	50
Share-based payments	91	-
Total	775	538
Average number of FTE's	2	2
Average compensation	388	269
Employee compensation		
Salaries and wages	29,090	23,169
Social security contributions	3,930	3,098
Pension contributions (DC)	2,835	2,103
Share-based payments	411	488
Total	36,266	28,858
Average number of FTE's	569	462
Average compensation	64	62
Internal pay ratio	6.1	4.3

** Adjusted for comparison purposes*

The Remuneration policy for the Management Board takes into account the pay ratio within the organisation. The Alfen internal pay ratio is calculated by dividing the average total Management Board compensation by the average employee compensation. The average employee compensation is based on the total personnel cost (defined as salaries and wages, social security contributions, pension contributions and share-based payment costs) and the average number of FTE's excluding the Management Board (see also Note 10, Note 12 and Note 16 of the Consolidated Financial Statements)[7].

The internal pay ratio increased from 4.3 in 2019 to 6.1 in 2020 as a result of the new remuneration policy for the Management Board as adopted in the AGM of April 2020.

[7] In light of transparency and clarity, Alfen applies a methodology to calculate the internal pay ratio that is IFRS-driven and thus is linked to Alfen's Notes to the Consolidated Financial Statements.

5-year comparison

In EUR '000	2020		2019		2018	
	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)
Revenue and other income	189,010	32%	143,169	41%	101,893	n/a
Adjusted EBITDA *	24,375	68%	14,525	301%	3,623	n/a
Average Management Board compensation	388	44%	269	3%	262	n/a
Average employee compensation **	64	3%	62	15%	54	n/a

** Adjusted EBITDA in 2018 is excluding IFRS 16 as this standard was not yet adopted by the Company.*
*** 2019 and 2018 are adjusted for comparison purposes.*

As Alfen was listed on 22 March 2018 the 5-year comparison of average compensation and business performance started in 2018. The business performance of Alfen is related to the strategy of profitable growth. The suitable criteria to measure the business performance are defined as growth in revenue and other income as well as growth in adjusted EBITDA.

Benchmark analysis remuneration policy

In 2019 the Supervisory Board asked an external agency to assess a benchmark analysis of the existing remuneration policy of the Management Board. Based on this input and that of various stakeholders, the Supervisory Board has presented the new remuneration policy to the Annual General Meeting in April 2020 and the AGM adopted the new policy. In 2020 no benchmark analysis has been performed.

Remuneration information for the Supervisory Board

The remuneration of the Supervisory Board may not be dependent on the company's results. The members will not receive ordinary shares or rights to ordinary shares as remuneration.

The total remuneration of the members of the Supervisory Board is shown below:

In EUR '000	2020	2019
H. ten Hove	50	50
E.Q. van der Arend - Date of discharge: 6 July 2020	15	30
D.W.E. Riefel - Date of discharge: 6 July 2020	-	-
W.W.M. Ackermans - Date of entry: 6 July 2020	20	-
E.M. Oudenbroek - Date of entry: 6 July 2020	20	-
Total	105	80

Internal audit function

Alfen does not have an internal audit function. The need for an internal audit function is assessed on a yearly basis by the Supervisory Board. The Supervisory Board concluded that the size of the company and the combination of a finance and control department with accounting and audit knowledge, are presently covering the requirements sufficiently.

Audit Committee

Under the bylaws of the Supervisory Board, the Supervisory Board may appoint an audit committee when it consists of more than four members. No such committees have been established due to the fact that the Supervisory Board only consist of three members. However, in the absence of an audit committee, Willem Ackermans has audits as its focus area and was involved in the discussion with the external auditor on the audit plan for financial year 2020 and the Management letter over 2020. On behalf of the Supervisory Board he is also paying special attention to risk management and other financial and IT items.

Financial statements and auditor's opinion

The financial statements 2020, included in this Annual report, have been audited by PwC who has given their unqualified opinion. They have discussed their audit and conclusions in detail with the Supervisory Board.

As a result, the Supervisory Board is of the opinion that the financial statements meet all the necessary requirements for transparency and correctness. Therefore, the Supervisory Board recommends to the Annual General Meeting of Shareholders, to be held on 8 April 2021, to approve the financial statements.

Related Party Transactions assessment

The transactions which were carried out with related parties are set out in Note 30 in the Consolidated Financial Statements. During Supervisory Board meetings, the Supervisory Board periodically assesses if these Related Party Transactions are concluded in the ordinary course of business and on normal market conditions. The conclusion of the Supervisory Board is that the Related Party Transactions are all concluded at arm's length in the ordinary course of business.

Result appropriation

Over 2020 Alfen realised a profit of €12.0 million. The proposal to the Annual General Meeting is to recognise this profit as retained earnings. The members of the Supervisory Board have signed the financial statements to comply with their statutory obligation pursuant to article 2:101, paragraph 2 of the Dutch Civil Code.

In summary

In an extraordinary complicated year, Alfen was able to stay on the path of sustainable profitable growth and continued to play a relevant role in the energy transition. We are grateful we were able to keep the health impact on our employees of Covid 19 under control, mainly thanks to all the measurement taken and the discipline showed. We would like to thank our shareholders for their confidence and support especially with the capital raise. We are very happy it was possible to stay in close contact with our customers, in spite of all the restrictions and we appreciated their flexibility.

Last but not least , a big thank you to all our employees, who combined a cool head with a warm hart in these challenging times.

Almere, 16 February 2021

The Supervisory Board
Henk ten Hove (Chairman),
Eline Oudenbroek,
Willem Ackermans

Financial statements

Consolidated financial statements

Alfen N.V.
Amsterdam, the Netherlands

Consolidated financial statements
for the year ended 31 December 2020

Consolidated financial statements

Consolidated statement of comprehensive income

In EUR '000	Note	2020	2019
Continuing operations			
Revenue	8	189,010	143,075
Other income	9	-	94
		189,010	143,169
Operating expenses			
Costs of raw materials and consumables		(111,066)	(86,751)
Costs of outsourced work and other external costs		(8,615)	(6,149)
Personnel expenses	10	(34,401)	(27,190)
Amortisation on intangible assets	18	(2,614)	(2,161)
Depreciation on property, plant and equipment	17	(3,876)	(3,065)
Impairment loss on trade receivables and contract assets	3	(2)	(45)
Other operating costs	11	(11,085)	(9,163)
		(171,659)	(134,524)
Operating profit		17,351	8,645
Finance income	13	5	9
Finance costs	13	(778)	(835)
Finance income (costs) - net		(773)	(826)
Profit (loss) before income tax		16,578	7,819
Income tax expense	14	(4,591)	(2,194)
Profit (loss) for the period		11,987	5,625
Other comprehensive income for the period		-	-
Total comprehensive income for the period		11,987	5,625
Total comprehensive income for the period (attributable to the owners of the Company)		11,987	5,625
Earnings per share for profit attributable to the ordinary equity holders	15		
Basic earnings per share		0.57	0.28
Diluted earnings per share		0.57	0.28
Weighted average number of outstanding ordinary shares	15		
Basic		20,891,513	20,000,000
Diluted		20,951,898	20,010,024

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

In EUR '000	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	17	24,056	16,360
Intangible assets and goodwill	18	13,602	11,224
Deferred tax assets	19	11	36
Receivables		137	112
Total non-current assets		37,806	27,732
Current assets			
Inventories	20	19,988	14,411
Trade and other receivables	22	36,414	33,863
Current tax receivables		-	488
Cash and cash equivalents	23	52,344	134
Total current assets		108,746	48,896
Total assets		146,552	76,628
Group equity	24		
Share capital		2,175	2,000
Share premium		50,429	1,913
Retained earnings		9,637	3,510
Result for the year		11,987	5,625
Total group equity		74,228	13,048
Liabilities			
Non-current liabilities			
Borrowings	25	15,467	12,414
Deferred tax liabilities	19	2,921	2,189
Provisions	26	42	39
Total non-current liabilities		18,430	14,642
Current liabilities			
Trade and other payables	27	45,619	40,272
Current tax liabilities		3,309	1,428
Bank overdrafts	23	-	3,267
Borrowings	25	4,521	3,707
Deferred revenue		445	264
Total current liabilities		53,894	48,938
Total liabilities		72,324	63,580
Total equity and liabilities		146,552	76,628

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

In EUR '000	Note	Attributable to equity owners of Alfen N.V.				
		Share capital *	Share premium	Retained earnings	Result for the year	Total equity
Balance - 1 January 2019		2,000	1,913	3,285	(263)	6,935
Profit (loss) for the period		-	-	-	5,625	5,625
Other comprehensive income (loss)		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	5,625	5,625
Transactions with owners in their capacity as owners						
Issuance of ordinary shares		-	-	-	-	-
Share-based payment transactions	12	-	-	488	-	488
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	(263)	263	-
Balance - 31 December 2019		2,000	1,913	3,510	5,625	13,048
Profit (loss) for the period		-	-	-	11,987	11,987
Other comprehensive income (loss)		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	11,987	11,987
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		175	49,531	-	-	49,706
Purchase of treasury shares		-	(1,015)	-	-	(1,015)
Share-based payment transactions	12	-	-	502	-	502
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	5,625	(5,625)	-
Balance - 31 December 2020	24	2,175	50,429	9,637	11,987	74,228

** The outstanding ordinary shares of 21,750,000 includes 55,416 treasury shares as per 31 December 2020 (2019: nil)*

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

In EUR '000	Note	2020	2019
Cash flows from operating activities			
Operating profit		17,351	8,645
Adjustments for:			
Depreciation, amortisation and impairment expenses	17/18	6,490	5,226
Change in provision	26	3	6
Change in non-current receivables		(25)	7
Share-based payment expenses	12	502	488
Changes in operating assets and liabilities:			
(Increase)/decrease inventories	20	(5,577)	(4,894)
(Increase)/decrease contract balances	22	75	3,216
(Increase)/decrease trade and other receivables	22	(2,080)	(5,776)
Increase/(decrease) trade and other payables	27	5,002	7,949
Cash generated from operations		21,741	14,867
Income taxes (paid)/received	14	(1,117)	(249)
Interest (paid)	13/25	(518)	(532)
Interest received	13	5	9
Net cash inflow/(outflow) from operating activities		20,111	14,095
Cash flows from investing activities			
Payment for property, plant and equipment	17	(4,625)	(2,470)
Payment for intangible assets	18	(4,992)	(4,220)
Net cash inflow/(outflow) from investing activities		(9,617)	(6,690)
Cash flows from financing activities			
Proceeds from issuance of shares		49,358	-
Purchase of treasury shares		(1,015)	-
Repayments of borrowings	4/25	(3,360)	(3,463)
Dividends paid to company's shareholders		-	-
Net cash inflow/(outflow) from financing activities		44,983	(3,463)
Net increase/(decrease) in cash and cash equivalents		55,477	3,942
Cash and cash equivalents at the beginning of the financial year		(3,133)	(7,075)
Cash and cash equivalents at the end of the financial year		52,344	(3,133)

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1 General information

Alfen N.V. (hereafter "Alfen" or "the Company") is a public limited liability company (N.V.) which main activity is to develop, produce and sell products, systems and services related to the electricity grid, including smart grid solutions, charging equipment for electric vehicles and energy storage systems.

Alfen's main geographic focus is the Netherlands, followed by Finland, Belgium, Germany, the United Kingdom, France and the rest of Europe.

Alfen is the holding company of the Group. The companies included in the consolidated financial statements are the following:

Company name	Location and country of incorporation	Shareholding in %
Alfen B.V.	Almere, the Netherlands	100%
Alfen ICU B.V.	Almere, the Netherlands	100%
Alfen Projects B.V.	Almere, the Netherlands	100%
Alfen België BV	Gent, Belgium	100%
Alfen International B.V.	Almere, the Netherlands	100%
Alfen Elkamo Oy Ab	Pietarsaari, Finland	100%

Alfen was listed on the Amsterdam Stock Exchange on 22 March 2018 and has its registered office at Hefbrugweg 28, 1332 AP, Almere, the Netherlands. Before the listing, Alfen was a private limited liability company named Alfen Beheer B.V. with its statutory seat in Almere, the Netherlands. Alfen converted into a public company with limited liability with its statutory seat in Amsterdam, the Netherlands, and was renamed to Alfen N.V. as per the date of the listing.

Alfen is registered in the Chamber of Commerce under number 644.62.846.

The Group's financial year covers the first day of January and ends on the last day of December of each year.

This annual report was authorised for issue by the Company's Board of Directors and approved by the Supervisory Board on 16 February 2021. The annual report will be presented to the Annual General Meeting of Shareholders for their adoption on 8 April 2021.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Alfen N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They also comply with the financial reporting requirements included in section 9 of Book 2 of the Dutch Civil Code.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost convention, unless stated otherwise. The consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Changes in accounting policies and disclosures

New standards and interpretations adopted

A number of new amendments to standards are effective from 1 January 2020 but they do not have a material effect on the Company's consolidated financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods starting on or after 1 January 2020 and have not been early adopted by the Company. For none of these standards that are not yet effective it is expected that they have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Principles for consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases.

The financial data of the subsidiaries and other entities included in the consolidation have been included in full, to the exclusion of intercompany relationships, intercompany profit and intercompany receivables and liabilities between subsidiaries and other entities included in the consolidation, to the extent that the results are not realised by a third party outside the Group. Unrealised losses on intercompany transactions are eliminated unless they concern impairments.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Negative goodwill arising from an acquisition is recognised directly in the income statement. Acquisition-related costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred and the liabilities incurred to the former shareholders of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

Changes in ownership interests in subsidiaries without change of control

Transactions with subsidiaries that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

If the Group ceases to have control of an entity, any retained interest in the entity is remeasured to fair value at the date when control is lost with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or other financial asset. Amounts previously recognised in other comprehensive income are reclassified to profit or loss. Deconsolidation occurs when the Group no longer controls a subsidiary.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the functional currency of all companies within the Group and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated by recognising the difference between historical cost and the estimated residual values using the straight-line method over their estimated useful life in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparable periods are as follows:

Building	5 – 30 years
Furniture, fittings and equipment	5 – 10 years
Other fixed operating assets	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The costs of future replacement are capitalised based on the component approach. Under this approach the total costs are allocated to the 'component assets'. Government grants on investments are deducted from the purchase price or manufacturing price of the assets to which the government grants relate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within the income statement.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at historical cost less accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Other intangible assets

Research and development

Development costs that are directly attributable to the design and testing of identifiable and unique products and systems controlled by the Company are recognised as intangible assets only if all of the following conditions are met:

- it is technically feasible to complete the product or system so that it will be available for use;
- management intends to complete the product or system and use or sell it;
- there is an ability to use or sell the product or system;
- it can be demonstrated how the product or system will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product or system are available; and
- the expenditure attributable to the product or system during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Expenditure on research activities is recognised as expense in the period in which it is incurred.

Customer related intangibles

Customer related intangibles that are acquired by the Company with finite useful lives are recognised at fair value at the acquisition date and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation of intangible assets is calculated by recognising the difference between historical cost and the estimated residual values using the straight-line method over their estimated useful lives in the income statement. Amortisation is recognised in the income statement on a straight-line basis and commences as soon as the assets are ready for use.

The estimated useful lives of intangible assets for current and comparable periods are as follows:

Development costs	5 years
Customer related intangibles	1 – 7 years

The expected useful life and the amortisation method are reviewed each reporting period.

Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments

Financial assets - Classification and measurement

The Company classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through OCI or through profit or loss), and
(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets - Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurements

At initial recognition the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments: (i) Amortised cost, (ii) Fair value through profit or loss; and (iii) Fair value through other comprehensive income.

The Company only has financial assets at amortised cost and makes no use of derivative financial instruments.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses.

Financial assets - Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

The Company has no trade receivables nor amounts due from customers for contract work including a significant finance component and is therefore required to apply the simplified approach under IFRS 9, in which the credit losses are measured using a lifetime expected loss allowance for all trade receivables and amounts due from customers for contract work.

Information about the Company's exposure to credit risk and measurement of impairment losses for trade receivables and amounts due from customers for contract work is included in Note 3.

Financial liabilities - Recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

The Company only has financial liabilities at amortised cost and makes no use of derivative financial instruments.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade and other payables and long-term debt. Trade and other payables and long-term debt are initially recognised at fair value equalling the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables and long-term debt are measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities due to their short-term nature, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities - Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. However, when the cash flows of the modified liability are not substantially different, the Company (i) recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate and (ii) recognises any adjustment in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company does not have any legally enforceable right to offset the recognised amounts in the balance sheet.

Inventories

Inventories mainly relate to raw materials and are valued at the lower of cost and net realisable value.

Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are determined using the weighted average price method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Contract balances

Contract balances comprise of costs plus the profit recognised to date less progress billings when the Company constructs an asset that is built on the customers site or when the costs incurred are related to a product or project with no alternative use and for which the Company has an enforceable right to payment. Otherwise, contract balances are solely valued at costs.

The cost includes all expenses directly related to specific projects and an allocation of fixed costs and variable indirect costs made in relation to the contract activities based on normal operating capacity. The Company amortises the recognised costs on a systematic basis consistent with the pattern of revenue recognition.

When the capitalised costs exceed the recoverable amount - i.e. (i) remaining expected amount of consideration to be received; less (ii) cost that relate directly to providing those goods or services and that have not been recognised as expenses - an impairment charge is recognised.

Contract balances are stated as a receivable (amounts due from customers for contract work) when the balance is positive. If negative, it is stated as a liability (amounts due to customers for contract work).

Trade and other receivables

Trade and other receivables are amounts due from customers for products delivered and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement immediately and therefore all classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value. Cash and cash equivalents include cash at banks and cash in hand. In the cash flow statement cash and cash equivalents comprises cash at banks, cash in hand and bank overdrafts.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Jubilee provision

Based on the collective labour agreement, a provision for jubilee benefits for employees is recognised based on the estimated future cost, using actuarial calculations to determine the amount to be recognised.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of expected costs of terminating the contract and the expected net costs of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the asset associated with that contract.

Trade and other payables

These amounts represent liabilities provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The Company has no specific obligations for returns, refund clauses nor any other similar obligations specified in the contract with customers. However, standard product compliance warranty is provided to customers, which is not considered a separate performance obligation.

The following paragraphs provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies per business line. For all revenue streams, invoices are usually payable within 30 days. In general there are no variable consideration clauses, such are volume related discounts, included in the contracts with customers. However, direct discounts can be provided on a customer-by-customer basis.

Smart grid solutions

Revenue within the Smart grid solutions business line is classified as contract manufacturing, meaning that every designed and manufactured transformer substation or series of transformer substations by the Company is tailor-made for a specific customer and has as such no alternative use. If in addition, the Company has an enforceable right to payment, revenue and costs are recognised over time - i.e. before delivered to the customers' premises - in the income statement using the cost-to-cost method.

In case the Company does not have an enforceable right to payment, revenue is recognised at a point-in-time when control of the products are transferred to the customer, being when the goods are delivered to the customer and when there is no unfulfilled obligation that could affect the customers' acceptance of the product.

Within the Smart grid solutions business line, the Company always acts as a principle, because all purchased (input) materials are subsequently integrated into end products for which the Company provides significant integration services.

Uninvoiced amounts are presented as amounts due from customers for contract work, while advances received are included in the amounts due to customers for contract work.

Service related revenue within Smart grid solutions comprises additional service and/or maintenance sold to a customer by means of a separate contract for periods up to 4 years. Revenues generated through services rendered are recognised over time in the income statement as customers simultaneously receive and consume the benefits when the Company performs the services.

Energy storage systems

Energy storage systems revenue comprise of tailor-made energy storage systems for a specific customer or a commingling of multiple tailor-made energy storage systems designed and manufactured by the Company in combination with third party purchased manufactured products for which the Company subsequently provides overall project management and significant system integration services. For this reason, the Company acts as a principle for the third party purchased manufactured products.

Energy storage systems are always tailor-made for a specific customer and have as such no alternative use. For these contracts, the Company always has an enforceable right to payment. Consequently, revenue and costs are recognised over time - i.e. before delivered to the customers' premises - in the income statement using the cost-to-cost method.

Uninvoiced amounts are presented as amounts due from customers for contract work, while advances received are included in the amounts due to customers for contract work.

Service related revenue within Energy storage systems comprises additional service and/or maintenance sold to a customer by means of a separate contract for periods usually up to 5 years. Revenues generated through services rendered are recognised over time in the income statement as customers simultaneously receive and consume the benefits when the Company performs the services.

EV charging equipment

The Company sells products related to charging equipment for electric vehicles. Revenue from the sale of these goods sold is recognised at a point-in-time when control of the products is transferred to the customer, being when the goods are delivered to the customer and when there is no unfulfilled obligation that could affect the customers' acceptance of the product.

Service related revenue within EV charging equipment comprises additional service and/or maintenance sold to a customer by means of a separate contract for periods usually between 3 and 5 years. Revenues generated through services rendered are recognised over time on a straight-line basis in the income statement as customers simultaneously receive and consume the benefits when the Company performs the services.

Employee benefits

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, when they are due to employees and the tax authorities respectively.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring.

Pension obligations

The Company has a multi-employer pension plan which is a defined benefit plan for which there is insufficient information available for the Company to account for the pension plan as a defined benefit plan. There is not sufficient information available as the pension fund does not administer the pension plan on a company-by-company basis. Therefore, the Company accounts for this pension plan as a defined contribution plan.

For the defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory and contractual basis. The Company has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The Company has no share-based payment awards with non-vesting conditions nor with market performance conditions.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are recognised in the statement of income over the period necessary to match them with the costs they are intended to compensate.

Expenses

Expenses arising from the Company's business operations are accounted for in the year incurred.

Leases

At the inception of an agreement, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company, as a lessee, recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments at the lease commencement date.

However, the Company elected to apply the recognition exemption for both short-term and low value leases – e.g. office equipment. As such, the Company recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is increased by the interest costs on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment whether a purchase or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured as abovementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company's right-of-use assets and lease liabilities are presented under Property, plant and equipment and Borrowings, respectively.

Finance income and expenses

Finance income and expenses are recognised using the effective interest method. Financial expenses include interest incurred on borrowings calculated using the effective interest method and interest accruals for provisions that are recognised in the income statement.

In calculating finance income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Corporate income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Non-cash transactions are not included in the statement of cash flows.

Note
3

Financial risk management

As result of regular business practices, the Company holds positions in a variety of financial instruments. The financial instruments are presented in the balance sheet and consists of cash and cash equivalents, receivables and other receivables, interest-bearing loans, trade payables and other payables.

The Company does not use foreign exchange contracts and/or foreign exchange options and does not deal with such financial derivatives. On each balance date, financial instruments are reviewed to see whether or not an objective indication exists for the impairment of a financial asset or a group of financial assets. If an objective indication for impairment exists, the company determines the amount of impairment losses and charges this amount to the income statement. As a result of the use of financial instruments, the company incurs credit risks, liquidity risks and market risks.

The market risks consist of currency risks, price risks and interest risks. The company has a strict policy that aims to minimise and control these risks as much as possible.

Credit risk

Credit risk is the risk of a financial loss in case a customer does not comply with the contractual obligations. Credit risks are mainly incurred from receivables to customers. The company executes a strict policy to minimise credit risks. To control these risks, the company makes use of information from licensed credit agencies. If necessary, credit risks will be mitigated by the use of credit insurances, bank guarantees, prepayments and other insurances. Cash- and cash equivalents may be placed by a number of banks.

The company determines the credit risk of cash- and cash equivalents that are placed with these banks, by solely doing business with highly respectable banks. The Company evaluates the concentration risk with respect to trade receivables and amounts due from customers for contract work as low.

Expected credit losses

The Company has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Amounts due from customers for contract work

Trade and other receivables and amounts due from customers for contract work

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and amounts due from customers for contract work.

To measure the expected credit losses, trade and other receivables and amounts due from customers for contract work have been grouped based on shared credit risk characteristics and the days past due. The amounts due from customers for contract work relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates for the amounts due from customers for contract work.

The expected loss rates used at 31 December 2020 and at 31 December 2019 are based on the payment profiles of sales over a period of 12 months of the preceding financial year and the corresponding historical credit losses experienced related to these sales.

The historical loss rates are adjusted to reflect current and forward-looking information based on macro-economic factors affecting the ability of the customers to settle the receivables. The Company retrieves the latter from externally available information from credit rating agencies. Credit insured amounts are excluded from the determination of the loss allowance.

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for both trade and other receivables and amounts due from customers for contract work:

In EUR '000	31 December 2020				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.3%	0.1%	0.1%	0.3%	20.5%
Gross carrying amount - trade receivables and other receivables	20,013	5,995	1,067	338	211
Gross carrying amount - amounts due from customers for contract work	8,984	-	-	-	-
Loss allowance	61	6	1	1	43

	31 December 2019				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.2%	0.2%	0.3%	0.3%	14.6%
Gross carrying amount - trade receivables and other receivables	17,392	5,968	1,084	350	219
Gross carrying amount - amounts due from customers for contract work	8,512	-	-	-	-
Loss allowance	64	10	3	1	32

Notes to the consolidated financial statements

The movement in the loss allowance in respect of trade and other receivables and amounts due from customers for contract work during the year was as follows.

In EUR '000	2020	2019
Balance - At 1 January	110	263
Amounts written off	-	(198)
Net remeasurement of loss allowance	2	45
Balance - At 31 December	112	110

Trade and other receivables and amounts due from customers for contract work are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments.

Impairment losses on trade and other receivables and amounts due from customers for contract work are recognised in the income statement as a separate line item. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its obligations when they become due, avoiding unacceptable losses or damages to the Company's reputation. The Company monitors its liquidity risk on an ongoing basis. Management believes the current capital structure of the Group will safeguard the Group's ability to continue as a going concern.

The liquidity planning considers the maturity of the financial assets (e.g. accounts receivable and other financial assets) and projected cash flows from operations. Due to the nature of the business, the use of cash- and cash equivalents is not highly sensitive to liquidity risks. However, the Company does notice a seasonal pattern in liquidity risks.

The tables below analyses the Company's financial liabilities on their contractual maturities for all non-derivative financial liabilities for which the contractual maturities are essential for an understanding of the timing of the cash flows.

In EUR '000	31 December 2020				
	Less than 3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables (excluding deferred revenue)	45,217	401	-	-	45,618
Borrowings	293	845	3,564	1,436	6,138
Factoring Alfen Elkamo	1,121	-	-	-	1,121
Lease liabilities	588	1,753	6,586	4,115	13,042
Total non-derivatives	47,219	2,999	10,150	5,551	65,919

	31 December 2019				
	Less than 3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables (excluding deferred revenue)	39,886	386	-	-	40,272
Borrowings	301	895	4,443	1,697	7,336
Factoring Alfen Elkamo	954	-	-	-	954
Lease liabilities	434	1,236	4,241	2,356	8,267
Total non-derivatives	41,575	2,517	8,684	4,053	56,829

Market risk

Foreign exchange risk

The Company mainly operates in the European Union, in which the Euro is the basis currency (see Note 22 and Note 27 for further details). The currency risk is limited and largely concerns positions and (future) transactions in euros. Management has determined, based on a risk assessment, that these currency risks do not need to be hedged. The Company's exposure to other foreign exchange movements is not significant and therefore no sensitivity analysis is included. The concentration risk is therefore considered as low.

Price risk

The Company incurs price risks on the purchase of (raw) materials and subcontracting for the difference between the market price at the time of the purchase and during the actual performance. For purchases related to larger projects, the companies policy aims to use indexation clauses in its sales contracts. If indexation is impossible, prices and conditions are negotiated with existing (key) suppliers to minimise price risk. In addition, the company controls price risk by using framework purchase agreements, tender procedures and other high valued information sources. The Company evaluates the concentration risk with respect to prices as low.

In case the costs of raw materials and consumables and costs of outsourced work and other external costs prices increase with 1%, the impact on profit before tax is €1.2 million.

Interest rate risk

The Company is exposed to interest rate risks on its borrowings. Management has determined, based on a risk assessment, that the interest rate risks on its borrowings do not need to be hedged.

In case the Company's interest rate increases with 1%, the impact on profit before tax is €217 thousand.

Note 4 Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the Company's capital structure, the Company may adjust its dividend policy, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents.

Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (cash). The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

In EUR '000	31 December 2020	31 December 2019
Borrowings (note 25)	19,988	16,121
Plus: bank overdrafts (note 23)	-	3,267
Less: cash and cash equivalents (note 23)	(52,344)	(134)
Net debt (cash)	(32,356)	19,254
Total equity	74,228	13,048
Total capital	41,872	32,302
Gearing ratio	(44)%	148%

The gearing ratio significantly decreased during 2020, mainly as a result of the capital that Alfen raised in June 2020 further amplified by the positive cash flow from operating activities in conjunction with strong profitability in financial year 2020.

Below table sets out an analysis of net cash/(debt) and the movements in net cash/(debt) for each of the periods presented.

In EUR '000	Cash and bank overdrafts	Borrowings	Factoring Alfen Elkamo	Lease liabilities	Net debt
Net cash/(debt) - 1 January 2019	(7,075)	(8,016)	(1,349)	(8,022)	(24,462)
Cash flows	3,942	1,127	397	1,939	7,405
New leases and remeasurements	-	-	-	(1,950)	(1,950)
Other changes	-	(13)	-	(234)	(247)
Net cash/(debt) - 31 December 2019	(3,133)	(6,902)	(952)	(8,267)	(19,254)
Cash flows	55,477	1,086	(167)	2,441	58,837
New leases and remeasurements	-	-	-	(6,947)	(6,947)
Other changes	-	(11)	-	(269)	(280)
Net cash/(debt) - 31 December 2020	52,344	(5,827)	(1,119)	(13,042)	32,356

Other changes comprise a non-cash movement and relates to effective interest accounting on borrowings and lease liabilities.

Note 5 Fair value estimation

The Company has no financial assets and liabilities measured at fair value.

At 31 December 2020 and 31 December 2019 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the long-term debt are not materially different from the carrying amounts as the interest rate risk is a floating rate plus spread where the spread equals the current market spread.

Note 6 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported periods. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Development costs

The capitalised development costs are based on management judgements taken into account:

- the technical feasibility to complete the product or system so that it will be available for use;
- management intends to complete the product or system and use or sell it;
- the ability to use or sell the product or system;
- the availability of adequate technical, financial and other resources to complete the development.

In determining the development costs to be capitalised, the Company estimates the expected future economic benefits of the respective product or system that is the result of a development project. Furthermore management estimates the useful life of such product or system.

The carrying amount of capitalised development costs is €11.6 and €8.9 million at 31 December 2020 and 31 December 2019, respectively. The Company estimates the useful life of the development costs to be at 5 years based on the expected lifetime of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on innovations, market developments and competitor actions.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Further details about impairment testing are included in Note 18.

Estimates in contract work

The Company recognises revenue and costs over time - i.e. before delivered to the customers' premises - in the income statement using the cost-to-cost method. Under this method, actual costs are compared with the total estimated costs to measure progress towards complete satisfaction of the performance obligation.

To measure the progress toward complete satisfaction of the performance obligation, the Company has a robust process and system for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent forecast of the project profitability, including variance analyses of forecasted profitability compared to budget and earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex contracts. However, historical experience has shown that estimates in total are sufficiently reliable.

Note 7 Segment information

Operating segments

The Company is engaged in the business of developing, producing and selling various products, systems and services related to the electricity grid. There is a strong interrelationship between the Company's different business activities, hence Management reviews the overall business based on the Group's profitability.

All financial segment information can be found in the consolidated financial statements.

Entity wide disclosures

Geographic information

The following table is summarising (i) revenue and other income and (ii) non-current assets, excluding financial instruments and deferred tax assets, attributable to the Company's countries of domicile.

In EUR '000 Revenue	2020	2019
The Netherlands	165,457	122,087
Finland	18,808	16,648
Belgium	4,745	4,434
Total	189,010	143,169

Non-current assets	31 December 2020	31 December 2019
The Netherlands	29,710	20,557
Finland	7,715	6,849
Belgium	233	178
Total	37,658	27,584

Revenue and other income by region based on the destination of products and location of projects is presented in Note 8.

Major customers

There are two customers who individually account for more than 10% of the Company's consolidated revenue. The total amount for these customers is €44.5 million.

Notes to the consolidated financial statements

Note 8 Revenue

The Company derives the following revenues and other income per business line:

In EUR '000	2020	2019
Smart grid solutions	118,472	103,584
Energy storage systems	16,991	13,449
EV charging equipment	53,547	26,136
Total	189,010	143,169

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €111.9 and €4.8 million, respectively, is considered to be over time revenue for which the cost-to-cost method is applied by the Company. Smart grid solutions revenue generated by Alfen Elkamo - i.e. €18.8 million - as well as the Company's EV charging equipment revenue of €53.5 million is considered to be point-in-time revenue.

Revenue and other income by region based on the destination of products and location of projects:

In EUR '000	2020	2019
The Netherlands	127,531	103,125
Other European Union countries	59,542	37,669
Rest of Europe	1,858	1,469
Outside Europe	79	906
Total	189,010	143,169

Note 9 Other income

In EUR '000	2020	2019
Government grants	-	94
Total	-	94

Other income comprises of a government grant and relates to the subsidy for a project to realise an off-grid energy system in rural Africa that combines solar and energy storage.

Note 10 Personnel expenses

The personnel expenses can be divided into the following cost categories:

In EUR '000	2020	2019
Salaries and wages	29,654	23,629
Social security contributions	3,960	3,126
Pension contributions (DC)	2,868	2,153
Hire indirect personnel	1,217	1,229
Capitalised personnel expense	(3,298)	(2,947)
Total	34,401	27,190

The average number of FTE's are:

	2020	2019
Direct employees	304	249
Indirect employees	267	215
Total	571	464

As per 31 December 2020, a total of 95 employees were employed outside the Netherlands.

Dutch pensions

The company has a defined contribution scheme and a defined benefit scheme. The defined benefit plan is a multi-employer (industry) pension plan, based on average salary pay, for which insufficient information is available to account for as a defined benefit plan. Therefore, the Company accounts for this pension plan as a defined contribution plan. The pension schemes are financed through monthly contributions to the pension providers, being the insurance companies and the industry pension fund (PME). The contribution with the industry pension fund is calculated using a maximum annual gross salary level and a premium of approximately 22.7% for 2020.

In 2018, the industry pension fund announced a recovery plan to strengthen the fund, for which an additional premium of 3.7% (2019: 2.32%) is applicable. The base premium for 2021 is set at approximately 27.6%. The additional premium in relation to the recovery plan to strengthen the fund is in 2021 no longer applicable. Total expected contributions for 2021 amount to €3.0 million. The company applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the income statement and is classified as costs of personnel.

Alfen has approximately 495 active participants in the industry pension plan, which has 165,000 active participants in the total plan. The industry pension fund has a deficit and the coverage ratio per December 2020 is 92.3%. The company does not have any commitments for additional contributions in case of a deficit of the pension fund, other than paying increased future premiums. If applicable, the industry-wide pension fund applies an annual indexation for the pension fund.

Aside from the premium payables, the company does not have any additional obligations in respect to the pension schemes.

Finnish pensions

Alfen Elkamo has a defined contribution scheme, in which the pension contribution is predetermined and based on the gross salary of the individual employee. The annual net contribution for 2020 is 18% (2019: 18%). The pension contributions are paid on a monthly basis to the pension fund. The expected net contribution for 2021 amounts to €543 thousand. The premium payable during the financial year is charged to the income statement and is classified as costs of personnel.

Aside from premium payables, Alfen Elkamo does not have any additional obligations in respect to the pension schemes.

Key management compensation

Key management includes directors, having authority and responsibility for planning, directing and controlling the activities of the Company.

In EUR '000	2020	2019
Salaries and wages	826	690
Short-term incentive plan	56	-
Social security contributions	30	28
Pension costs	34	50
Share-based payments	91	-
Other	60	61
Total	1,097	829

Key management collectively hold 350,000 Ordinary Shares (2019: 1,198,000) in the share capital of the Company, which are subject to certain lock-up restrictions as described in Note 12.

In addition, key management collectively hold conditional rights, granted under the long-term incentive plan for the Board of Directors and subject to certain performance conditions, to acquire 13,783 (at 100% realisation) existing Ordinary Shares. Reference is made to Note 12 for further details.

Notes to the consolidated financial statements

Note 11 Other operating costs

The operating costs can be divided into the following cost categories:

In EUR '000	2020	2019
Housing expenses	1,433	1,031
Other personnel expenses	2,423	2,016
Development expenses	639	267
Other general expenses	6,590	5,849
Total	11,085	9,163

Note 12 Share-based payments

Share award plans

Depositary Receipts

Eligible and selected managers of the Company were given the opportunity to participate indirectly in the share capital of the Company. These indirect share investments were held via a foundation ("Stichting Administratiekantoor"), which has issued Depositary Receipts ("DRs") to participating managers. This management participation plan was classified as an equity-settled share-based payment arrangement.

As of the date of the Company's public listing on the Amsterdam Stock Exchange on 22 March 2018 ("First Trading Date") these DRs have been cancelled as a result of which these participating managers ultimately received Ordinary Shares and cash, meaning that they realised part of their indirect investment in the Company. As a result of this, the key managers and certain members of senior management no longer held an indirect economic interest of 10.36% in the capital of the Company through DRs, but directly held Ordinary Shares which jointly amounted to 7.77% or 1,554,000 shares of the share capital of the Company. This position as per 31 December 2020 amounted to 1.8% or 399,529 shares of the share capital of the Company.

These Ordinary Shares of the key managers and certain members of senior management of the Company are subject to lock-up restrictions. The Ordinary Shares transferred to the key managers and certain members of senior management of the Company are released from the lock-up restrictions as follows: 60% of the Ordinary Shares have been unconditionally released from the lock-up restrictions on the day that was one year after the First Trading Date, 20% of the Ordinary Shares have been unconditionally released from the lock-up restrictions on the day that is two years after the First Trading Date, and the remaining 20% of the Ordinary Shares will be unconditionally released from the lock-up restrictions on the day that is three years after the First Trading Date, in each case on the condition the key managers and certain members of senior management of the Company continues to be employed by the Company on these dates.

Celebration Share Award Plan

On 22 March 2018, the Management Board of Alfen granted to all eligible employees conditional rights to acquire a cumulative total of 118,429 existing Ordinary Shares or 0.6% of the issued share capital of the Company for no consideration under a one-off share incentive.

The conditional rights to acquire existing Ordinary Shares granted were exercisable in exchange for Ordinary Shares on the day that is two years after the grant date, on the condition that the relevant employee of Alfen continued to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee).

The Company entered into an agreement with the Selling Shareholders on 12 March 2018 pursuant to which Alfen has the right to acquire from the Selling Shareholders for no consideration a number of Ordinary Shares equal to the number of conditional rights exercised by eligible employees, being no more than 120,000 Ordinary Shares.

The Celebration Share Award Plan was settled on 22 March 2020.

Long-term incentive plan - Key employees

The Management Board of Alfen recognises the importance of its key employees to the future success of the Company. Therefore, on 4 October 2018, a long-term incentive plan ('LTIP Key employees') was introduced for a number of designated employees within the group of the Company.

The following grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Grant date	Number of Awards Granted	Exercise price
1 January 2019	37,316	Nil
1 January 2020	38,434	Nil

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is four years after the grant date, on the condition that the relevant employee of Alfen continues to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee). Besides the aforementioned service vesting condition no other vesting conditions are applicable for the LTIP Key employees.

Long-term incentive plan - Board of Directors

As part of the newly introduced remuneration policy, which has been adopted by the general meeting of shareholders on 8 April 2020, a long-term incentive plan for the Board of Directors ('LTIP Board of Directors') was introduced in order to increase the alignment between shareholder's interest and the interest of the Board of Directors.

The following grant, comprising of Ordinary Shares in the Company, has been made under this plan:

Grant date	Number of Awards Granted *	Exercise price
8 April 2020	13,783	Nil

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) and 17,229 (at 125% realisation).*

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is three years after inception of the service and performance period, subject to continued employment as a member of the Board of Directors and certain non-market based performance vesting conditions.

The service and performance period are starting on the 1st of January of the applicable financial year, in which the grant has been made. Besides the aforementioned service and performance vesting conditions there is one additional condition in place, which is an one year holding period for the Board of Directors after vesting date.

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	LTIP Key employees	LTIP Board of Directors	Celebration Share Award Plan
Balance - 1 January 2019	-	-	108,761
Granted	37,316	-	-
Forfeited	(2,185)	-	(14,523)
Exercised	-	-	-
Expired	-	-	-
Balance - 31 December 2019	35,131	-	94,238
Granted	38,434	13,783	-
Forfeited	(3,193)	-	-
Exercised	-	-	(94,238)
Expired	-	-	-
Balance - 31 December 2020	70,372	13,783	-

None of the outstanding shares related to the LTIP Key employees and LTIP Board of Directors are exercisable at 31 December 2020.

Notes to the consolidated financial statements

Fair value measurement

The Company used the Black & Scholes model to determine the fair value of the share-based payments plans at grant date. The market price of the Company's Ordinary Shares for the different plans at grant date was:

Share award Plans	Grant date	Grant date fair value
Celebration Share Award Plan	22 March 2018	€10.00
Long-term Incentive Plan - Key employees	1 January 2019	€12.31
Long-term Incentive Plan - Key employees	1 January 2020	€16.44
Long-term Incentive Plan - Board of Directors	8 April 2020	€24.55

The present value for expected dividend over the vesting period for all plans is nil, because the Company has currently no intention to distribute dividends in the foreseeable future in order to be able to further invest in the growth of the Company. Consequently and in conjunction with an exercise price of nil, both the expected volatility and risk-free-rate have no impact on the fair value determination at grant date.

Share-based payment expenses

Share-based payment expenses recognised as other operating costs in the statement of comprehensive income:

In EUR '000	2020	2019
Celebration Share Award Plan	167	383
Long-term Incentive Plan - Key employees	244	105
Long-term Incentive Plan - Board of Directors	91	-
Total	502	488

Note 13 Finance income and costs

In EUR '000	2020	2019
Finance costs		
Interest expenses related to lease liabilities	(269)	(234)
Other interest expenses	(509)	(601)
Total finance costs	(778)	(835)
Finance income		
Other interest income	5	9
Total finance income	5	9
Net finance income/(costs)	(773)	(826)

Note 14 Income tax expense

This note provides an analysis of the Company's income tax expense, showing how the tax expense is affected by non-deductible items. It also explains significant estimates made in relation to the Company's tax position.

In EUR '000	2020	2019
Current tax		
Current tax on profits for the year	(3,859)	(1,725)
Adjustments for previous years	25	25
Total current tax expense	(3,834)	(1,700)
Deferred income tax		
Income tax on continuing operations	(422)	(378)
Change in tax rates	(335)	(116)
Total deferred tax (expense) benefit	(757)	(494)
Total income tax expense	(4,591)	(2,194)

The tax on the Company's profit before tax differs from the statutory amount that would arise using the tax rate applicable to profits of the entity. The reconciliation of the effective tax rate is as follows:

In EUR '000	2020	2019
Result from continuing operations	11,987	5,625
Total income tax	(4,591)	(2,194)
Profit (loss) before income tax	16,578	7,819
Tax calculated based on Dutch tax rate	25.0%	25.0%
Tax effects of:		
Adjustments for previous years	(0.2%)	(0.3%)
Effect of tax rates in other countries	0.0%	0.2%
Non-taxable expenses	1.0%	1.8%
Change in tax rates	2.0%	1.5%
Other differences	(0.1%)	(0.1%)
Effective tax rate	27.7%	28.1%
Applicable tax rate	25.0%	25.0%

Non-taxable items are mainly related to non-deductible share-based payment expenses relating to the Celebration Share Award Plan and LTIP.

Note 15 Earnings per share

	2020	2019
Weighted average number of ordinary shares in issue (x1)	20,891,513	20,000,000
Net result attributable to shareholders (in EUR)	11,986,815	5,624,791
Basic earnings per share (in EUR)	0.57	0.28
Allowing for dilution, the earnings per share are as follows:		
Weighted average number of ordinary shares in issue (x1)	20,951,898	20,010,024
Net result attributable to shareholders (in EUR)	11,986,815	5,624,791
Diluted earnings per share (in EUR)	0.57	0.28

Note 16 Remuneration of the Management Board and Supervisory Board

Management Board

The following statement shows how the remuneration policy was applied in practice during the reporting period.

	M. Roeleveld - CEO		J. van Rossen - CFO	
In EUR '000	**2020**	**2019**	**2020**	**2019**
Salaries and wages	322	250	242	210
Short-term incentive plan	30	-	26	-
Social security contributions	16	14	14	14
Pension contributions (DC)	19	37	15	13
Share-based payments	52	-	39	-
Other	21	19	18	21
Total	460	320	354	258

The following table sets out the shareholdings of the Management Board.

	Number of ordinary shares
M. Roeleveld - CEO	120,582
J. van Rossen - CFO	41,730

The number of Ordinary Shares held by the Management Board are subject to lock-up restrictions as described in Note 12.

The following table sets out the grant made under the long-term incentive plan in 2020 for the Management Board.

	Number of Awards Granted *
M. Roeleveld - CEO	7,848
J. van Rossen - CFO	5,935

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) and 17,229 (at 125% realisation).*

The number of Awards granted to the Management Board are subject to certain performance conditions as described in Note 12.

No other options have been awarded to the Management Board, nor any loans, advances or guarantees.

Supervisory Board

The total remuneration of the members of the Supervisory Board is shown below:

In EUR '000	2020	2019
H. ten Hove	50	50
E.Q. van der Arend - Date of discharge: 6 July 2020	15	30
D.W.E. Riefel - Date of discharge: 6 July 2020	-	-
W.W.M. Ackermans - Date of entry: 6 July 2020	20	-
E.M. Oudenbroek - Date of entry: 6 July 2020	20	-
Total	105	80

No options have been awarded to the Supervisory Board, nor any loans, advances or guarantees.

Note 17 Property, plant and equipment

Property, plant and equipment can be divided into:

In EUR '000	31 December 2020	31 December 2019
Property, plant and equipment - Owned	11,033	8,038
Property, plant and equipment - Right-of-Use	13,023	8,322
Total net book value	24,056	16,360

The movement in property, plant and equipment during the years was as follows:

Owned assets

In EUR '000	Buildings	Furniture, fittings and equipment	Assets under construction	Total
At 1 January 2019				
Cost	5,940	8,234	506	14,680
Accumulated impairments and depreciation	(2,455)	(5,413)	-	(7,868)
Net book value	3,485	2,821	506	6,812
Year ended 31 December 2019				
Opening net book value	3,485	2,821	506	6,812
Additions	573	1,429	468	2,470
Reclassification assets under construction	210	296	(506)	-
Disposal	-	-	-	-
Depreciation for the year	(334)	(910)	-	(1,244)
Depreciation of disposal	-	-	-	-
Consolidation and deconsolidation	-	-	-	-
Closing net book value	3,934	3,636	468	8,038
At 1 January 2020				
Cost	6,723	9,959	468	17,150
Accumulated impairments and depreciation	(2,789)	(6,323)	-	(9,112)
Closing net book value	3,934	3,636	468	8,038
Year ended 31 December 2020				
Opening net book value	3,934	3,636	468	8,038
Additions	33	2,978	1,614	4,625
Reclassification assets under construction	317	151	(468)	-
Disposal	(40)	(3,678)	-	(3,718)
Depreciation for the year	(344)	(1,286)	-	(1,630)
Depreciation of disposal	40	3,678	-	3,718
Consolidation and deconsolidation	-	-	-	-
Closing net book value	3,940	5,479	1,614	11,033
At 31 December 2020				
Cost	7,033	9,410	1,614	18,057
Accumulated impairments and depreciation	(3,093)	(3,931)	-	(7,024)
Closing net book value	3,940	5,479	1,614	11,033

Right-of-use assets

In EUR '000	Land and buildings	Manufacturing equipment	Cars	Total
At 1 January 2019				
Cost	5,635	499	2,084	8,218
Accumulated impairments and depreciation	-	(25)	-	(25)
Net book value	5,635	474	2,084	8,193
Year ended 31 December 2019				
Opening net book value	5,635	474	2,084	8,193
Additions	169	545	1,236	1,950
Disposal	-	-	-	-
Depreciation for the year	(656)	(122)	(1,043)	(1,821)
Depreciation of disposal	-	-	-	-
Consolidation and deconsolidation	-	-	-	-
Closing net book value	5,148	897	2,277	8,322
At 1 January 2020				
Cost	5,804	1,044	3,320	10,168
Accumulated impairments and depreciation	(656)	(147)	(1,043)	(1,846)
Closing net book value	5,148	897	2,277	8,322
Year ended 31 December 2020				
Opening net book value	5,148	897	2,277	8,322
Additions	5,223	351	1,373	6,947
Disposal	-	-	-	-
Depreciation for the year	(930)	(166)	(1,150)	(2,246)
Depreciation of disposal	-	-	-	-
Consolidation and deconsolidation	-	-	-	-
Closing net book value	9,441	1,082	2,500	13,023
At 31 December 2020				
Cost	11,027	1,395	4,693	17,115
Accumulated impairments and depreciation	(1,586)	(313)	(2,193)	(4,092)
Closing net book value	9,441	1,082	2,500	13,023

At 31 December 2020, the net carrying amount of leased equipment held under finance lease was €354 thousand (31 December 2019: €353 thousand).

Note 18

Intangible assets and goodwill

The movement in intangible assets and goodwill during the years was as follows:

In EUR '000	Goodwill	Customer related intangibles	Development costs	Total
At 1 January 2019				
Cost	127	3,302	10,266	13,695
Accumulated impairments and amortisation	-	(627)	(3,903)	(4,530)
Net book value	127	2,675	6,363	9,165
Year ended 31 December 2019				
Opening net book value	127	2,675	6,363	9,165
Additions	-	-	4,220	4,220
Acquisitions	-	-	-	-
Amortisation for the year	-	(436)	(1,725)	(2,161)
Consolidation and deconsolidation	-	-	-	-
Closing net book value	127	2,239	8,858	11,224
At 1 January 2020				
Cost	127	3,302	14,486	17,915
Accumulated impairments and amortisation	-	(1,063)	(5,628)	(6,691)
Net book value	127	2,239	8,858	11,224
Year ended 31 December 2020				
Opening net book value	127	2,239	8,858	11,224
Additions	-	-	4,992	4,992
Acquisitions	-	-	-	-
Amortisation for the year	-	(407)	(2,207)	(2,614)
Consolidation and deconsolidation	-	-	-	-
Closing net book value	127	1,832	11,643	13,602
At 31 December 2020				
Cost	127	3,302	19,478	22,907
Accumulated impairments and amortisation	-	(1,470)	(7,835)	(9,305)
Net book value	127	1,832	11,643	13,602

Goodwill

Goodwill is completely allocated to the cash-generating unit (hereinafter: 'CGU') Alfen Elkamo.

The recoverable amount of this CGU was determined on the higher of the value-in-use calculation or fair value less costs of disposal. The valuation uses future cash flows, based on the financial budgets and forecasts of the CGU over a period of 5 years and a terminal growth rate thereafter.

The key assumptions used in the estimation of value in use were as follows.

- Revenue growth rate: based on actual experience and an analysis of expected market growth within the energy transition sector.
- Discount rate: based on the historical industry average weighted-average cost of capital, by using the capital asset pricing model ("CAPM"). The applied discount rate for 2020 was 15.1% (2019: 16.5%).
- Residual value: based on a terminal growth rate of 2.0% (2019: 2.0%).

Considering the limited amount of Goodwill, the Company's impairment exposure is not significant and therefore no sensitivity analysis is included.

Customer related intangibles

Customer related intangibles comprise the customer list and order backlog related to the acquisition of Alfen Elkamo as at 1 July 2018 and are amortised over a period of 7 years and 0.5 year, respectively. Consequently, the remaining amortisation period for the customer list is 4.5 years and for the order backlog nil.

Development costs

Additions to intangible fixed assets relate to development projects for new products or systems or development projects for new features to existing products and systems for amongst others; smart grid solutions, electric vehicle charging equipment and energy storage.

Total costs for R&D, including amortisation of the capitalised development costs amount to €5.6 and €3.7 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Note 19 Deferred tax balances

The balance comprises temporary differences attributable to:

In EUR '000

Deferred tax assets	**31 December 2020**	**31 December 2019**
Property, plant and equipment	132	98
Carry forward losses	11	36
Goodwill	188	200
Lease liabilities	47	24
Total	378	358
Of which:		
Current (<1 year)	45	74
Non-current (>1 year)	333	284

Deferred tax liabilities	**31 December 2020**	**31 December 2019**
Property, plant and equipment	44	65
Intangible assets	3,244	2,412
Maintenance provision	-	34
Total	3,288	2,511
Of which:		
Current (<1 year)	789	617
Non-current (>1 year)	2,499	1,894
Net deferred tax assets	11	36
Net deferred tax liabilities	2,921	2,189

Note 20 Inventories

In EUR '000	**31 December 2020**	**31 December 2019**
Raw materials	19,988	14,411
Total	19,988	14,411

During 2020 inventories of €594 thousand were written down to net realisable value (2019: €510 thousand).

Note 21 Financial instruments by category

In EUR '000	31 December 2020	31 December 2019
Assets	Financial assets at amortised cost	Financial assets at amortised cost
Trade and other receivables	36,414	33,863
Cash and cash equivalents	52,344	134
Total	88,758	33,997
	31 December 2020	**31 December 2019**
Liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	19,988	16,121
Bank overdrafts	-	3,267
Trade and other payables	45,619	40,272
Total	65,607	59,660

Note 22 Trade and other receivables

In EUR '000	31 December 2020	31 December 2019
Trade receivables	24,068	24,092
Less: loss allowance	(112)	(110)
Trade receivables - net	23,956	23,982
Amounts due from customers for contract work	8,984	8,512
Other taxes	437	174
Other receivables	3,037	1,195
Total	36,414	33,863
Less non-current portion	-	-
Current portion	36,414	33,863

The fair value of the receivables approximates the carrying amounts. No breakdown of the fair values of trade and other receivables and the non-current portion of the receivables has been included as the differences between the carrying amounts and the fair values are insignificant.

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables and amounts due from customers for contract work is included in Note 3.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

In EUR '000

Currency	31 December 2020	31 December 2019
EURO	35,920	33,319
GBP	494	344
SEK	-	200

Transfer of trade receivables

In order to manage seasonality, Alfen Elkamo sold its trade receivables with recourse to a bank for cash proceeds - i.e. factoring. These trade receivables have not been derecognised from the statement of financial position, because Alfen Elkamo retains substantially all of the risks and rewards - i.e. primarily credit risk.

The amount received on the transfer of trade receivables has been recognised as a factoring liability under short-term borrowings (see Note 25). The arrangement with the bank is such that the customers remit cash directly to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but not derecognised and the associated liabilities.

In EUR '000	31 December 2020	31 December 2019
Carrying amount of trade receivables transferred to a bank	1,399	1,190
Carrying amount of associated liabilities	(1,119)	(952)

Contract balances

The net balance sheet position for contract work is as follows:

In EUR '000	31 December 2020	31 December 2019
Amounts due from customers for contract work	8,984	8,512
Amounts due to customers for contract work	(5,336)	(4,789)
Total	3,648	3,723

The net position relates to:		
Aggregate costs incurred and recognised profits (less recognised losses) to date	47,602	28,675
Less: progress billings	(43,954)	(24,952)
Total	3,648	3,723

Amounts due from customers for contract work concern the Company's right to consideration for work completed but not invoiced at 31 December 2020, for both the Smart grid solutions and Energy storage solutions business lines. Amounts due from customers for contract work will be transferred to trade receivables when the Company's right to consideration is unconditional. This usually occurs when the Company issues an invoice to the customer.

Amounts due to customers for contract work concern received prepayments for performance obligations, which are not yet realised at year-end. The amount of €4.8 million recognised in the amounts due to customers for contract work at the beginning of the reporting period has been recognised as revenue for the period ended 31 December 2020.

Both amounts due from customers and amounts due to customers have a remaining term of less than one year.

The amount of revenue recognised in the period ended 31 December 2020 from performance obligations satisfied (or partly satisfied) in prior reporting period is € nil.

No information is provided about remaining performance obligations at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

Note 23 Cash and cash equivalents

In EUR '000	31 December 2020	31 December 2019
Cash and cash equivalents	52,344	134
Bank overdrafts	-	(3,267)
Total	52,344	(3,133)

The cash and cash equivalents are freely disposable to the Company, except for an amount of €243 thousand on so called G-accounts.

Note 24 Equity

Share capital
Share capital at 31 December 2020 of €2,175,000 (2019: €2,000,000) is divided into 21,750,000 ordinary shares (2019: 20,000,000), fully paid-up, with a par value of €0.1 each (2019: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2019: 40,000,000). Share capital increased with €175 thousand due to the share issuance in June 2020.

The outstanding ordinary shares of 21,750,000 includes 55,416 treasury shares as per 31 December 2020 (2019: nil).

Share premium
The share premium reserve relates to contribution on issued shares in excess of the nominal value of the shares (above par value). As a result of the share issuance in June 2020 the share premium reserve increased with €49.5 million (after deduction of the directly related transaction costs amounting to €1.3 million and corporate income taxes).

Retained earnings
The retained earnings of €9.6 million are restricted due to a legal reserve of €11.6 million (2019: €8.9 million) which is not available for distribution.

Result for the year
The proposal to the General Meeting is that an amount of €12.0 million will be recognised in retained earnings.

Note 25 Borrowings

In EUR '000	31 December 2020	31 December 2019
Borrowings	5,827	6,902
Factoring Alfen Elkamo	1,119	952
Lease liabilities	13,042	8,267
Total	19,988	16,121

The repayment obligations as per 31 December 2020 are as follows:

In EUR '000	31 December 2020	Repayment obligation in 2021	Remaining term >1 year and <5 year	Remaining term >5 years
Borrowings	5,827	1,058	3,387	1,382
Factoring Alfen Elkamo	1,119	1,119	-	-
Lease liabilities	13,042	2,340	6,586	4,116
Total	19,988	4,517	9,973	5,498

The fair values of the long-term debt are not materially different from the carrying amounts as the interest rate risk is a floating rate plus spread where the spread equals the current market spread.

Alfen N.V. holds a group credit facility for all entities located in the Netherlands. The credit facility consists of:

(i) a mortgage loan with a duration of 10 years and a principal amount of €1.5 million used for the purchase of the building located at the Hefbrugweg Almere;
(ii) a mortgage loan with a duration of 15 years and a principal amount of €900 thousand used for the purchase of the building located at the Vlotbrugweg Almere;
(iii) two loans with each a principal amount of €875 thousand and a duration of 10 years used for the refurbishment of the buildings located at the Hefbrugweg Almere;
(iv) a loan with a principle amount of €5 million and a redemption period of 7 years used for the acquisition of Alfen Elkamo at 1 July 2018; and
(v) a working capital credit facility up to €30 million (2019: €30 million) and a separate facility of €10 million for bank guarantees (2019: €10 million).

The 2020 interest rate is 2.0% (2019: 2.7%).

The bank has first ranked mortgages on the real estate owned by the Company with a carrying amount of €2.6 million per 31 December 2020. The real estate has an economic value of € 7.7 million (2019: €6.4 million).

The following securities have been issued:

- a first ranked mortgage of €1.8 million for land and buildings on the Hefbrugweg 28, 1332 AP Almere cadastral known as section M number 70, Almere;
- a first ranked mortgage of €900 thousand for land and buildings on the Vlotbrugweg 24, 1332 AJ Almere, cadastral known as section M number 60, Almere;
- a second mortgage right on the abovementioned buildings of €1.7 million;
- a first pledge for
  - o all current and future equipment of the Company;
  - o all current and future stocks of the Company;
  - o all current and future rights and receivables whether or not resulting from current and future relationships, including the rights from insurance agreements;
  - o all current and future rights related to the trademark TheBattery, when applicable and/or registered.
- a mandatory redemption clause in case the Company decides to sell its interest in Alfen Elkamo, which is capped at the proceeds from selling the interest.

Other specific conditions related to the credit facility are:

- a negative pledge and the "pari passu";
- a non-distribution clause;
- comply with a minimal EBITDA-covenant on a consolidated level of €6.5 or €7.5 million and a minimal EBITDA-covenant adjusted for capitalised development costs of €3.5 or €4.5 million depending on whether the credit facility is below or above €20 million for a consecutive period of 3 months and/or in total 6 months within one calendar year, respectively. The EBITDA-covenant was met at 31 December 2020.

Alfen Elkamo Oy Ab holds a separate working capital credit facility up to €1.5 million (2019: €0.2 million) for which a solvency-convenant of 25% is applicable. This solvency-convenant was met at 31 December 2020.

Note 26 Provisions

In EUR '000			
Balance - 1 January 2020	39	**Balance - 1 January 2019**	33
Additions	35	Additions	15
Deductions	(32)	Deductions	(9)
Other	-	Other	-
Balance - 31 December 2020	42	**Balance - 31 December 2019**	39
Of which:		Of which:	
Current (<1 year)	12	Current (<1 year)	9
Non-current (>1 year)	30	Non-current (>1 year)	30

The provision relates to a jubilee provision and is calculated based on the discounted value of future jubilee payments to the Company's employees. The calculation includes estimated remaining employment terms and a discount rate of 4%.

Note 27 Trade and other payables

In EUR '000	31 December 2020	31 December 2019
Trade payables	26,813	26,710
Amounts due to customers for contract work	5,336	4,789
Due to affiliated companies	-	-
Other taxes	4,209	3,624
Other liabilities	9,261	5,149
Total	45,619	40,272

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the carrying amount due to its short term character.

The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

In EUR '000 Currency	31 December 2020	31 December 2019
EURO	43,316	40,259
USD	1,815	13
GBP	488	-

Note 28 Leases

The Company leases several assets, which can be combined into the asset classes: (i) Land & Buildings, (ii) Manufacturing equipment, (iii) Office equipment and (iv) Company cars. These contracts are typically entered into for a period between 3 and 10 years, but some leases may include renewal and/or termination options.

The Company leases Office equipment (e.g. printers). These leases are considered low-value leases for which the Company has elected not to recognise right-of-use assets and lease liabilities.

Right-of-use assets

Right-of-use assets relate to leases that do not meet the definition of investment property are presented as property, plant and equipment, which are separately disclosed in Note 17. The Company has no right-of-use assets that meet the definition of investment property.

Lease liabilities

The lease liabilities, including a maturity analysis, are disclosed in Note 25.

Amounts recognised in the statement of comprehensive income and cash flows

Besides the interest expenses related to lease liabilities and depreciation charges on right-of-use assets as disclosed in Note 13 and Note 17, respectively, the Company recognised within the statement of comprehensive income €0.1 million relating to low value leases.

Total cash outflow for leases in 2020 was €2.5 million.

Extension and termination options

The Company has several contracts within asset class Land & Buildings and Manufacturing equipment that include renewal and termination options or a combination of both. At 31 December 2020, all renewal options are included in the measurement of the lease liabilities. Consequently, no termination options are included.

Note 29 Contingencies and commitments

Bank guarantees

Bank guarantees amounting to €3.5 million are outstanding at 31 December 2020 with different end dates in financial year 2021 and further.

Fiscal unity

The Company forms a fiscal unity with Alfen B.V., Alfen ICU B.V. Alfen International B.V. and Alfen Projects B.V. for corporate income tax (CIT). For value-added tax (VAT) purposes the fiscal unity consists of Alfen N.V., Alfen B.V., Alfen ICU B.V. and Alfen Projects B.V. Pursuant to the Collection of State Taxes Act, the Company, along with the subsidiary that is part of the fiscal entity, is wholly and severally liable for taxation payable by the fiscal unity.

Joint and several liabilities

As per 1 January 2021, Alfen N.V. has assumed joint and several liabilities in accordance with article 403 Part 9 of Book 2 of The Dutch Civil Code with respect to its subsidiaries Alfen B.V. and Alfen ICU B.V.

Litigations and claims

A customer filed a claim against a group company relating to a delivered product. Although the outcome of this dispute cannot be predicted with certainty, it is expected that there will be no negative consequences for the financial position of the group company.

Note 30 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control, jointly control or significantly influence the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:

- Key management compensation (Note 10);
- Share-based payments (Note 12);
- Remuneration of the Management Board and Supervisory Board (Note 16).

The following transactions were carried out with related parties Infestos Energy Transition B.V. and Infestos Holding M B.V.:

- Infestos Energy Transition B.V. and Infestos Holding M B.V. provide advisory and consulting services related to strategic decision making, change management projects and processes and various other services, including those related to legal, financial, organisational matters and other relevant expertise, for which a management fee was charged to the Company of €32 thousand and €143 thousand for both the years ended 31 December 2020 and 31 December 2019, respectively. This agreement ended on 30 June 2020.

Company financial statements

Alfen N.V.
Amsterdam, the Netherlands

Company financial statements
for the year ended 31 December 2020

Company financial statements

Company balance sheet

In EUR '000	Note	31 December 2020	31 December 2019
(before appropriation of profit)			
Assets			
Non-current assets			
Property, plant and equipment	4	1,194	1,267
Investments in subsidiaries	5	31,212	18,648
		32,406	19,915
Current assets			
Receivables	6	1,672	1,816
Cash and cash equivalents	7	48,587	-
		50,259	1,816
Total assets		82,665	21,731
Equity and liabilities			
Shareholders' equity	8		
Share capital		2,175	2,000
Share premium		50,429	1,913
Legal and statutory reserves		11,643	8,858
Retained earnings		(2,006)	(5,348)
Result for the year		11,987	5,625
		74,228	13,048
Provisions	5	1,062	869
Non-current liabilities	9	550	605
Current liabilities	10	6,825	7,209
Total equity and liabilities		82,665	21,731

Company income statement

In EUR '000	Note	2020	2019
Depreciation on property, plant and equipment	4	(73)	(72)
General expenses		75	78
Operating profit (loss)		2	6
Finance income		-	-
Finance expenses		-	-
Finance income (costs) - net		-	-
Profit (loss) before income tax		2	6
Income tax expense		25	24
Share of net profit of investments in subsidiaries	5	11,960	5,595
Profit (loss) for the period after income tax		11,987	5,625

Notes to the company financial statements

Note 1 General information

The company financial statements are part of the consolidated financial statements of Alfen N.V. (hereafter: the Company).

Note 2 Basis of preparation

The Company financial statements of Alfen N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the company financial statements of Alfen N.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in euros '000, unless stated otherwise. The balance sheet and income statement include references. These refer to the notes.

The company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Note 3 Financial fixed assets

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the company or its intermediate holding entities. They are derecognised from the date control ceases.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. In case of a negative net equity value of a subsidiary, the negative value is initially deducted from loans due from the respective subsidiary, if any, and subsequently accounted for as a provision for loss making subsidiaries.

Note 4 Property, plant and equipment

Property, plant and equipment concerns solely owned assets. The movement in property, plant and equipment during the years was as follows:

In EUR '000	Buildings
At 1 January 2019	
Cost	1,468
Accumulated impairments and depreciation	(129)
Net book value	1,339
Movements in book value	
Additions	-
Disposals	-
Depreciation for the year	(72)
Depreciation of disposals	-
	(72)
At 31 December 2019	
Cost	1,468
Accumulated impairments and depreciation	(201)
Closing net book value	1,267
At 1 January 2020	
Cost	1,468
Accumulated impairments and depreciation	(201)
Net book value	1,267
Movements in book value	
Additions	-
Disposals	-
Depreciation for the year	(73)
Depreciation of disposals	-
	(73)
At 31 December 2020	
Cost	1,468
Accumulated impairments and depreciation	(274)
Closing net book value	1,194

Note 5 Investments in subsidiaries

The movement in subsidiaries during the years was as follows:

In EUR '000	Investment in subsidiaries
At 1 January 2019	
Investment in subsidiaries	12,070
Movements in book value	
Investments	489
Share of profit in participations	5,595
Reclassification to provision for loss making subsidiaries	494
Capital contribution	-
Dividend received	-
	6,578
At 31 December 2019	
Investment in subsidiaries	18,648
At 1 January 2020	
Investment in subsidiaries	18,648
Movements in book value	
Investments	411
Share of profit in participations	11,960
Reclassification to provision for loss making subsidiaries	193
Capital contribution	-
Dividend received	-
	12,564
At 31 December 2020	
Investment in subsidiaries	31,212

The reclassification of €193 thousand (2019: €494 thousand) to provision for loss making subsidiaries is related to the negative equity value of Alfen International B.V.

The Company is wholly and severally liable for the loans of Alfen International B.V. Consequently, a provision for loss making subsidiaries of €1,062 thousand (2019: €869 thousand) is recognised related to the negative equity value of Alfen International B.V.

The share in the equity of the subsidiaries was as follows:

	Share in issued share capital 31 December 2020
Alfen B.V., Almere	100%
Alfen ICU B.V., Almere	100%
Alfen International B.V., Almere	100%
Alfen Projects B.V., Almere	100%
Alfen België BV, Gent	100%
Alfen Elkamo Oy Ab, Pietarsaari	100%

Note 6 Receivables

In EUR '000	31 December 2020	31 December 2019
Corporate income tax	-	394
Due from affiliated companies	1,657	1,397
Other receivables	15	25
Total	1,672	1,816

Receivables all have a remaining term to maturity of less than one year, unless stated otherwise. The fair value of the receivables approximates the carrying amount. No breakdown of the fair values of the receivables has been included as the differences between the carrying amounts and the fair values are insignificant.

The receivables due from affiliated companies bear no interest. With respect to repayment and securities nothing has been agreed.

Note 7 Cash and cash equivalents

In EUR '000	31 December 2020	31 December 2019
Cash and cash equivalents	48,587	-
Total	48,587	-

The cash and cash equivalents are freely disposable to the Company.

Note 8 Shareholders' equity

Share capital

Share capital at 31 December 2020 of €2,175.000 (2019: €2,000,000) is divided into 21,750,000 ordinary shares (2019: 20,000,000), fully paid-up, with a par value of €0.1 each (2019: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2019: 40,000,000). Share capital increased with €175 thousand due to the share issuance in June 2020.

The outstanding ordinary shares of 21,750,000 includes 55,416 treasury shares as per 31 December 2020 (2019: nil).

Share premium

The share premium reserve relates to contribution on issued shares in excess of the nominal value of the shares (above par value). As a result of the share issuance in June 2020 the share premium reserve increased with €49.5 million (after deduction of the directly related transaction costs amounting to €1.3 million and corporate income taxes).

Retained earnings

The retained earnings of €9.6 million are restricted due to a legal reserve of €11.6 million (2019: €8.9 million) which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €12.0 million will be recognised in retained earnings.

In EUR '000	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Result for the year	Total equity
Balance - 1 January 2019	2,000	1,913	6,363	(3,078)	(263)	6,935
Issuance of ordinary shares, net of tax	-	-	-	-	-	-
Share-based payment transactions	-	-	-	488	-	488
Dividend	-	-	-	-	-	-
Allocation of prior result	-	-	-	(263)	263	-
Additions	-	-	2,495	(2,495)	-	-
Profit (loss) for the period	-	-	-	-	5,625	5,625
Balance - 31 December 2019	2,000	1,913	8,858	(5,348)	5,625	13,048
Balance - 1 January 2020	2,000	1,913	8,858	(5,348)	5,625	13,048
Issuance of ordinary shares, net of tax	175	49,531	-	-	-	49,706
Purchase of treasury shares	-	(1,015)	-	-	-	(1,015)
Share-based payment transactions	-	-	-	502	-	502
Dividend	-	-	-	-	-	-
Allocation of prior result	-	-	-	5,625	(5,625)	-
Additions	-	-	2,785	(2,785)	-	-
Profit (loss) for the period	-	-	-	-	11,987	11,987
Balance - 31 December 2020	2,175	50,429	11,643	(2,006)	11,987	74,228

Note 9 Non-current liabilities

In EUR '000	31 December 2020	31 December 2019
Borrowings	610	665
Total	610	665

The repayment obligation as per 31 December 2020 is as follows:

In EUR '000	31 December 2020	Repayment obligation in 2021	Remaining term >1 year and <5 year	Remaining term >5 years
Borrowings	610	60	240	310
Total	610	60	240	310

Repayments due within 12 months of the reporting date in the sum of €60 thousand (2019: €60 thousand) have been recognised as current liabilities.

Reference is made to Note 25 of the consolidated financial statements.

Note 10 Current liabilities

In EUR '000	31 December 2020	31 December 2019
Repayment obligation borrowings	60	60
Credit institutions	-	5,415
Trade payables	33	29
Due to affiliated companies	3,258	126
Corporate income tax	3,269	1,428
Other taxes	16	(14)
Other liabilities and accrued expenses	189	165
Total	6,825	7,209

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the carrying amounts due to its short term character.

The payables due to affiliated companies bear no interest. With respect to repayment and securities nothing has been agreed. Reference is made to Note 27 of the consolidated financial statements.

Note 11 Contingencies and commitments

Fiscal unity

The Company forms a fiscal unity with Alfen B.V., Alfen ICU B.V. Alfen International B.V. and Alfen Projects B.V. for corporate income tax (CIT). For value-added tax (VAT) purposes the fiscal unity consists of Alfen N.V., Alfen B.V., Alfen ICU B.V. and Alfen Projects B.V. Pursuant to the Collection of State Taxes Act, the Company, along with the subsidiary that is part of the fiscal entity, is wholly and severally liable for taxation payable by the fiscal unity.

Joint and several liabilities

As per 1 January 2021, Alfen N.V. has assumed joint and several liabilities in accordance with article 403 Part 9 of Book 2 of The Dutch Civil Code with respect to its subsidiaries Alfen B.V. and Alfen ICU B.V.

Litigations and claims

A customer filed a claim against a group company relating to a delivered product. Although the outcome of this dispute cannot be predicted with certainty, it is expected that there will be no negative consequences for the financial position of the group company.

Note 12 Audit fees

The following audit fees were expensed in the income statement in the reporting period:

In EUR '000	PricewaterhouseCoopers Accountants N.V.		Other network		Total network	
	2020	2019	2020	2019	2020	2019
Audit of the financial statements	196	162	-	-	196	162
Other audit procedures	-	8	-	-	-	8
Tax services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	196	170	-	-	196	170

These fees relate to the audit of the 2020 and 2019 financial statements, regardless of whether the work was performed during the financial year.

Note 13 Average numbers of employees

During the year 2020, the average number of employees, based on full-time equivalents, was 3 (2019: 3). Of these employees no employees were employed outside the Netherlands.

Note 14 Events after reporting period

There are no events after the reporting period.

Notes to the company financial statements

Authorisation of the financial statements

Almere, 16 February 2021

Alfen N.V.

Board of Directors,

Marco Roeleveld CEO	**Jeroen van Rossen** CFO

Supervisory Board,

Henk ten Hove	**Eline Oudenbroek**	**Willem Ackermans**

Other information

Alfen N.V.
Amsterdam, the Netherlands

Other information
for the year ended 31 December 2020

Provision in the Articles of Association relating to profit appropriation

Article 31 in the articles of association include the following information concerning profit appropriation:

1. The Management Board, with the approval of the Supervisory Board, may decide that the profits realised during a financial year fully or partially be appropriated to increase and/or form reserves.
2. The profits remaining after application of Article 31.1 shall be put at the disposal of the General Meeting. The Management Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.
3. Distributions from the Company's distributable reserves are made pursuant to a resolution of the Management Board, with the approval of the Supervisory Board.
4. Provided it appears from an interim statement of assets signed by the Management Board that the requirement mentioned in Article 31.7 concerning the position of the Company's assets has been fulfilled, the Management Board may, with the approval of the Supervisory Board, make one or more interim distributions to the holders of Shares.
5. The Management Board may, with the approval of the Supervisory Board, decide that a distribution on Shares shall not take place as a cash payment but as a payment in Shares, or decide that holders of Shares shall have the option to receive a distribution as a cash payment and/or as a payment in Shares, out of the profit and/or at the expense of reserves, provided that the Management Board is designated by the General Meeting pursuant to Articles 6.2. With the approval of the Supervisory Board, the Management Board shall determine the conditions applicable to the aforementioned choices.
6. The Company's policy on reserves and dividends shall be determined and can be amended by the Management Board, subject to the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.
7. Distributions may be made only insofar as the Company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law or these Articles of Association.

Independent auditor’s report

We refer to the following page.

Independent auditor's report

To: the general meeting and supervisory board of Alfen N.V.

Report on the financial statements 2020

Our opinion

In our opinion:
- the consolidated financial statements of Alfen N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Alfen N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Alfen N.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:
- the company balance sheet as at 31 December 2020;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Alfen N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Alfen N.V. (hereafter "Alfen" or "the Company") is a public limited liability Company (N.V.) which main activity is to develop, produce and sell products, systems and services related to the electricity grid, including smart grid solutions, charging equipment for electric vehicles and energy storage systems.

The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 6 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the estimation uncertainty and the related higher inherent risks of material misstatement in the estimate of contract work, we considered this a key audit matter as set out in the section 'Key audit matters' of this report. In addition, we determined the capitalisation of development costs as a key audit matter given the judgement involved, in determining whether such costs should be capitalised.

Other areas of focus, that were not considered as key audit matters, were the impairment of non-financial assets, the accounting for share-based payments and the existence/occurrence and accuracy of the different revenues streams due to the magnitude to the financial statements.

The COVID-19 pandemic has not significantly impacted our audit. We have been able to perform our audit procedures as planned, including attending the company's stock count at year-end 2020.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of Alfen N.V. and we included specialists in the area of IT and share-based payments, in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €1,512,000.

Audit scope
- We conducted audit work in the Netherlands and in Finland; and
- Audit coverage: 97.5% of consolidated revenue, 97.0% of consolidated total assets and 99.4% of consolidated profit before tax.

Key audit matters
- Estimates in contract work; and
- Capitalisation of development costs.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€1,512,000 (2019: €1,145,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 0.8% of total revenues.
Rationale for benchmark applied	We used total revenues as the primary benchmark, as the Company is currently investing in the execution of their growth strategy, resulting in top-line growth. The primary focus of the stakeholders and the Company is therefore on growth of revenue. As a result, we believe that total revenue is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €267,000 and €1,512,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

Other information

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €78,000 (2019: €57,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Alfen N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Alfen N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on one significant component, Alfen B.V., as this component performs the majority of the operational activities of the Group. Therefore, this component was subject to an audit of its complete financial information.

We further subjected three components, Alfen N.V., Alfen ICU B.V. and Alfen Elkamo Oy Ab, to audits of complete financial information to achieve appropriate coverage on financial line items in the consolidated financial statements.

Finally, Alfen International B.V. was subject to audit procedures on long-term liabilities to achieve appropriate coverage on that financial statements line item.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	97.5%
Total assets	97.0%
Profit before tax	99.4%

None of the remaining components represented more than 3% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the Dutch Entities Alfen N.V., Alfen B.V. and Alfen ICU B.V. For component Alfen Elkamo Oy Ab we used a component auditor, familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit team in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit team the structure of the Group, the main developments that are relevant for the component auditor, the risks identified, the materiality levels to be applied and our global audit approach.

We had calls with the component audit team during the year. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	Our audit work and observations
Estimates in contract work *Refer to note 22 to the financial statements*	
Contract balances are recognised when the Company builds an asset on the customer site or when the costs incurred are related to a product with no alternative use and for which the Company has an enforceable right to payment. The net balance sheet position of contract work amounts to € 3.6 million and consists of smart grid solutions and energy storage solutions. This net balance consists of € 47.6 million amounts due from customers for contract work, being the aggregated cost incurred and recognised profits and losses less € 44.0 million progress billing. For contract work, Alfen N.V. uses the cost incurred on the contract in relation to the estimated total costs as a measure towards complete satisfaction of the performance obligation (i.e. overtime recognition of revenues). The estimated total costs is a critical estimate for Alfen N.V. for determining measurement towards complete satisfaction of the performance obligation, as well as for assessing the need for provisions for loss making contracts. The estimated total costs comprise the materials used for production and hours needed for production and transportation costs. Due to the magnitude, the most critical estimate in the estimated total costs relates to the materials used for production. The contracts of the Company generally contain one performance obligation and includes client-specific and detailed technical descriptions and breakdowns of expected costs. The management board periodically monitors the financial and technical progress of the performance obligation by analysing project profitability and variance analyses of forecasted profitability compared to budget and earlier assessments. The estimates in contract work is considered a key audit matter due to the magnitude of this balance and the estimate required from the management board to determine the estimated total costs.	We gained an understanding of Alfen N.V.'s contract work, including significant estimates made by the management board, such as those regarding the estimated total cost, the measurement of progress towards complete, satisfaction of performance obligations, contract modifications and variable considerations. We determined that the estimated total cost is the most critical input to determine the measurement of progress towards complete satisfaction of the performance obligation. In addition, we gained an understanding of and evaluated Alfen N.V.'s internal controls and processes including IT systems, relevant to the estimates in contract work. We evaluated how estimation uncertainty is addressed by the management board in their monthly detailed review of project progress. As part of our risk assessment procedures, we performed look-back procedures to assess the quality of the management board's estimates, by comparing actual costs in the current financial year to the estimated total costs in prior year's financial statements. Based on these procedures we assessed the management board's estimate in prior year to be well-balanced. We used our risk assessment procedures, understanding and assessment of the effectiveness of the internal controls to determine our audit approach. We primarily relied on substantive testing procedures, based on efficiency considerations. We selected a sample of contracts to test the progress towards complete satisfaction of the performance obligation, based on qualitative factors, such as the risk profile and the stage of the project and quantitative factors, such as the revenue of the performance obligation and the balance of the contract asset per 31 December 2020. In our selection, we have included energy storage systems projects and smart grid solutions projects with a high contract balance or with a higher estimation uncertainty. For the remaining projects haphazardly smart grid solutions projects and energy storage systems projects were included. We tested the accuracy of the cost, which serves as the input for the management board's measurement of the progress towards the completion of the contract. We attended a site visit on 29 December 2020 to test the existence and the stage of satisfaction of the performance obligation. We tested the estimated total costs and challenged the management board's estimates applied by comparing the inputs to supporting evidence, such as external prices of materials in inventory or other projects, progress reports and progress meetings held. In addition, we tested the mathematical accuracy of the budgets and progress reports used and reconciled these to the project administration. Based on our procedures, we consider the management board's estimates in contract work to be supported by available evidence. In addition, we found the related disclosure to be adequate.
Capitalisation of development costs *Refer to note 18 to the financial statements*	
The intangible assets of Alfen N.V. amount to € 13.6 million of which € 11.6 million relates to capitalised development costs for smart grid solutions, electric vehicle charging equipment and energy storage. During 2020, Alfen N.V. capitalised € 5.0 million of development cost for new products or systems, or for new features to existing products or systems.	We gained an understanding of and evaluated Alfen N.V.'s process with regards to the capitalisation of development costs. We primarily relied on substantive testing procedures, based on efficiency considerations. As part of our risk assessment procedures, we performed look-back procedures. We verified that the products or systems capitalised in prior years have been sold in 2020. The products and systems have generated sales or are further developed in 2020.

Key audit matter	Our audit work and observations
The management board applies significant judgement regarding the determination on whether to capitalise development costs. This determination is highly dependent on: • whether it is technically feasible to complete the product or system so that it will be available for use; • the management board's intention to complete the product or system and use or sell it; • the ability to use or sell the product or system; • the probability that the product or system will generate probable future economic benefits; • the availability of adequate technical, financial and other resources to complete the development; and • the reliability of the measurement of expenditures attributable to the product or system during its development. Given the level of judgement required from the management board to determine whether or not the capitalisation criteria are met, we considered this area to be a key audit matter.	We obtained a listing of all projects for which development costs were capitalised in the period. We have selected several projects based on the amount of capitalised development costs and obtained explanations and documentation from the management board and the R&D manager on how the project met the criteria for capitalisation of development costs. We obtained the technical business plan for the projects and discussed this with the R&D manager. The technical business plans indicate that the projects are technically feasible to be completed and the products and systems will be available for use. We evaluated reasonableness of future economic benefits and the management board's intention to sell the products and systems by obtaining evidence such as new contracts with customers. The future economic benefits and the management boards intention were supported with available evidence. We discussed the ability of the Company to sell the products and systems with the R&D manager and determined that the new products are strongly related to the products and systems currently produced by the Company. We performed procedures to confirm that the R&D department employees are engaged in the projects. We performed procedures to confirm that the Company has sufficient room in the financial position, resulting in sufficient financial and technical resources to complete the development. We tested the accuracy of directly attributable costs that are capitalised by tracing a sample of external costs back to the invoices received. In addition, we assessed the hourly rate used for the development employee costs and traced the capitalised hours back to the time registration. No differences were noted in these procedures. Based on the procedures performed we found the capitalised development costs to be supported with available evidence.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- 2020 at a glance;
- about Alfen;
- the report of the management board;
- the report of the supervisory board; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Alfen N.V. on 11 March 2018 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 11 March 2018. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 12 to the Company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 16 February 2021
PricewaterhouseCoopers Accountants N.V.

F. S. van der Ploeg RA

Other information

Appendix to our auditor's report on the financial statements 2020 of Alfen N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on 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 financial statements 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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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