Alfen

Annual Report 2022

Enabling the energy transition

ALFEN N.V.

ALFEN


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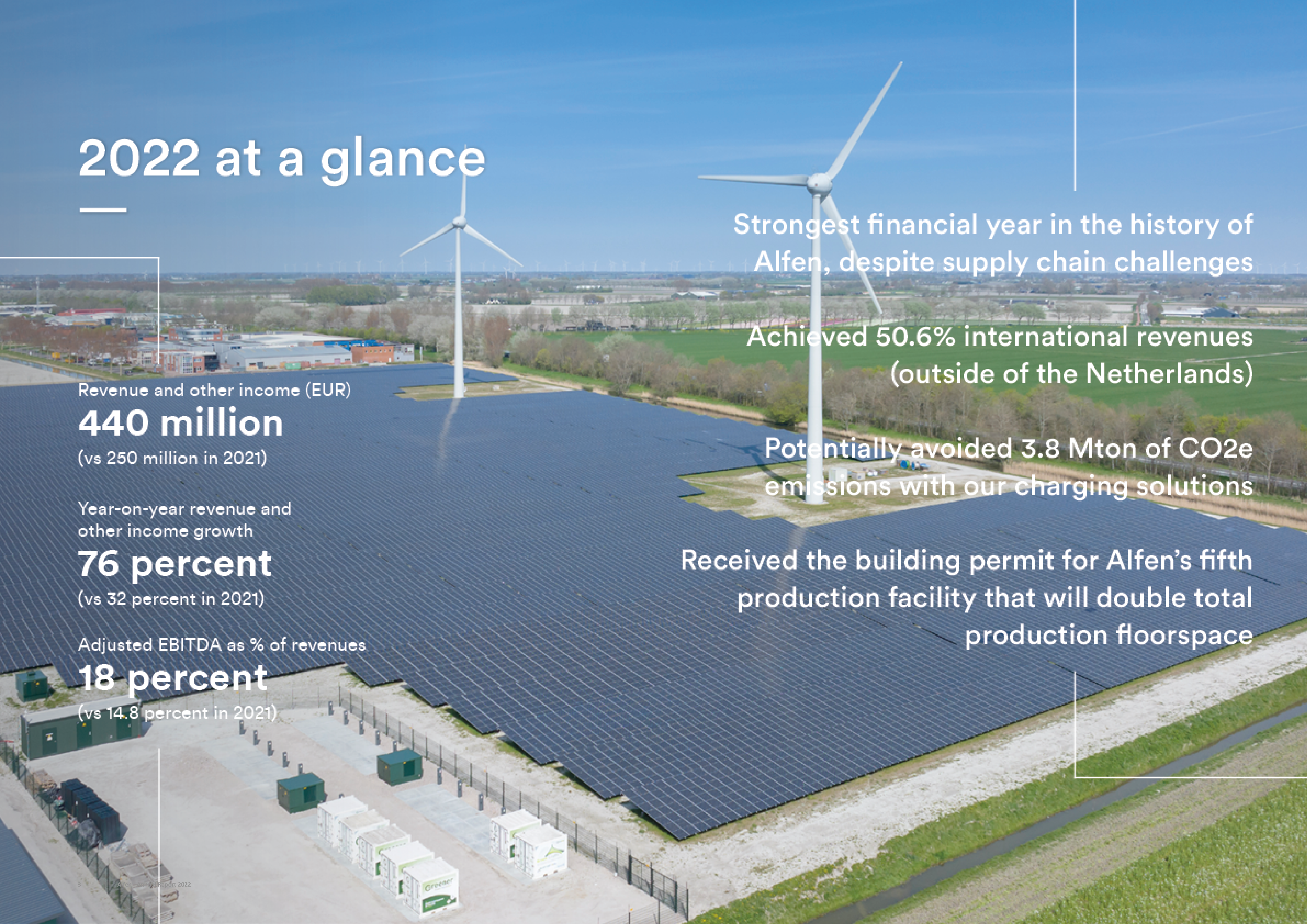


2022 at a glance

Revenue and other income (EUR)
440 million
(vs 250 million in 2021)

Year-on-year revenue and other income growth
76 percent
(vs 32 percent in 2021)

Adjusted EBITDA as % of revenues
18 percent
(vs 14.8 percent in 2021)

Strongest financial year in the history of Alfen, despite supply chain challenges

Achieved 50.6% international revenues (outside of the Netherlands)

Potentially avoided 3.8 Mton of CO_2e emissions with our charging solutions

Received the building permit for Alfen's fifth production facility that will double total production floorspace

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 85 years in the energy industry. We have a market leading position in the Netherlands and are on track for fast international growth benefitting from our first mover advantage.

We are headquartered in Almere, the Netherlands, where we reside in four buildings with associated production facilities. In addition we are present in 12 other European countries: Austria, Belgium, Finland, France, Germany, Italy, Norway, Poland, Spain, Sweden, Switzerland and the United Kingdom and serve the rest of Europe through our partners and resellers.

Our growing business

Smart grid solutions

Since 1937

Solutions: Alfen offers an in-house developed, produced and assembled range of secondary transformer substations for grid operators. Alfen supplies microgrids (incl. substations) and supplementary offerings to grid connect amongst others PV farms, EV fast-charging hubs and industrial companies.

What makes it smart? Alfen offers in-house developed and produced devices for grid automation and a proprietary back-end system for remote management and control of electricity grids.

Markets: Focus on Benelux, Finland & Sweden.

EV charging equipment

Since 2008

Solutions: Alfen offers an in-house developed and produced range of smart and connected electric vehicle (EV) chargers for use at destinations such as home, retail, workplace and public locations in the range of 3 – 22kW. Alfen is a pure B2B player.

What makes it smart? Alfen has a proprietary online management platform for our charging infrastructure and offer standardized solutions for smart charging, load balancing, charging hubs and Plug&Charge functionality.

Markets: Europe with local sales presence in 13 countries and products installed in 30+ countries.

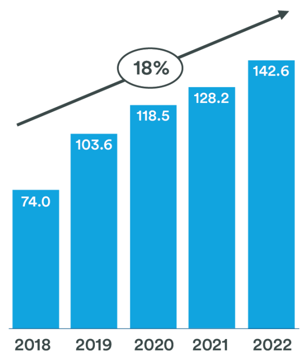
Energy storage systems

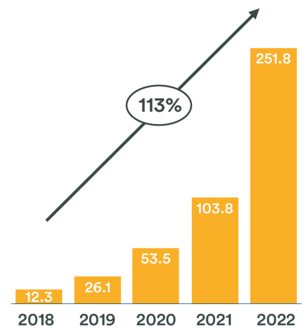
Since 2011

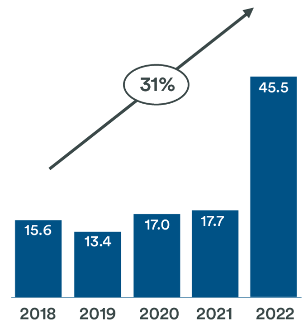
Solutions: We offer an in-house developed and produced range of stationary and mobile battery energy storage solutions. Our systems are used for applications such as load balancing, peak shaving, grid frequency control and energy trading.

What makes it smart? Our proprietary developed embedded software and back-office enables remote monitoring and control and supports all major storage applications.

Markets: Europe with products installed in 12 countries.

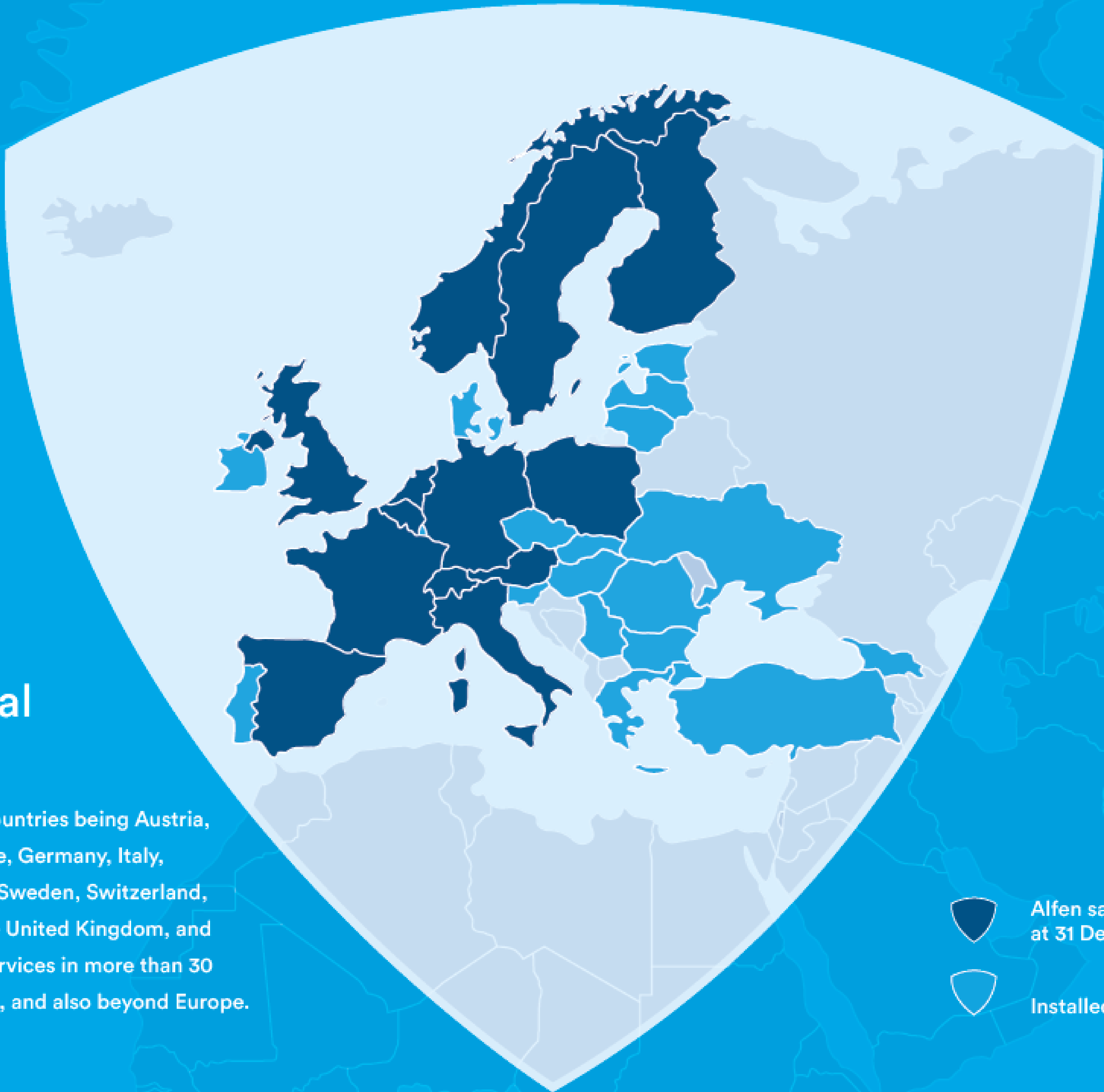






Integrated solutions

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.



Alfen sales organisation at 31 December 2022

Installed base of Alfen products

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 30 countries across Europe, and also beyond Europe.

Report of the Management Board

Business review

2022 has been a year for Alfen to be proud of. We celebrated several milestones as a company, including 85 years of innovation as a company, 15 years in Belgium and 5 years of our TheBattery Mobile concept. We achieved our strongest financial year in revenue, profit and year-on-year growth. The energy transition is in full swing. All of our markets have strong long-term growth outlooks and we are well positioned to capture market growth across Europe.

Growing in a turbulent world

Early 2022, many of the Covid-19 restrictions were still enforced by governments around Europe. In February, after a massive vaccination campaign that had started in 2021, many societies and economies finally unlocked and reinstated normal daily life. This boosted demand for mobility solutions. Many businesses and municipalities started to catch-up on their roll-out plans for EV charging infrastructure to meet the demands from drivers who purchased an EV during Covid, albeit with limited use during lockdown. In general, the economy started to recover and has been growing strongly in 2022. Our markets continue to be less and less effected by the pandemic.

While the impact of the pandemic was decreasing, the impact of the invasion of Ukraine was building up. The war that began in February has not ended yet. While the Ukraine is where the military battle is taking place, the entire globe is feeling geopolitical and supply chain impact. The invasion disrupted several supply chains, most notably energy.

Disruptions in the supply of fossil fuels triggered a global energy crisis. Gas and electricity prices rose to unprecedented heights resulting in high inflation figures. Climate change and the need for decarbonization pushed the energy transition mostly until the Russian invasion, but now the energy security benefits of clean energy also gained ground among European and national policymakers.

Evolving regulation and policies

The European Commission released the REPowerEU plan in May 2022 that proposes ending Europe's dependence on fossil fuel imports from Russia by 2027. The plan sets the ambition to increase the share of renewables in final energy consumption to 45% by 2030, exceeding the 40% previously under negotiation. The European Parliament, Commission and Council of the EU reached consensus on the proposed overhaul of the bloc's carbon market in December. The deal cements a future scarcity of emission allowances, which will elevate carbon prices for Europe's power and industrial sectors.

Also individual Member States passed or proposed action plans to raise ambitions in the energy transition with further policy support to address non-financial challenges. For instance, Germany increased its renewable electricity targets, introduced higher auction volumes and improved remuneration for distributed PV while reducing permitting timelines. Spain streamlined permitting for solar PV and wind plants, and increased grid capacity for new renewable energy projects.

The 27th United Nations Climate Change Conference of Parties (COP27) elevated the concerns of the developing world to manage adaptation to climate change and establish a finance facility for loss and damage. COP27 also brought a further shift from pledges to implementation with concrete projects, along with calls for greater accountability from governments and corporations.

Favourable market developments for all our business lines

Throughout 2022, our markets continued to develop favourably as the energy transition gained more momentum across Europe.

EV Charging

The European market for EV charge points has a long-term growth trend with a CAGR of 25-30% from 2020-2030 (source: Guidehouse). This long-term growth trend was also visible in 2022 with the number of Battery Electric Vehicles being registered in Europe increasing with ~29% in Europe versus 2021. However, the number of Plugin Hybrid Electric Vehicles (PHEV) decreased by ~3% over the same period. In general, national governments started to shift subsidies mostly towards BEVs, while the PHEVs subsidies diminished.

Alfen demonstrated enormous growth in EV charging in 2022. Growth figures in the first three quarters of 2022 were close to tripling in revenue year-on-year.

The market grew exceptionally due to a peak in demand after Covid measures were released and some of our customers built inventory given the supply chain pressures. Alfen was well positioned to benefit from this market growth with our reliable and innovative EV charging equipment that covers all segments in destination charging (home, workplace, retail and public). We are present across Europe and we can ramp up production capacity fast.

Alfen benefitted from increasing volumes in framework agreements set-up over the past years, new client wins and further internationalisation. Our internationalisation strategy continued to deliver growth across Europe with approximately 70% of our 2022 EV charging revenues generated outside of the Netherlands.

We continued to diversify our customer base. Select commercial successes are strengthening our partnership with E-On Drive resulting in several new projects in the up-and-coming EV market in Central and Eastern Europe and winning a supplier contract for our full Alfen portfolio with TotalEnergies across Europe until January 2025. With Equance, we won the public charging infrastructure tender in Amsterdam with our Alfen Twin with new ISO15118 charging functionalities.

Smart Grids Solutions

Markets for our Smart Grid Solutions business line keep growing and it is becoming increasingly clear what the impact on the grid will be as more electricity is consumed and produced. On the demand side, more electricity is needed to power EVs, heat and electric cooking as well as to electrify businesses that are decarbonising business processes. On the supply side, we need to grid connect decentralized generation such as solar and wind power.

Dutch grid operators progressively discuss the grid limitations and need to expand and reinforce it. The three biggest grid operators in the Netherlands (Alliander, Enexis and Stedin) are expected to invest 30 billion euro to expand and strengthen the Dutch grid until 2030. This calls for expanding equity for the grid operators. In November, the Dutch government shared a framework agreement with the parliament, in which the Dutch state can inject capital and become a shareholder. The urgency to meet the goals from the Dutch Climate Agreement is high, even more so given the energy crisis.

The agreement is under approval with Supervisory Boards, Workers' Councils and shareholders of the grid operators. The first application will take place at Stedin. The Dutch government announced to have reserved funds for a capital injection of 500 million euro into Stedin last September.

At the same time, Dutch grid operators are stepping up to strengthen and expand the grid. Alfen is well positioned to benefit from this ongoing electrification with our grid knowledge and expertise. We started to deliver the first Pacto25 and Pacto30 substations for the new Alliander Framework agreement. We also won the tender with Enexis with our transformer covers (for which the patent-process is pending). With the Altro1, we introduced the first Alfen built walk-in substation. The market received this new product well and we expanded the number of moulds to produce these walk-in substations to meet demand.

Additionally, we remain focused on providing smart grid solutions to customers with significant private grids, such as solar parks and rooftop solar locations, greenhouses, EV fast charging stations and industrial locations. We see specific momentum in the EV fast charging stations market. These chargers are now not only installed near highways, but also at large supermarkets and DIY stores. Also the market for renewables continues to grow. We earned significant wins at Pfalzsolar, Bejulo and HVC among others. We grid connected almost 300 MWp capacity of solar panels (~20% growth versus 2021), despite supply chain pressures from delayed delivery of components.

Energy storage systems

Our Energy Storage Systems business line has been hampered the most by Covid-19. The uncertain economic circumstances caused several investors to postpone decisions to financially close a project in this nascent market.

We started to see momentum in the market return in late 2021, resulting in an increased qualified lead pipeline. In 2022, we saw this pipeline convert into backlog and a step-up in revenues in Q3 and Q4. The total revenue for Energy Storage is ~2.5 times our 2021 revenue. The increase in revenue comes from both TheBattery Elements and TheBattery Mobile.

"The total revenue for Energy Storage is ~2.5 times our 2021 revenue"

Our TheBattery Elements has more projects in the execution phase and the average size of projects is increasing. Market momentum remains strong and our backlog continues to grow in a healthy manner due to new contract wins.

Also the regulatory environment continues to develop favourably in Europe with for instance measures to shorten the permitting cycle for energy storage systems. Another positive development is that double taxation of battery energy storage systems (i.e. at the time of recharging and at feed-into the grid) no longer applies in the Netherlands since 1 January 2022. The United Kingdom did the same and introduced a clear framework for grid stabilisation services. Belgium allowed energy storage to bid into the capacity market and Germany provides a subsidy for batteries in combination with solar fields. Although the regulatory environment is improving, there is more ground to win. For instance, in the Netherlands The Electricity Act 1998 prohibits grid operators (both regional operators and the national grid operator) from owning, developing, managing and operating energy storage facilities, while this can be a viable solution to manage grid congestion.

In 2022, Alfen entered a new phase in our ESS business by commissioning its first newly developed TheBattery Elements project. We are now well positioned to realise bigger grid scale projects and we earned our first project above 50 MWh. In 2022 we continued to win new contracts that will support 2023 revenue, among others with Semperpower, Greener and EPV.

Navigating through supply chain challenges

Due to the rapidly recovering economy after Covid-19, demand has grown strongly for metals such as aluminium, copper and steel, but also for electrical components. This has put pressure on global supply chains.

Throughout the year this pressure remained high and introduced challenges to secure deliveries of components and materials to our factories and our contract manufacturers. Moreover, it is not only a matter of securing components, but also a logistical challenge.

The global supply chain challenges affect Alfen directly through its own supply chain and indirectly, for example, through the EV supply chain. Until now, Alfen has effectively managed these challenges.

Above all we prioritise delivery to our customers. We focus on pro-active planning with our customers to continue to optimally support them in their business models. Alfen expects that the supply chain pressures remain in 2023. Therefore, Alfen continues to deploy its measures to maximise grip on the supply chain and secure supplies: (1) Frequent meetings of an integrated team (purchasing, R&D, sales and operations) to make purchasing and logistical decisions, under direct supervision of Alfen's Board, (2) engagement with Alfen's tier 2 and tier 3 suppliers, next to tier 1 suppliers and (3) strategic down payments to safeguard strategic stock levels for batteries, inverters, containers and electrical components.

Continuing to deliver our profitable growth strategy

In 2022 we maintained relentless focus on the execution of our strategy of profitable growth. We achieved an average revenue growth >40% since our IPO in 2018 and achieved an EBITDA margin in the range of 15-20% (18% to be exact). This made us achieve two of our financial objectives as set at the time of our IPO in 2018.

We continued to further build out our presence across Europe. We opened physical offices in Germany and France. We strengthened our international teams and continued to deliver international revenue growth. The international growth is a result of the internationalisation of our own organisation as well as the internationalisation of our customers. In 2022, our revenues generated outside of the Netherlands reached 51% which made us realise our third IPO financial objective.

Our rapid growth throughout Europe is mostly driven by the expansion of our EV charging business line and Energy Storage Systems. As such, we kept expanding our service network for our charge points and significantly strengthened our coverage to support our customers even better with agreements with partners like Diebold Nixdorf in multiple European countries.

In order to support further growth, we continued to invest in our organisation. We significantly expanded our R&D teams in order to drive our innovation roadmap. We also expanded our production facilities for EV charging, and we received the building permit for an additional production facility in Almere that will contain offices, warehousing and production.

Our profitable growth model is based on growing our revenue quicker than our cost base. With our 76% revenue growth in 2022 versus 38% growth in OPEX we once again further leveraged our cost base.

Contributing to sustainability

Alfen has a business model that directly contributes to a sustainable economy and society. We are at the heart of the energy transition as we continue to enable the generation, distribution and consumption of emission-free electricity with our smart grids, EV charging equipment and energy storage systems. This link with sustainability is reflected in our vision: "to build a connected, smart and sustainable energy system for future generations". And our mission: "to boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart".

Next to the positive impact of its business activities, Alfen sees running the business in a sustainable manner as a moral duty.

We renewed our CSR framework in 2019 and we started reporting our impact since 2020. In 2022, we potentially avoided up to 3.8 Mtons of CO_2e equivalent emissions as our installed charge points power EVs and avoid harmful emissions. This is a strong increase compared to the 2.2 Mtons of CO_2e we potentially avoided by 2021 demonstrating how we continue to make impact with our EV charging solutions. Moreover, we enabled the supply of renewable energy to around 283,000 households (cumulatively) by connecting solar PV farms to the public grid through our Smart grid solutions, which is significantly more compared to the 206,000 households in the previous year.

We are committed to continuing to further improve our sustainability performance as we transition towards a truly sustainable society for future generations. As such, we will work out the implications of the new Corporate Sustainability Reporting Directive (CSR-D) for Alfen in 2023. We plan to set specific sustainability targets of our own business activities, for instance science-based and in line with global warming limitation targets. We aim to communicate this early 2024.

To provide more details and transparency of our sustainability activities, we included a section in this Annual Report called 'Performance on broader range of ESG topics'. This section is structured largely along the hierarchy introduced by CSR-D and will be further expanded in next year's reporting.

Creating long-term shareholder value

We operate at the heart of the energy transition with our smart energy solutions. The energy transition is a long-term megatrend and with our strong market position we are convinced that we can deliver value over the long term for our Shareholders. In this context, we believe that value is generated by both our financial and non-financial business performance.

Financially, we set the following four medium-term objectives at the time of the IPO in March 2018, to drive shareholder value: (i) grow our topline with an average 40% a year, (ii) increase our adjusted EBITDA margins to mid to high teens, (iii) reduce CAPEX to under 3% of revenues, and (iv) realise more than 50% of revenues outside the Netherlands.

> "Alfen has a business model that directly contributes to a sustainable economy and society"

To realise our objectives, 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. Finally, we have the ambition to increase cross-selling across Alfen's three business lines and offer integrated solutions. Non-financially, we have put in place a CSR framework which was established jointly with key stakeholders of Alfen such as employees, customers, Shareholders and suppliers. Moreover, we have a Sustainable Development Policy in place.

In September, the Alfen share has been included in the STOXX Europe 600 Index. Inclusion in the index is based on Alfen's free-float adjusted market capitalisation and liquidity. We are proud to be included in this index. The profitable growth model we have executed upon since our IPO in 2018 has led us to this milestone. We are confident that inclusion in this index will further increase shareholder interest in our stock.

Investing in growth and innovations

We continued to invest in our organisation to prepare for anticipated business growth. As such, our organisation has grown from 683 FTE at 31 December 2021 to 893 FTE at 31 December 2022. Despite a challenging labour market, we were able to attract over 200 new colleagues 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. Furthermore, we enhanced our staff departments.

In terms of production, we invested in semi-automating production lines for EV charging to increase our capacity. We have introduced a new production concept for these semi-automated assembly lines, reducing takt times and improving efficiency. We automated a number of steps on the production lines, including the testing cells on the line, the packaging of chargers into boxes and palletising the boxes.

Furthermore, to be ready for future growth, we received the building permit for a new production facility that is located next to our other buildings in Almere. The premisses consists of 33,000m2 and is three times as large as our current largest building. The new building will accommodate new production space, warehousing and offices. The new building is planned to be completed early 2024. We also kept investing in our IT landscape, both in infrastructure and in our applications.

Additionally, we continued to invest in innovations which led to new technologies, features and products. For instance, in EV charging, Alfen implemented the ISO 15118 standard end-to-end, which provides more extensive communication between our chargepoints and EVs and can for instance allow an EV to identify itself without the need for a charge card. This is also the required technology for implementing vehicle-to-grid in the future. Alfen also further developed the Mobile App MyEve: an app that can connect directly with our chargers. In first instance for the installer (in use currently) and later also for the user to directly connect with the charger to manage, configure and get insights.

In our Smart grids business line we introduced an innovative cover for the high voltage transformer covers (CANO). The protection cover prevents severe accidents from happening by protecting service operators from accidentally touching the HV parts of a transformer. We will sell this product as an accessory in our product range. Also we have brought a special substation to the market for DC high performance chargers with a low voltage rack that is optimised for function and cost to this specific use case of the substation.

Finally, selected innovations of our Energy storage business include development of an energy and power management function (EMS/PMS) that allows TheBattery to optimise the energy usage of local grids, such as locations with solar PV or with limited grid connections. Also we developed an application that enables the support of 60Hz grids with our Mobile energy storage solutions. This to support locations that run on 60Hz, such as offshore and maritime locations.

Such innovations for the future allows us to remain the partner of choice for our customers.

Welcoming Jeanine van der Vlist to our Supervisory Board

In November, we welcomed Jeanine van der Vlist as new member to our Supervisory Board. The Supervisory Board extended its board with a 4th member in order to anticipate on future growth and further internationalisation of the company. Ms. Van der Vlist brings relevant Supervisory Board experience from her current positions as non-executive board member at the Belgium company DPG Media Group and at the Dutch company BDR Thermea Group (smart thermal solutions). In the past, Ms. Van der Vlist held several senior executive management positions at a multitude of international companies, like Fujitsu, Dell, Nokia/Alcatel-Lucent and Eurofiber Group. With these positions, she accumulated relevant experience in the field of internationally growing companies as well as digitalisation. Furthermore, she gained specific experience with the energy transition and electricity grids, having served Essent (Dutch utility) as Managing Director B2B.

Outlook

We expect the markets for all our business lines will continue to develop favourably, driven by the energy transition. We are convinced that we are well positioned to benefit from this market growth and to continue to grow our business rapidly as we continue to execute our strategy.

Additionally, we anticipate supply chain pressures to continue into 2023. As such, we will keep managing our supply chain closely and continue to monitor the situation carefully. Also in 2023, our priority remains continuous delivery to our customers.

As we anticipate further growth of our business in 2023, we plan to further invest in our organisation, our people, facilities, production and new innovations. Like 2022, 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 increased our working capital facility from EUR 30 million to EUR 100 million and our bank guarantee facility from EUR 10 million to EUR 40 million.

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.

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 look forward to continuing to grow together with our customers, partners and employees as we accelerate the rapidly evolving energy transition.

Board of Directors

Marco Roeleveld (CEO),
Jeroen van Rossen (CFO),
Michelle Lesh (CCO)

2022 month-by-month

3 February

Alfen supplies mobile battery storage to accelerate Bredenoord's path to sustainability

Bredenoord, an international company that develops, supplies, maintains and operates mobile energy systems worldwide, has selected Alfen to supply multiple mobile energy storage systems. With the purchase of the Alfen batteries, Bredenoord is expanding its existing energy storage fleet in order to meet its customers' growing demand to reduce emissions.

26 April

Alfen and its partners complete solar park with trading hub for up to 22 mobile energy storage systems

With its trusted partners, Alfen has built an innovative project for solar park De Dijken in the province of North Holland, the Netherlands. The park houses 30,000 bifacial solar panels with a total capacity of 13.5MW, enough to power 4,200 households. The park is unique: its solar energy can be stored in the adjacent trading hub of 22 mobile Alfen batteries from its partner Greener, so both the available energy and the grid infrastructure can be used more efficiently.

27 May

Alfen chooses Diebold Nixdorf as its preferred Field Services Provider for its European EV charging infrastructure

Alfen announces a multi-year framework agreement with its new partner Diebold Nixdorf, a world leader in enabling connected commerce. As a preferred partner, Diebold Nixdorf will provide field services for Alfen's charging equipment across its expanding electric vehicle charging infrastructure throughout Europe. Diebold Nixdorf is the ideal international partner to help Alfen meet the fast-growing demand for its smart, robust and high-tech charging stations and improve availability for electric vehicle drivers.

31 May

Alfen builds 12MW energy storage system with black start functionality for Finnish wind farm

Alfen is building Finland's third largest electrical energy storage facility for EPV Energy's Teuva wind farm. When completed in spring 2023, the facility will support EPV Energy's renewable electricity strategy and enable several innovative applications like black start functionality. The facility will have 12MW of power and 12MWh of energy capacity.

30 Augustus

Alfen Partners with Ellevio to Deliver Sweden's Largest Grid-Scale Battery

Swedish energy company Ellevio is expanding its scope to help industries and businesses become fossil-free through electrification. Its first project - Sweden's largest grid-scale battery – includes Alfen's 10MW modular energy storage system TheBattery Elements™ which enables optimal use of renewable energy and stability in the power grid.

13 December

Alfen celebrates 15 years of innovation in Belgium

15 years ago, Alfen entered the Belgian market as we took our first steps in internationalisation. In 2007, we entered the market initially with our transformer substations because of the technical commonalities with the Dutch market. Through the years, we expanded our presence with more products, including our EV charging equipment in 2013 and our energy storage systems in 2016. Today Alfen is a household name in the field of EV charging and industrial battery storage projects in Belgium, and we are a thought leader at the heart of the energy transition focused on limiting climate change.

Financial performance

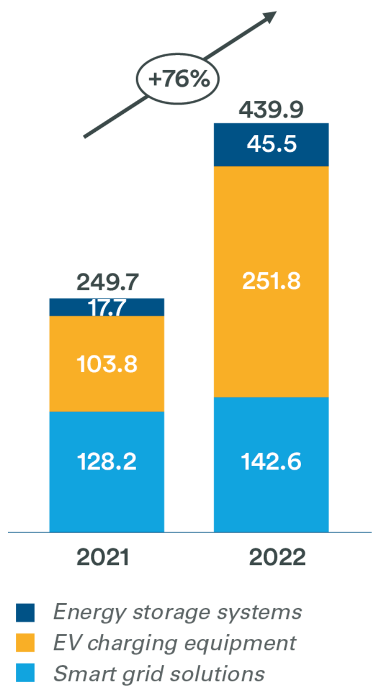
Alfen is operating internationally in the heart of the energy transition, being a specialist in energy solutions for the future. With over 85 years history, Alfen has a unique combination of activities. Alfen designs, engineers, develops, produces and services Smart grid solutions, Energy storage systems 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 76% from €249.7 million in 2021 to €439.9 million in 2022, driven by growth across all business lines, but with a very strong growth in the EV charging equipment business line. Alfen continued to drive its strategy and benefitted from market growth, further internationalisation, cross-selling and service.

Revenue and other income
(in EUR million)



In the EV charging equipment business line, 2022 revenues were €251.8 million, a 143% growth compared with €103.8 million in 2021. Across Europe, Alfen has seen positive market developments for electric driving. At one hand because the number of EVs on the road is growing. ~29% more Battery Electric Vehicles were registered in 2022 compared to 2021. Car manufacturers also increasingly have committed to electrification of their portfolios and are rapidly increasing and diversifying EV supply in the market. At the other hand stimulants continue to be in place such as financial incentives, but also regulatory stimulants to support the transition to electric driving. Alfen benefitted from increasing volumes under framework agreements that have been set-up over the past years, new client wins and further internationalisation.

In the Smart grid solutions business line, 2022 revenues were €142.6 million, a 11% growth compared with €128.2 million in 2021. Markets for our Smart Grid Solutions business line keep growing and it is becoming increasingly clear what the impact on the grid will be as more electricity is consumed and produced. On the demand side, more electricity is needed to power EVs, heat and electric cooking as well as to electrify businesses that are decarbonising business processes. On the supply side, we need to grid connect decentralized generation such as solar and wind power.

Grid operators continued to expand and reinforce the distribution grid for the energy transition. Alfen continued to benefit through existing framework agreements with the grid operators. The private networks business did not show as much growth in 2022; project execution took longer under the supply chain conditions in 2022.

In the Energy storage systems business line, 2022 revenues were €45.5 million, a 157% growth compared with €17.7 million in 2021. The battery energy storage market picked up momentum after COVID-19 headwinds. With markets being less affected, momentum in the energy storage market continued to develop favourably, mostly driven by the growth of renewables and the need to balance electricity demand and supply.

In 2022, the backlog that Alfen has communicated about at the start of the year has come through in our revenue figures. The increase in revenues comes from both TheBattery Elements and TheBattery Mobile. For TheBattery Elements, Alfen has more projects in the execution phase and the average size of projects is increasing.

Alfen entered a new phase in our ESS business by commissioning its first newly developed TheBattery Elements project. We are now well positioned to realise bigger grid scale projects. We earned our first project above 50 MWh.

Gross margin, EBITDA and net profit (loss)

Gross margin was 34.9% in 2022 compared with 36.0% in 2021. Alfen was able to leverage its growing scale and strong market position to dampen the effect of challenges in the global supply chain.

EBITDA increased by 115% from €36.2 million in financial year 2021 to €77.9 million in financial year 2022. The EBITDA margin improvement is driven by operational leverage.

Depreciation and amortisation charges increased from €8.5 million in 2021 to €10.2 million in 2022 and is mainly caused by increased amortisation in alignment with prior years capitalisation of development costs.

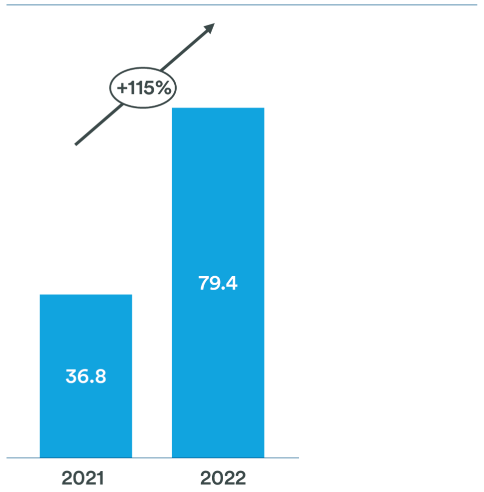
Finance income and costs in financial year 2022 are in line with previous year.

The effective tax rate for the financial year 2022 is with 20.6% lower than the standard Dutch tax rate of 25.8%. This is primarily driven by the impact of the innovation box facility.

As a consequence, the net profit of €21.5 million in the financial year 2021 grew with 147% to €53.0 million in the financial year 2022.

In the financial year 2021, Alfen incurred one-off costs and special items of €0.6 million related to share-based payment expenses associated with the Long-Term Incentive Plans. EBITDA adjustments in financial year 2022 amounted to €1.5 million and comprised of Alfen's 85 Years Anniversary and share-based payment expenses associated with the Long-Term Incentive Plans (see Note 11).

Adjusted EBITDA
(in EUR million)



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

(in EUR '000)	2022	2021
EBITDA	**77,904**	**36,204**
Alfen's 85 Years Anniversary	471	—
Share-based payment expenses	995	641
Adjusted EBITDA	**79,370**	**36,845**
Net profit / (loss)	**53,047**	**21,450**
Aggregated one-off costs and special items after tax	1,346	641
Adjusted Net profit / (loss)	**54,393**	**22,091**

Adjusted EBITDA amounted to €79.4 million, an increase of 115% versus €36.8 million in financial year 2021. Adjusted for one-off costs and special items after tax, adjusted net profit amounted to €54.4 million (versus €22.1 million in financial year 2021).

Finance and investments

Net cash position at 31 December 2022 amounted to €4.4 million, compared to a net cash position of €28.9 million at 31 December 2021. The decrease in the net cash position is the result of an increase of working capital which is mainly related to our increased stock levels. Given the supply chain challenges we maintain higher safety stock levels, further supported by strategic stock down payments for batteries, inverters, containers and electrical components (presented under Trade and other receivables) in order to safeguard and enhance resilience in our global supply chain.

In October 2022, Alfen increased its existing working capital facility of €30 million and bank guarantee facility of €10 million to a new revolving credit facility ("RCF") of €100 million and a bank guarantee facility of €40 million to align our financing structure with the growth and the increased sizing of the company. Under this new facility the previous minimal EBITDA-covenant has been replaced for a Net Debt-to-EBITDA Ratio that shall not exceed 3.00:1.00. This covenant was met given our net cash position at 31 December 2022.

The solvency ratio (equity divided by total assets) is 46.9% at 31 December 2022 compared to 49.6% at 31 December 2021.

Capital expenditure amounts to €21.0 million (or 4.8% of revenues) compared to €11.7 million (or 4.7% of revenues) in 2021. Capex includes investments in new moulds for our EV Charging and Smart grids business lines, followed by product line automation for EV Charging, ongoing investments in IT-infrastructure and Data Security as well as investments in additional solar panels for our buildings. Alfen capitalised €9.6 million of development costs (2021: €7.7 million) which demonstrates the company's continued efforts to invest in innovations for the future.

Alfen chooses Diebold Nixdorf as its preferred Field Services

Alfen announces a multi-year framework agreement with its new partner Diebold Nixdorf, a world leader in enabling connected commerce. As a preferred partner, Diebold Nixdorf will provide field services for Alfen’s charging equipment across its expanding electric vehicle charging infrastructure throughout Europe.

EU Taxonomy

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. As such, Alfen's vision is a connected, smart and sustainable energy system for future generations.

In accordance with the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, we applied the reporting requirements for financial year 2022 and disclose our Taxonomy-eligible, Taxonomy-aligned and non-eligible economic activities relating to the climate change mitigation and climate change adaptation environmental objectives.

In the coming years the EU Taxonomy regulation and the requirements for non-financial undertakings will continue to change. A requirement to report eligibility and alignment under the remaining four environmental objectives of the Green Deal will be added for future reporting periods. Alfen will keep monitoring the developments in order to report in line with the requirements.

EU Taxonomy KPI's - Summary	Revenue	CAPEX	OPEX
Taxonomy-Eligible and Aligned Activities (%)	99.2%	79.5%	100.0%
Taxonomy-Eligible but not aligned Activities (%)	—%	—%	—%
Taxonomy-Non-Eligible Activities (%)	0.8%	20.5%	—%
Total	**100%**	**100%**	**100%**

The Taxonomy Non-Eligible Revenue stated in the table are solely related to our activities in Belgium concerning the delivery of concrete cabinets, which are used to create a transformer substation for electric power distribution.

Assessment of compliance with Regulation (EU) 2020/852

In preparing this disclosure, the Management Board has interpreted, integrated and contextualised the EU Taxonomy regulation with the specific activities carried out by the Company in its three business lines: Smart grid solutions, EV charging equipment and Energy storage systems.

The paragraphs below provides a summary of the eligible- and of the aligned-activities of Alfen. The Taxonomy-aligned activities all make a substantial contribution to the climate change mitigation environmental objective, comply with the “Do No Significant Harm” criteria and the minimum social safeguards.

Eligibility and Alignment Assessment of our Smart Grid Solutions and EV Charging equipment business lines

The Company considers that both its Smart Grid Solutions and EV Charging business line are eligible under economic activity:

Transmission and distribution of electricity

According to the EU Taxonomy regulation this economy activity comprise either:

- The construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system; or
- The construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems.

Our Smart Grid and EV Charging solutions, being medium and/or low-voltage solutions, are an extension of the grid and allow electricity to be transported on distribution systems. As such we conclude these activities are eligible under activity 4.9 Transmission and distribution of electricity.

Substantial contribution and Do No Significant Harm

Transmission and distribution of electricity

Alfen’s Smart Grid Solutions business line makes a substantial contribution to climate change mitigation as the Company delivers its products to customers in Europe for use in the interconnected European system. In addition and in case substations are used by our customers in an off-grid environment the substantial contribution is still met as all our transformers comply with the Tier 2 requirements.

Alfen’s EV charging equipment business line supports the electric infrastructure for the electrification of transport, either inside and outside the European Union.

The Do No Significant Harm criteria for both our Smart Grid Solutions and EV Charging business line are assessed at production site and product level. Project location is not assessed for do not significant harm as the Company does not have control on these project locations. The latter always falls under the responsibility of the customer. In addition, the products are considered movable products that, upon discretion of our customers, can be directed to another project location without substantial costs.

Climate change adaption: *The* Climate Risk and Vulnerability Assessments performed provided insights into the most important identified physical climate risks that are material for the activity; adaptation solutions have been implemented.

Transition to circular economy: Alfen has a waste management plan in place relating to the packaging materials, which is the only material waste that the Company itself has from its own activities. There is no legal requirement at the moment for Alfen to take back the product at the end-of-life. Noted is that smart grid solutions are sometimes refurbished by the Company on request of the customer and that the first EV charging equipment that the Company sold has not reached the end-of-life yet.

Pollution prevention and control: Alfen does not use the chemical compound polyclorinated biphenyls (PCBs) in its own process, nor do the components that it purchases from suppliers include PCBs.

Protection and restoration of biodiversity and ecosystems: Alfen has an Environmental Impact Assessment or screening in place for its own locations. In case use of the products at a specific client location requires an Environmental Impact Assessment, this is the responsibility of the customer (as documented in the contracts) and outside the control of Alfen.

Based on the aforementioned elaboration on the individual “Do No Significant Harm” criteria, the Company concludes that the eligible activities related to its Smart Grid Solutions and EV Charging business line are also considered Taxonomy-aligned activities.

Eligibility and Alignment Assessment of our Energy Storage Systems business line

The Company considers that its Energy Storage business line is eligible under the following economic activity:

Storage of electricity

According to the EU Taxonomy regulation this economic activity comprises of:

- The construction and operation of facilities that store electricity and return it at a later time in the form of electricity.

Our Energy Storage Solutions, being either TheBattery Mobile or TheBattery Elements, are directly facilitating the storage of electricity and the possibility to return it at a later time. As such, the description of economic activity is considered met.

Substantial contribution and Do No Significant Harm

Storage of electricity

Alfen’s activities make a substantial contribution to climate change mitigation as the Company assembles and delivers energy storage systems.

The Do No Significant Harm criteria is similar to economic activity: *“Transmission and distribution of electricity*" only assessed at production site and product level. Project location level is not assessed as the Company does not have control over these project locations. The latter always falls under the responsibility of the customer given the fact that TheBattery Mobile is never installed by the Company and are also, together with TheBattery Elements, considered movable products that, upon discretion of our customers, can be directed to another project location.

Climate change adaptation: The Climate Risk and Vulnerability Assessments performed shows that the most important identified physical climate risks that are material for the activity are the same as for economic activity *"Transmission and distribution of electricity".*

Sustainable use and protection of water and marine resources: In relation to Water and Marine resources it is noted that Alfen does not perform any activities in the surrounding of pumped hydro activities.

Transition to circular economy: As already mentioned at economic activity: *“Transmission and distribution of electricity”*, Alfen has a waste management plan in place.

For batteries, the Company is not required to take back the product at the end-of-life, except for those that it imported itself in the European Union. Alfen has the following in place to ensure reuse or recycling:

- The Company is connected to / has a license with STiBat, a prominent Foundation within The Netherlands that provides guidelines and solutions to collect, reuse, maintain, refurbish or recycle batteries and accumulators.
- The Company is already working together with a company in The Netherlands certified to collect, reuse, maintain, refurbish or recycle batteries.

Protection and restoration of biodiversity and ecosystems: The Environmental Impact Assessment or screening is performed similar to economic activity: *“Transmission and distribution of electricity*”.

Based on the aforementioned elaboration on the individual “Do No Significant Harm” criteria, the Company concludes that the eligible activities related to its Energy Storage business line are also considered Taxonomy-aligned activities.

Summary of EU Taxonomy related accounting policies and contextual information

KPI related accounting policies

The metrics for taxonomy-aligned economic activities were calculated as follows:

Revenue	Proportion of revenue from eligible and aligned activities (numerator) of total revenue (denominator). Total revenue equals the total revenue in financial year 2022 from continuing operations as disclosed in note 8.
CapEx	Proportion of CAPEX relating to assets and/or processes that are associated with Taxonomy-eligible-and-aligned economic activities (numerator) of total CapEx (denominator). Total CAPEX equals the additions in financial year 2022 to property, plant and equipment and additions to right-of-use assets as disclosed in note 16 and additions to intangible assets and goodwill as disclosed in note 17. Any depreciation, amortisation, re-measurements, fair value changes and additions for leases that do not lead to the recognition of a right-of-use asset are not part of the CAPEX.
OpEx	Proportion of OPEX relating to assets and/or processes that are associated with Taxonomy-eligible-and-aligned economic activities (numerator) of total direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by Alfen or third parties to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets (denominator).

The financial information for calculating the metrics was gathered from Alfen's accounting system and exclude intercompany transactions.

The economic activities identified currently contribute to one environmental objective being climate change mitigations, but would they contribute to several environmental objectives than the numerator would only take into account the allocation of revenues and expenditures to one environmental objective so that double counting is avoided.

KPI related contextual information

EU Taxonomy Revenue

The breakdown by business line was as follows:

In EUR '000	2022
Smart grid solutions	139,132
EV charging equipment	251,761
Energy storage systems	45,498
Total Taxonomy-aligned revenue	**436,391**

The revenues related to Taxonomy-aligned activities pursued for Alfen's own internal consumption was nil.

EU Taxonomy CapEx

The majority of our CapEx is directly contributing - e.g. new moulds for Smart grids - or will be directly contributing in the near future - e.g. capitalised development - to our business lines. However, also investments were made in IT-infrastructure and Data Security as well as General Staff related CAPEX, which are both labelled as head office costs and are therefore not directly contributing to one of our three business lines. Hence, these are not considered eligible and aligned.

The breakdown by type of CapEx was as follows:

In EUR '000	2022
Additions to property, plant and equipment - owned	8,487
Additions to property, plant and equipment - right-of-use	1,380
Additions to intangible assets and goodwill	9,568
Total Taxonomy-aligned CapEx	**19,435**

EU Taxonomy OpEx

All of our OpEx is directly contributing or will be directly contributing in the near future to our three business lines and are hence considered eligible and aligned.

The breakdown by type of OpEx was as follows:

In EUR '000	2022
Non-capitalised research & development costs	6,797
Maintenance and repair costs	790
Costs related to day-to-day servicing of assets	437
Total Taxonomy-aligned Opex	**8,024**

The expenditures relating to the day-to-day servicing of assets solely relate to cleaning costs.

EU Taxonomy KPI disclosure tables

The KPI tables included on the next three pages summarise the outcome of Alfen's assessment of its Revenue, Capital Expenditure (CapEx) and operating expenditure (OpEx). None of the capital and operating expenditures relate to a so-called CapEx plan for allowing Taxonomy-eligible economic activities to become Taxonomy-aligned.

The Company does not have any issued environmentally sustainable bonds or debt securities with the purpose of financing specific identified Taxonomy-aligned activities.

Comparatives figures on Taxonomy-aligned economic activities are not disclosed as such reporting over financial year 2021 was not required.

EU Taxonomy Revenue

In EUR '000				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does Not Significant Harm)										
Economic activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Bio-diversity and eco-systems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Bio-diversity and eco-systems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of turnover, year N (18)**	**Taxonomy-aligned proportion of turnover, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(trans-itional activity)' (21)**
		Currency	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Smart grid solutions	4.9 - Transmission and distribution of electricity	139,132	31.7%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	31.7%	N/A	E	N/A
EV charging equipment	4.9 - Transmission and distribution of electricity	251,761	57.2%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	57.2%	N/A	E	N/A
Energy storage systems	4.10 - Storage of electricity	45,498	10.3%	100%	-	-	-	-	-	N/A	Y	Y	Y	N/A	Y	Y	10.3%	N/A	E	N/A
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**436,391**	**99.2%**														**99.2%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**																	
Total (A.1 + A.2)		**436,391**	**99.2%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		**3,485**	**0.8%**																	
Total (A + B)		**439,876**	**100%**																	

EU Taxonomy CapEx

In EUR '000				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does Not Significant Harm)										
Economic activities (1)	**Code(s) (2)**	**Absolute CapEx (3)**	**Proportion of CapEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Bio-diversity and eco-systems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Bio-diversity and eco-systems (16)**	**Minimum safeguards (17)**	**Taxonomy -aligned proportion of CapEx, year N (18)**	**Taxonomy -aligned proportion of CapEx, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(trans-itional activity)' (21)**
		Currency	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Smart grid solutions	4.9 - Transmission and distribution of electricity	4,416	18.0%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	18.0%	N/A	E	N/A
EV charging equipment	4.9 - Transmission and distribution of electricity	11,705	47.9%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	47.9%	N/A	E	N/A
Energy storage systems	4.10 - Storage of electricity	3,314	13.6%	100%	-	-	-	-	-	N/A	Y	Y	Y	N/A	Y	Y	13.6%	N/A	E	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**19,435**	**79.5%**														**79.5%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**																	
Total (A.1 + A.2)		**19,435**	**79.5%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		**5,009**	**20.5%**																	
Total (A + B)		**24,444**	**100%**																	

EU Taxonomy OpEx

In EUR '000				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does Not Significant Harm)										
Economic activities (1)	**Code(s) (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Bio-diversity and eco-systems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Bio-diversity and eco-systems (16)**	**Minimum safeguards (17)**	**Taxonomy -aligned proportion of OpEx, year N (18)**	**Taxonomy -aligned proportion of OpEx, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(trans-itional activity)' (21)**
		Currency	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Smart grid solutions	4.9 - Transmission and distribution of electricity	1,593	19.8%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	19.8%	N/A	E	N/A
EV charging equipment	4.9 - Transmission and distribution of electricity	4,196	52.3%	100%	-	-	-	-	-	N/A	Y	N/A	Y	Y	Y	Y	52.3%	N/A		N/A
Energy storage systems	4.10 - Storage of electricity	2,235	27.9%	100%	-	-	-	-	-	N/A	Y	Y	Y	N/A	Y	Y	27.9%	N/A	E	N/A
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**8,024**	**100.0%**														**100%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**																	
Total (A.1 + A.2)		**8,024**	**100.0%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**—**	**—%**																	
Total (A + B)		**8,024**	**100%**																	

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 rapidly developing and evolving which makes it difficult to predict the future demand for charging equipment as well as charging behaviour.	High	Medium	High
	The market for energy storage is still nascent and developing which may result in uncertainty regarding the future performance of its Energy storage business line.	Medium	Medium	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	Low
	Alfen may be unsuccessful in adequately protecting its technological know-how and trade secrets.	Medium	Low	Medium
	A looming recession and continued inflationary pressures might slow down the energy transition and as such the markets that Alfen operates in, which could adversely affect or delay revenues,	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 customer 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.	Low	High	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.

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 rapidly developing and evolving which makes it difficult to predict the future demand for charging equipment as well as charging behaviour.

The market for electric vehicles is rapidly developing and is continuously evolving. As such, it 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 can be 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 still nascent and 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 strong growth in recent years in EV charging equipment and Energy Storage Systems business lines. Within Smart Grids Solution, there is 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, separated their commercial activities in the past into separate entities, which further contributed 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 looming recession and continued inflationary pressures might slow down the energy transition and as such the markets that Alfen operates in, which could adversely affect or delay revenues, profits and cash flows.

A looming recession and continued inflationary pressures 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 an investment climate, which in return may result in lower order intake for Alfen. 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. In general, Alfen operates in markets driven by the long-term energy transition, which is not expected to be highly cyclical.

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 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 customer 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 or pre-down payments to secure components 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 2023. 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 responsibility and 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 2022, 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 by means of the 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.

Management Board responsibility and approach towards fraud

The Management Board has the primary responsibility for the prevention and detection of fraud, including designing and implementing appropriate (group) programs and controls to identify, assess and mitigate inherent fraud risks and the creation of proper awareness and attitude towards fraud incentives and corresponding fraud risks.

Creating the proper awareness and attitude towards fraud ('tone at the top') within the Company starts with establishing and promoting a culture of honesty and ethical behaviour by means of leading by example from The Management Board, further supported by compliance training. This culture is further formally enforced by Alfen's Code of Conduct, the Whistle blower policy, the Insider trading policy and the annual fraud risk assessment process, including assessment of mitigating (anti-fraud) controls.

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.

Without impacting its content the Code of Conduct and the Supplier Code of Conduct were reviewed and refreshed in 2021.

Furthermore, a Code of Conduct online training has been initiated for new employees and the management team received a Code of Conduct refresh training. No violations of the Code of Conduct were reported in the financial year 2022.

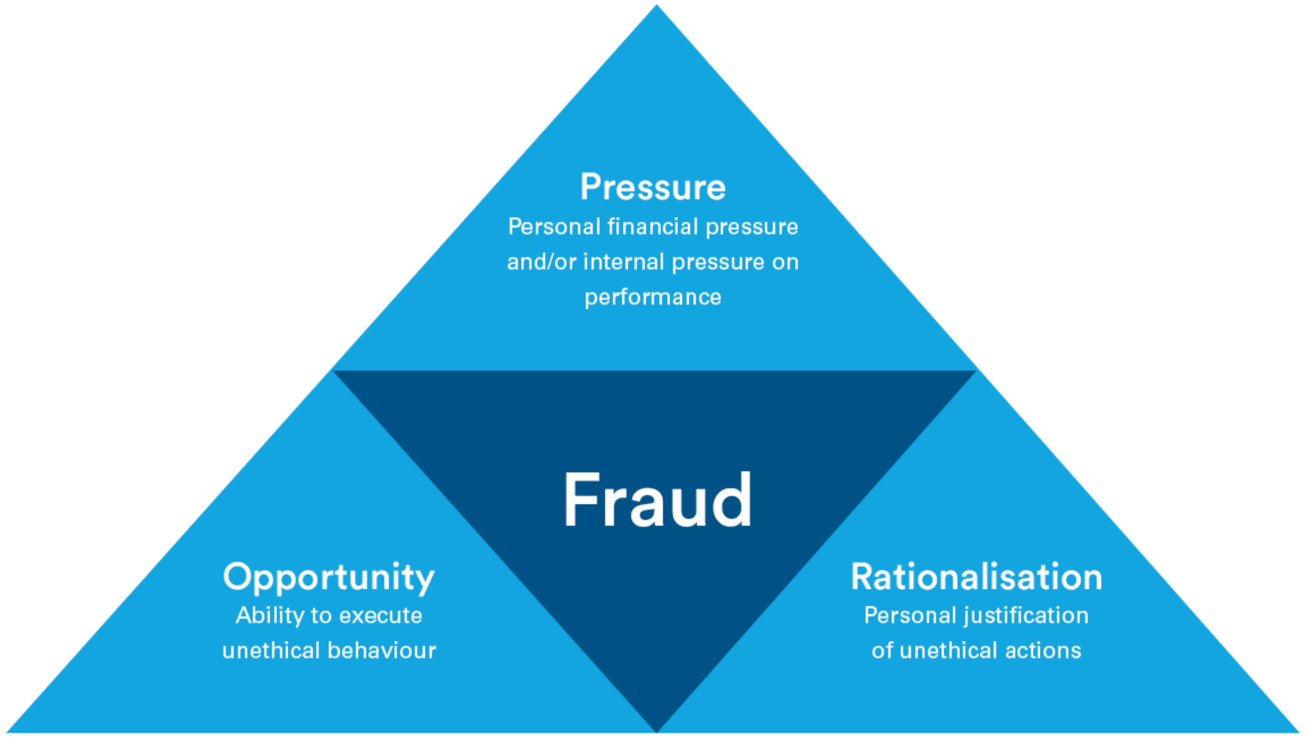
Whistle-blower policy

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 2022.

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 2022, several questions were asked about the insider trading policy and addressed by the compliance officer. No violations or irregularities were reported in financial year 2022.

Fraud risk assessment process



Alfen's fraud risk assessment started with an initial assessment made in a joint-effort between the Finance department, including the CFO, and Director Strategy & IR by means of several discussions and brainstorm sessions held, in which the fraud triangle was taken into account to determine inherent fraud risks that Alfen is facing and the appropriate mitigating actions that are already in place or require implementation, if any.

Subsequently, identical sessions, including a thorough explanation of the fraud triangle, were held with the business line directors in order to validate the completeness of initial fraud risks identified. As such, the initial identified risks were not provided upfront with the business line directors in order to avoid possible anchoring bias.

The identified fraud risks on business line level were assessed on their significance related to the Company as a whole and included in Alfen's fraud risk assessment document, presented to and discussed with the Management Board in detail. After approval by the Management Board, the fraud risk assessment document was also formally presented and discussed in the Supervisory Board meeting of 6 December 2022.

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.

Alfen celebrates 15 years of innovation in Belgium

In 2007, we entered the Belgian market initially with our transformer substations because of the technical commonalities with the Dutch market. Today Alfen is a household name in the field of EV charging and industrial battery storage projects in Belgium, and we are a thought leader at the heart of the energy transition focused on limiting climate change.

Corporate Sustainability Reporting

Sustainable development is a development that meets the needs of present generations without jeopardizing the ability of future generations to meet their needs (United Nations, report Brundtland Commission, 1987).

Alfen has a business model that directly contributes to a sustainable economy and society. Alfen plays in the centre of the energy transition through enabling the generation, distribution and consumption of emission-free electricity with its Smart grids, EV charging equipment and Energy storage solutions. This link with sustainability is reflected in our vision: “to build a connected, smart and sustainable energy system for future generations”. And also in our mission: “to boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart”.

Next to the positive impact of its business activities, Alfen sees running the business in a sustainable manner as a moral duty. This is reflected in our company values ‘SPARK’: Sustainable, Partnership, Adaptive, Reliable and Knowledgeable, but also in our Code of Conduct.

This section provides further details on (1) Alfen’s current framework for CSR and corresponding performance (2) Alfen’s work on implementing CSR-D (3) Alfen’s performance on broader range of ESG topics.

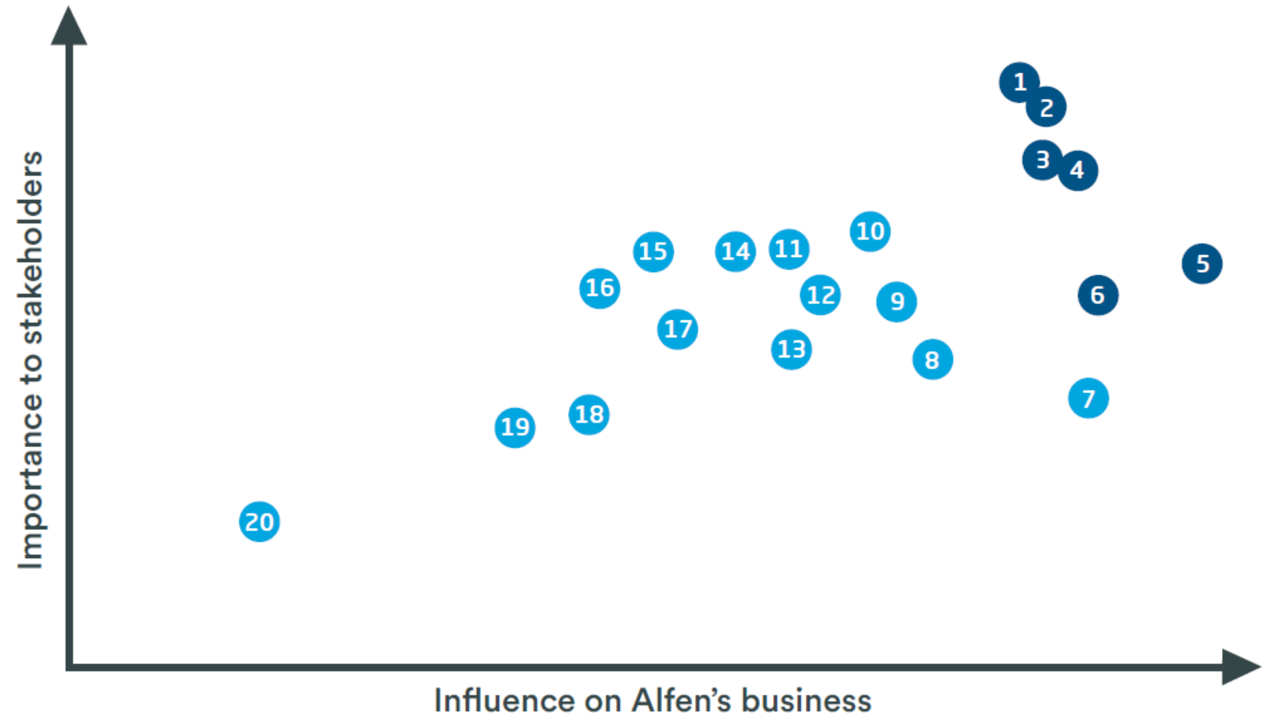
Current CSR framework

In 2019, we updated our Corporate Sustainability Reporting (CSR) framework. Historically, the Alfen CSR agenda was based on three pillars: product lifecycle approach, footprint minimisation, and people, knowledge & safety. During 2019, a materiality assessment was performed in order to understand stakeholder views of the most important environmental, social and economic factors to Alfen’s business success and to re-assess whether the three CSR pillars were still relevant. The outcome of the assessment validated the relevance of the three pillars. Subsequently, the most material topics derived from the assessment have been mapped to the UN Sustainable Development Goals (SDGs) to understand Alfen’s relevance to the global priorities and aspirations.

The Materiality assessment and its outcome

A materiality assessment is a formal exercise aimed at engaging stakeholders to establish and rank the importance of environmental, social and economic materiality topics. Alfen identified the materiality topics using internationally recognised frameworks including the Global Reporting Initiative (GRI) Materiality principle and ISO-26000 Guidance on social responsibility.

The materiality assessment resulted in 20 material topics which were derived from environmental, social and economic materiality topics. Of those 20, 6 were identified as most material according to carefully selected stakeholders consisting of clients, employees, investors, suppliers, community members and the Supervisory Board.



1. *Occupational health & safety*
2. *Compliance*
3. *Business ethics & integrity*
4. *Product quality performance*
5. *Management of customer relationships*
6. *Research & development*
7. *Financial performance*
8. *Resource scarcity*
9. *Risk management*
10. *Energy efficiency of end products*
11. *Employee engagement*
12. *Information security*
13. *Training & development*
14. *Diversity & equal opportunities*
15. *Carbon neutrality*
16. *Sustainable supply chain*
17. *Energy efficiency of operations*
18. *Product circularity*
19. *Hazardous substances*
20. *Social return*

The following six topics were scored the highest and were then identified as a priority to Alfen and its key stakeholders:

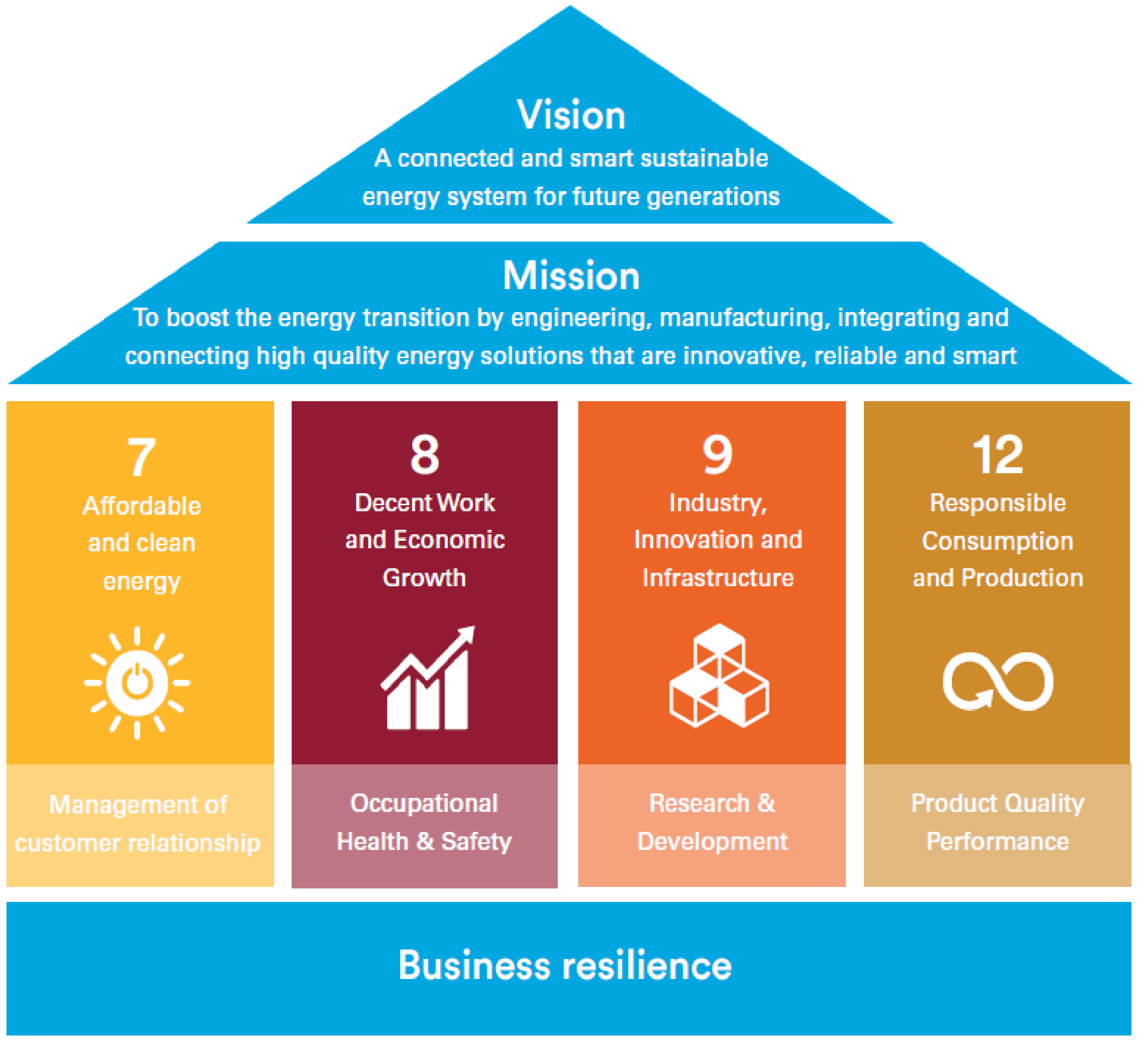
1. Occupational health & safety
2. Compliance
3. Business ethics & integrity
4. Product quality performance
5. Management of customer relationships
6. Research & development

Subsequently, the material topics were aligned to the UN Sustainable Development Goals (SDGs). The material topics ‘Business ethics & integrity’ and ‘Compliance’ are considered core to Alfen’s business as we are committed to operating in a responsible, compliant and ethical manner in accordance with our published Code of Conduct. Therefore, together with the supporting company values summarised in ‘SPARK’ (Sustainable, Partner, Adaptive, Reliable and Knowledgeable), they are captured under Business Resilience as a foundation of Alfen’s CSR framework.

The remaining four most material topics are considered to be key focus areas for Alfen, and therefore are at the heart of the CSR framework. These were mapped to the following four SDGs (i) SDG 7 – Affordable and clean energy, (ii) SDG 8 – Decent work and Economic Growth, (iii) SDG 9 – Industry, innovation and infrastructure, and (iv) SDG 12 – Responsible Consumption and Production.

Based on the outcome of the materiality assessment and the UN SDG alignment, the Alfen CSR framework was shaped.

Alfen's CSR framework



CSR Framework

The most material topics mapped to four SDGs, together with Business Resilience as well as our vision and mission, collectively comprise the CSR framework which is shown in the figure below. The vision and mission are the guiding beacon for Alfen's journey to a connected and smart sustainable energy system for future generations.

To measure our impact under the CSR framework, we report on key performance indicators for each focus area. 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.

Alfen's impact under its CSR framework

As described in the previous section, we measure our impact through a set of key performance indicators under the focus areas.

For SDG 7, we potentially avoided up to 3.8 Mtons of CO2 equivalent emissions as our installed charge points power electric vehicles and avoid harmful emissions. This is a strong increase compared to the 2.2 Mtons of CO2e we potentially avoided by 2021 demonstrating how we continue to make impact with our EV charging solutions. Moreover, we enabled the supply of renewable energy to around 283,000 households (cumulatively) by connecting solar PV farms to the public grid through our Smart grid solutions, which is significantly more compared to the 206,000 households previous year.

For SDG 8, our Lost Time Injury (LTI) performance improved further compared to previous years. In 2022 we utilized the SPARK programme to drive further improvements and we prepared for the implementation of the Life Saving Rules in 2023 (9 core activities where we apply additional focus on maintaining safe working practices). Alfen is committed to further improve its safety performance.

For SDG 8, the increase in absence rates is driven mostly by Covid-19, as there are a large number of people who could not work from home with symptoms of Covid. Examples include employees in assembly, warehousing and service.

In 2022 we did another health check amongst our employees on voluntary basis. Over 40 % of the population joined this health check. Both a questionnaire as well as an individual medical check and a personal follow up were conducted for the participants. The most important overall conclusions are that health and lifestyle are areas of improvement. Another is the remarkably high score of 98% with a positive answer on the question "Do you generally enjoy going to work?".

For SDG 9, we continued to invest in R&D and innovations for the future. In 2022, we invested €20 million compared to €16 million in 2021, a 25% growth. This demonstrates our commitment to drive our technology forward to remain a product leader in the energy transition

For SDG 12, our operational excellence team continued to further optimise our business operations and product quality. Various projects were completed in 2022. For instance, Alfen has standardised the communication with suppliers by integrating its procurement orders to a supply chain platform with international standards. The connection to this platform enables more effective handling and steering in our supply chain network due to standardised communication with suppliers and vice versa from suppliers to our ERP system. Alfen has also implemented a sales order processing configurator. This integrated order entry and processing system has a 10 times faster order handling time than before. A third example is a fault reduction program in the assembly process for Smart Grids Solutions. After careful registration of faults in assembly and a corresponding learning program, faults in the assembly have been reduced with 50%.

An overview of our 2022 impact is shown on the next page.

7 Affordable & clean energy
Management of customer relationship

3.8
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.

283,000
Households supplied with renewable energy in 2022

Number of households in 2022 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

20.2M€
Invested in R&D and innovations for the future

Smart Grid Solutions

Introduced an innovative cover for the high voltage transformer covers (CANO).

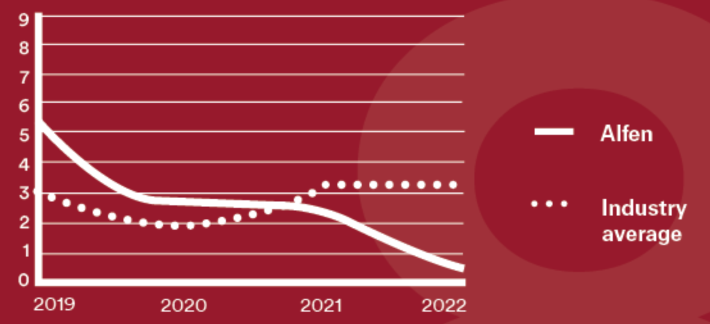
EV Charging Equipment

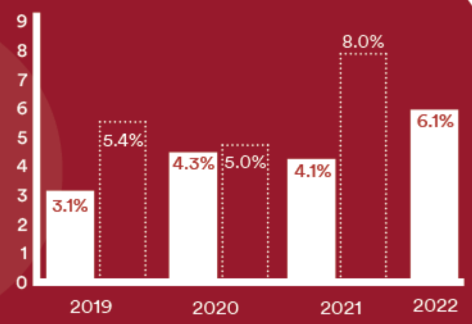
Implemented the ISO 15118 standard end-to-end, which provides more extensive communication between our chargepoints and electric vehicles.

Energy storage systems

Developed an energy and power management function (EMS/PMS) that allows TheBattery to optimise the energy usage of local grids.

Alfen's impact





Lost time injury frequence rate

Our LostTime Injury (LTI) performance improved further compared to previous years. In 2022 we utilized the SPARK programme to drive further improvements.

Sickness absence rate

The increase in absence rates is driven mostly by Covid-19, as there are a large number of people who could not work from home with symptoms of Covid. Examples include employees in assembly, warehousing and service.

Note: Alfen recognises a LTI after 24 hours of absence from work as a result of a work-related incident. Industry average as defined by FME, which is the entrepreneurial union for the technology industry in the Netherlands. Data for 2022 not yet available.

Results of operational excellence program

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 2022 improvements include:

Integrated ordering process

Standardised the communication with suppliers by integrating its procurement orders to a supply chain platform with international standards.

Sales order processing configurator

This integrated order entry and processing system has a 10 times faster order handling time than before.

Optimized asssembly for SGS

After careful registration of faults in assembly and a corresponding learning program, faults in the assembly have been reduced with 50%.

8 Decent work & economic growth
Occupational Health & Safety

12 Responsible consumption & production
Product quality performance

CO2 performance
Alfen aims to have full insights in its CO2 footprint with the ambition to reduce it and report it. Alfen has an annual audit on its CO2 performance by an external auditor. In recent years, the business has been growing strongly, and as such, naturally our CO2 emissions would also grow with the growth of our business without any further action. To counter this, we had set ourselves the goal to achieve at least equivalent CO2 emissions per FTE in 2022 compared with 2019, despite the growth.

Various measures have been taken in 2022 to further reduce our CO2 footprint per FTE. All Alfen offices, warehouses and terrains are lighted by means of LED lighting and we started to use additional rooftop solar panels and improved insulation. Also, we further increased the share of electric vehicles in accordance with our active EV policy and currently ~63% of our fleet (company cars and service vans) across countries is fully electric. Finally, a hybrid working model (home vs office) reduced Alfen's mobility CO2 emissions as well. On the other hand, scope 3 emissions increased due to more flights for international projects and conferences, after a low number of flights in 2020 and 2021 due to Covid-19.

Further details can be found in our CO2 performance report available in the Sustainability section of our website.

The measures that we took in combination with the influence of Covid-19, resulted in a reduction of the absolute CO2 emissions in 2022 compared with 2019. In 2022, we were able to drive down the CO2 emissions per FTE with 10%, even while the business has been growing rapidly with a 76% revenue growth. Therefore, we have achieved our objective and have beaten the set target.

Looking forward, Alfen anticipates to further grow the business strongly. Therefore, we have decided to apply the current objective also for 2023. With effect from reporting year 2021, this objective has been divided into three parts: Scope 1, Scope 2 and Scope 3 "business travel". Note that the reporting is based on the Dutch CO2 performance index ("CO2 prestatieladder"). For Scope 3 we report our business travel emissions only, which is in line with the CO2 performance index handbook 3.1. Alfen's performance over the last 4 years is detailed in the tables below.

Table: Overview of Alfen CO2-emissions by scope since 2019

CO2-emissions	2019		2020		2021		2022		Realisation 2022<->2019
Scope 1	1,073	(72)%	854	(86)%	825	(82)%	795	(70)%	(26)%
Scope 2	214	(14)%	63	(6)%	93	(9)%	128	(11)%	(40)%
Scope3*	202	(14)%	82	(8)%	96	(9)%	206	(18)%	2 %
Total	1,489		999		1,014		1,129		(24)%
Emissions CO2e/FTE Scope 1	2.31		1.50		1.30		1.01		(56)%
Emissions CO2e/FTE Scope 2	0.46		0.11		0.15		0.16		(65)%
Emissions CO2e/FTE Scope 3*	0.44		0.14		0.15		0.26		(40)%
Emissions CO2e/FTE Scope 1,2,3*	3.21		1.75		1.60		1.44		(55)%

** Scope 3 consists of Business Travel, in line with the CO2 performance index handbook 3.1*

Table: Overview of Alfen CO2-emissions 2022 targets and actual performance

Parameter/KPI	2019 actual	Target 2022	Actual 2022
Emissions CO2e/FTE Scope 1 (tonne)	2.31	+0%	1.01
Emissions CO2e/FTE Scope 2 (tonne)	0.46	+0%	0.16
Emissions CO2e/FTE Scope 3* (tonne)	0.44	+0%	0.26
Emissions CO2e/FTE Scope 1,2,3* (tonne)	3.21	+0%	1.44

** Scope 3 consists of Business Travel, in line with the CO2 performance index handbook 3.1*

Update on CSRD

In November 2022, the European Union has adopted the Corporate Sustainability Reporting Directive (CSRD). CSRD is a non-financial disclosure regime from the EU for companies of 250+ employees and/or 40+ M€ revenue. Disclosure should provide a holistic picture of sustainability performance across Environmental, Social and Governance (ESG) topics from reporting year 2024 onwards. Aim of this legislation is to stimulate investments in sustainable stocks by making ESG performance more transparent.

While the legislative framework was developing this year, Alfen has initiated an internal strategic program early 2022 to understand its implications for Alfen and take corresponding action. The program consists of an interdisciplinary team with representatives from Finance, QHSE, Strategy, HR, Product Management and the Management Board.

A double materiality assessment will be completed to define the topics for Alfen within CSRD with significant impact. Inside-out: Alfen determines topics for which Alfen has a significant impact on the environment and/or society. Outside-in: Alfen determines topics for which the environment and/or society has a significant impact on Alfen's financial performance.

In 2023, Alfen will work out further the material Environment, Social and Governance topics. This involves amongst others setting KPIs and data requirements, collecting data, setting targets and developing action plans to achieve those targets. Highlighting the environmental topic of greenhouse gas emissions, Alfen plans to commit to emission targets for our scope 1, 2 and 3 emissions, which are science-based and in line with global warming limitation targets.

Performance on broader range of ESG topics

Before reporting in full on these sustainability topics, Alfen reports in this Annual Report 2022 already more extensively on current performance on a wide range of ESG topics, structured in the following sections on Environment, Social and (corporate) Governance.

Environmental topics

Alfen recognises that the economic activities of its business operations can have consequences for the environment. That is why we strive to act responsibly with the environment and we take into account the consequences of our activities. We have a specific environmental commitment to:

- Protect and enhance the environment;
- Avoid the use of harmful or hazardous components in used (auxiliary) materials and articles;
- Reduce packaging waste;
- Use natural resources efficiently and optimally;
- Operate climate neutral and energy efficient and to provide insight into this;
- Use renewable energy sources where possible;
- Reduce the CO2 footprint and making this transparent;
- Minimise our exposure to suppliers who have a material negative social and environmental impact;
- Reduce the environmental impact in the life cycle of products and making this transparent;
- Promote the development of a circular economy.

Furthermore, Alfen monitors the performance of other environmental and social aspects that influence sustainable production and consumption. Think of waste management, circular products and CO2 emissions. In recent years, Alfen has taken various measures to reduce waste. For example, Alfen internally separates waste streams, enabling optimum recycling options. Circularity of products is seen as the cornerstone of Alfen's design processes, using fair trade materials with a low carbon footprint and focusing on reuse and recycling of materials.

Governance: Environmental Management System

Alfen has developed the Alfen Integrated Management system (AIM) to control its processes. This management system is set-up as per the requirements of and certified towards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 27001:2013 and ISO 50001:2018. The certification covers all Alfen N.V. entities except Alfen Elkamo which has its own certification. The ISO 14001:2015 Management System certificate (specifically related to environment) can be found here (https://alfen.com/file-download/download/public/1277).

Emissions & waste management

GHG Reduction Programme

Alfen strives for complete insight into its CO2 footprint with the objective to reduce this and to report on this. Alfen maintains for years a CO2 performance and Energy management performance reporting system where the below topics are included. More information on the carbon intensity trend and renewable energy use can be found in the latest Carbon Footprint report. This report can be accessed at our website (https://alfen.com/file-download/download/public/1660).

Alfen is currently in a process to set Science-Based Targets for its GHG reduction. So far, Alfen has set its targets based on the voluntarily Dutch CO2 Performance scheme and measured towards these stringent requirements.

Renewable Energy programmes

All production related activities of Alfen are executed using 100% renewable electricity. Certificates of origins are purchased from Certiq and Fingrid based on the anticipated consumption of electricity. In addition, Alfen has invested in its own PV installation which is operational since the second half of 2022.

Non-GHG Air Emissions Programmes

The production process of Alfen is as such set-up that there are no non-GHG air emissions to be accounted for.

Water Management Programmes & Effluent Management

Alfen uses no water for its production process. Water is only used for sanitation, hygiene, and drinking water purposes. This water output is monitored. We have been able to keep water usage relatively stable, while the business has grown with more than 40% in revenues year-on-year on average. Table below indicates water usage in our facilities in the Netherlands, Belgium and Finland.

	2022
Alfen usage of water in m3	3,780

Hazardous Waste Management

Alfen has a very limited amount of hazardous waste. This is related to the fact that no hazardous waste is produced during its production process. The only hazardous waste that is produced is related to a small amount of empty cannisters, cans and bottles of paint, grease, degreaser and anti-corrosion.

Supplier Environmental Programmes

Alfen co-develops with its main partners sustainable initiatives. For instance, our transport partner set-up initiatives to reduce its CO2 footprint of its transport activities. Another partner focusses on the circularity of the raw material used for the production of the housing of the transformer substations.

Circularity

Eco-Design and sustainable products

Alfen has chosen to use the 'LiDS Wheel'. The methodology uses universal EcoDesign guidelines and gives engineers incentives to push the development to more eco-efficient decisions. The tool is widely used to evaluate and compare products and services throughout the life-cycle, from beginning-of-life (idea) to end-of-life (reuse, recycle or landfill). The LiDS Wheel is a qualitative tool that gives the ability to seek for a quantitative foundation and verification. In 2022 this tool is further implemented within Alfen.

Recycled Material Use

Alfen provides support towards the Dutch national grid companies in establishing a material passport for all products used in the distribution of electrical energy. This so called Ksandr trade initiative, will provide insight in raw material data and possibilities for reuse. Further information can be found on https://ksandr.nl/ (in Dutch). With the development of material passports we identify the recyclability of our products and gain insight into where improvements can be made. The use of recycled materials is also promoted with the use of the discussed LiDS Wheel.

Product Stewardship Programmes

For our charging stations, we have set up agreements with the respective National WEEE organisation of the European countries where we sell our products. Furthermore, Alfen requires for all wood used in its products, the Forest Steward Council (FSC) certification.

Social topics

Next to Environment, ESG is also about Social topics. In this section, we address topics related to Alfen's workforce, work-related rights in general, consumer & end-users, quality, workers in the value chain, equal opportunities and the local community.

Workforce characteristics

Alfen keeps on investing in its workforce and also throughout 2022 the workforce has grown significantly from 683 FTE on 31 December 2021 to 893 FTE on 31 December 2022. The majority of its employees work in the Netherlands or through Alfen Elkamo in Finland.

FTE end-of-year	2022	2021
Netherlands	772	575
Finland	74	75
Other countries	47	33

Working conditions

Diversity

We promote diversity and inclusion at Alfen not just because it is the right thing to do. We promote diversity and inclusion because it's essential for delivering on the Alfen strategy. Diversity increases our pool of potential candidates. It helps us attract and retain the best and brightest talent. It allows us to better understand different customers and technical challenges. It makes us more adaptable, helps us to avoid group-think, and contributes to disrupting the status quo. In order to stay a step ahead, we need teams with a healthy mix of contrasting perspectives and backgrounds.

Diversity does not exist without inclusion. When employees feel included, they feel a sense of belonging that drives increased positive performance results and creates collaborative teams who are innovative and engaging. Employees that feel included are more likely to be positively engaged within the organisation. Higher employee engagement drives higher levels of productivity, retention, and a company's overall success.

All of our practices can be read in our diversity and inclusion policy (https://alfen.com/file-download/download/public/1732). Alfen's practices are applicable to recruitment and selection, performance and appraisal, compensation and benefits, professional development and training, promotions, succession planning, layoffs, terminations, social and recreational programs, and the ongoing development of our work environment.

Alfen strives that its workforce is a reflection of society. We have many different nationalities employed in our organisation. Although the number of nationalities was already quite high in 2021, we have seen this number further increasing in 2022. In 2022, Alfen employed 44 different nationalities compared with 36 different nationalities in 2021.

Year (as per December 31)	Number of nationalities
2019	27
2020	32
2021	36
2022	44

"Wet ingroeiquotum en streefcijfers" ("Diversity Act")

Alfen believes that diversity and inclusion are key to a sustainable future. Equal appreciation of different cultures, ethnic groups and backgrounds is of great importance. In our belief, this also ensures that issues are looked at from different perspectives, which enables us to create more balanced solutions. Alfen now employs over 40 different nationalities and this number is only increasing.

Apart from these principles, we are bound by the obligations laid down in the Act on Growth Quotas and Targets ("Diversity Act"), which came into force on 1 January 2022.

Supervisory Board

Since the EGM of 21 November 2022, the Supervisory Board has been expanded from 3 to 4 members, adding a female member to the Supervisory Board. This means that the board consists of 2 women and 2 men; a 50/50 split between female and male members. Alfen thereby meets the diversity quota of at least one-third woman and one-third man on the Supervisory Board and will continue doing so.

Management Board

Since the appointment of the female CCO on 1 July 2021, Alfen's Management Board consists of 1 woman and 2 men; a 1/3-2/3 split between female and male members. Alfen thereby meets the diversity quota of at least one-third woman and one-third man on the Management Board and will continue doing so.

EU legislation

The adoption in November 2022 of the so-called "Women on Boards" Directive in the EU parliament aims to introduce transparent recruitment procedures in companies, so that at least 40% of non-executive director posts or 33% of all director posts are occupied by the under-represented sex by the end of June 2026.

Alfen is a supporter of this directive as we believe in the importance of having gender diversity in our corporate boards. Alfen meets the criteria of this directive and we pledge to do our part to continue to ensure that this directive is met.

Sub-top

This Sub-top group consisted of 39 employees as of 1 January 2022, and reached a total number of 42 employees per 31 December 2022.

Date	# Women	# Men	% Women	% Men
1-1-2022	7	32	18 %	82 %
31-12-2022	9	33	21 %	79 %

Sub-top objective

For the purpose of the Diversity Act, Alfen has defined the sub-top as follows:

a. those executives who report directly to the management board (e.g. N-1); and
b. those executives that lead a team and whose direct manager reports directly to the management board (N-2).

This includes all entities within Alfen, therefore also including all countries in which Alfen is based.

Plans to promote a proportionate split between women and men

Given its activities, Alfen in the Netherlands is operating in the so called Metalektro sector. Within this sector, the average % of women in general is 16%. For Alfen in the Netherlands, this is slightly higher at 17% at the end of 2022.

In order to ensure a proportionate split, i.e. a larger share of women, we mainly focus on the new employees, which, given Alfen's growth, involves a considerable number of employees every year.

Looking at numbers of new employees we see that the % of women joining Alfen has increased from 16% in 2019 to almost 25% in 2022.

Below, therefore, is a graph showing that the percentage of women within Alfen is clearly increasing.

Share of women in the company for 2019, 2020, 2021 and 2022 in %

	Total population		New employees	
Year (as per December 31)	**% female**	**% male**	**% female**	**% male**
2019	11 %	89 %	15 %	85 %
2020	12 %	88 %	19 %	81 %
2021	14 %	86 %	21 %	79 %
2022	18 %	82 %	24 %	76 %

For increasing the number of women in our organisation we will focus for the coming years on the following pillars:

1. Inflow and internal promotions;
2. Cooperation with educational institutions;
3. External appearance.

Re 1. Inflow and internal promotions

Given Alfen's growth, many employees are recruited every year. Both by our internal recruitment team and with the help of external parties. The value of diversity is explicitly discussed within the recruitment team and with external parties and targets are set for the supply of female candidates. For internal promotion, the possibility of promoting women to management positions is explicitly discussed and stimulated.

Re 2. Cooperation with educational institutions

We strongly believe that, in order to show the attractiveness of technology in general, one needs to focus on the employees of the future. Therefore it is essential that we provide children with the guidance and resources they need to make informed decisions about their future (education).

We will intensify the cooperation with schools (ranging from vocational education to universities) to offer interesting insights in our organisation as well as technology in general. This will take place in various forms ranging from participation in the Girls day to lectures for students in for example Sustainable Energy. This also includes offering internships as well as graduation assignments.

Doing so, we will specifically focus on attracting female students for our organisation.

Re 3. External appearance

We will focus on increasing the visibility of women in our company in recruitment activities and social media activities, among others. Female speakers at conferences and events will also contribute to the desired image of our Company.

Social return

Alfen creates sustainable employment opportunities for people with a distance to the labour market. The emphasis here is on employment of people receiving benefits or people with other distances to the labour market. Job seekers with a technical affinity, education or working experience have a great chance of finding a position within Alfen. However, we do not only focus on technical profiles but see various opportunities in other fields as well.

Employee development

Human capital can be broadly defined as the stock of knowledge, skills and other personal characteristics embodied in people that helps them to be productive. Pursuing formal education (early childhood, formal school system, adult training programmes) but also informal and on-the-job learning and work experience all represent investment in human capital. Our people are key to the success of the business.

Training

To ensure sustainable success, Alfen offers and provides learning opportunities to all Alfen workers. This is ranging from the mandatory training and education required for the job as well as educational opportunities to enlarge the knowledge of our workers for further specialisation or career development within Alfen.

Not only do we encourage building further expertise, we also focus on professional development (e.g. leadership skills), by offering various programmes at various levels to increase the skills of our (potential) leaders in the company.

Recruitment

Alfen acknowledges that for continuation of growth, talent is required to make this growth happen. Therefore, a dedicated recruitment team is active to ensure that the open vacancies are filled with competent candidates. Alfen policy is to assess first whether the open vacancy can be fulfilled with internal candidates. If this is not possible, external candidates are recruited.

Alfen Academy

Alfen acknowledges as well the current limitations in the availability of technical personnel. For many years now Alfen has an in-house company school (Alfen Academy) in cooperation with Deltion College (ROC in Zwolle), where young adults start their apprenticeship within Alfen to become an electrician in combination with normal school activities to obtain a college diploma as well. To optimally facilitate and integrate the educational activities, we have our own classroom and practise facilities at our own premises. Founded in 2008, the Alfen Academy continues to have significant scale, from 25 students in 2017, to 37 in 2018, 49 in 2019, 60 in 2020, 75 in 2021 and 54 in 2022. With this initiative, Alfen ensures a stable source of technical personnel. Since we started our own company school in 2008, we have already been able to award over 150 diplomas.

Performance management

Performance management is an ongoing process that can help to ensure that employees are performing to the best of their abilities and meeting the goals of the organisation. It helps to increase employee engagement, as it allows employees to understand their role and how it contributes to the success of the company. Additionally, performance management can help to uncover any underlying issues that could be hindering performance, allowing for more effective solutions to be put in place.

Therefore, the performance cycle at Alfen consist of at least 3 different types of conversation between the employee and their direct manager, being the target setting meeting, the development meeting and performance appraisal at the end of the year.

Alfen has a yearly assessment cycle where last year performance is discussed as well as personal development and target setting. A Personal Development Plan is applicable in case of further career development or to improve personal performance.

Performance management also provides us with valuable insights into our employees' strengths and weaknesses. We use this information to provide targeted training and development opportunities to help employees reach their full potential. Additionally, performance management also helps to identify high-performing employees, allowing them to be properly developed, rewarded or promoted.

Talent management

Regular talent review meetings are an essential part of any organisation's success. By providing an opportunity to assess both performance and potential, we get insight in potential talents within the company and are able to maximise the potential of our talents. Talent is regardless of whether the role is in an individual contributor role or management role. Within a technological and innovative company like Alfen we need talents in specialist roles as much as talents in more managerial roles. In management roles, talent can help foster our culture of learning and development, as well as create a positive working environment.

Employee well-being

Employee well-being is essential to the success of our business. Mental well-being is just as important as physical health. Stress and anxiety can lead to job dissatisfaction. Alfen provides their employees with resources to help them manage stress, such as stress management classes, mental health counselling, and 1 on 1 coaching. Due to corona we have seen the number of mental related absences increasing.

The increase in absence rates is driven mostly by Covid-19, as there are a large number of people who could not work from home with symptoms of Covid. Examples include employees in assembly, warehousing and service.

FTE end-of-year	2019	2020	2021	2022
Alfen absence rate	3.1 %	4.3 %	4.1 %	6.1 %
Industry average	5.4 %	5.0 %	8.0 %	Not available yet

In 2022 we did another health check amongst our employees on voluntary basis. Over 40% of the population participated in this health check. Participants filled in a questionnaire and an individual medical check and a personal follow up were conducted for them. We are proud on the remarkably high score of 98% with a positive answer on the question "Do you generally enjoy going to work?". Also we identified areas for improvement, especially around health and lifestyle.

Working hours policy

Alfen ensures that its working hours policy complies with the applicable working hours acts of the country where the company is registered or have personnel working on its behalf.

Employee financial support

At Alfen, we recognize that the recent increase in prices of goods and services, as well as the current situation in Ukraine has created a challenging economic environment for our employees. As a result, we are committed to providing additional compensation to our employees to help them cope with the increasing cost of living. We have implemented a number of measures in 2022 to ensure our employees are to some extent compensated for the increased expenses they face.

Health and Safety Management System

To ensure a healthy and safe workplace to work, Alfen has a health and safety management system in place based on the requirements of the countries where Alfen is registered or have personnel working on their behalf, and on the ISO 45001:2018 requirements. The system is included in the Alfen Integrated Management system (AIM) to control its processes. This management system is set-up as per the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 27001:2013 and ISO 50001:2018 and certified towards these standards accordingly.

Alfen has a QHSE policy where for the safety part it has adopted the 'safety differently' view. When we think of safety it is usually by reference to its opposite, the absence of safety. The traditional view of safety, called Preventative Safety (Safety-I), has consequently been defined by the absence of accidents and incidents, or as the 'freedom from unacceptable risk.'

As a result, the focus of safety research and safety management has usually been on unsafe system operation rather than on safe operation.

In contrast to the traditional view, Alfen wants to adopt the resilience engineering approach which maintains that 'things go wrong' and 'things go right' for the same basic reasons. This corresponds to a view of safety, called Productive Safety (Safety-II), which defines safety as the ability to succeed under varying conditions. The learning from normal work is therefore a necessary prerequisite for the understanding of the safety performance of Alfen. The above view is supported by the SPARK programme (Alfen's company values) which was specifically related to safety kicked off at the end of 2022.

The QHSE policy statement can be found on the Alfen website under 'downloads'.

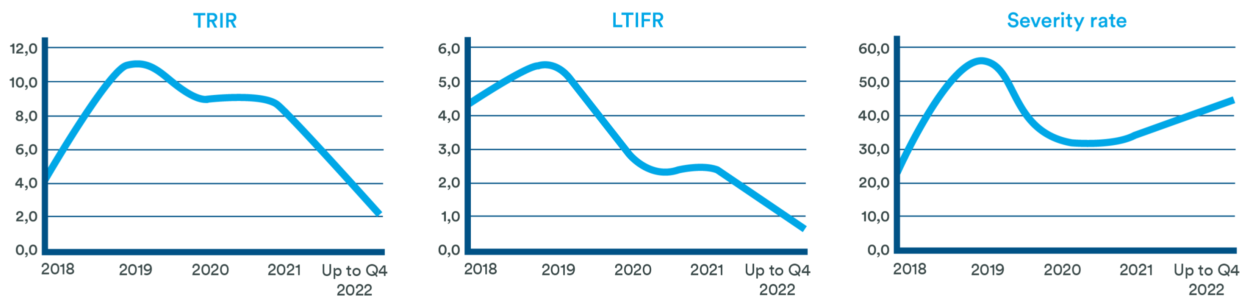
Health and Safety Certifications

Alfen has a management system that complies and are certified accordingly towards the ISO 45001:2018 standards. The certification covers all Alfen N.V. entities except for Alfen Elkamo, which has its own certification.

Safety Performance

Alfen monitors its safety performance and reports about its KPIs. The indicators are Lost Time Injury Frequency Rate (LTIFR), Total Recordable Rate (TRIR), Fatality Rate (FAR) and Severity Rate. That FAR has been 0 since 2020 when measurement began.

The safety performance of 2022 is as follows (reference date 1/12/22).



Other work-related rights

Freedom of Association Policy

The right of workers and employers to form and join organisations of their own choosing is an integral part of a free and open society. We are committed to promoting an open and inclusive workplace where all employees feel more engaged and inspired to achieve their maximum potential. Alfen recognises and respects the basic right of all employees to associate freely, to join or form a trade union and bargain collectively. Where employees are represented by a recognised trade union, we are committed to establishing and maintaining a constructive dialogue with their chosen union. We are committed to bargaining in a constructive manner to seek mutually beneficial collective agreements that protect and improve the company's business model while delivering competitive pay, benefits and work life balance for our people. Alfen fully respects and supports workers democratic rights to participate or not participate in trade unions without fear of intimidation, pressure or reprisal. We support the International Labour Organisation's (ILO) Declaration on Fundamental Rights and Principles at Work, including the ILO declaration on the freedom of association and the right to collective bargaining.

Collective Bargaining Agreements

For Alfen B.V. and Alfen ICU B.V. the Metalektro Collective Labour Agreements (the 'CAO' or 'CLA') applies. The Metalektro CLA consists of a standard CLA and a CLA for senior staff.

For Alfen Elkamo Oy Ab the Technology Industry Union in Finland applies.

Across Alfen N.V., more than 90% of employees are covered by collective bargaining agreements, and if employees are not covered by a collective bargaining agreement, then it is because there is no bargaining agreement in that country that is applicable to Alfen.

Human Rights Policy

The UN Guiding Principles for Business and Human Rights also outline the corporate responsibility to respect human rights. Beyond this, businesses are increasingly recognising their own moral, legal, and commercial responsibility. The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights form the basis for what businesses should adhere to and are as such adopted by Alfen.

On the one hand, businesses can hinder human rights, as evidenced by reports around the world of unsafe working conditions, migrant worker exploitation, and harm done to communities. On the other hand, businesses can help advance human rights by offering access to decent work, creating higher living standards, protecting people's rights and procuring goods in a responsible manner.

Our business centres around trust, as we can only maintain our stakeholders' confidence and preserve our company's reputation by acting with professionalism and integrity. This, and more, is all outlined in our Code of Conduct.

Everyone working at Alfen is expected to adhere to this code of conduct. It builds on our values and behaviours that underpin our way of working – and is based on the policies and guidelines we follow in our daily business.

We value our employees and seek to be a good employer. We promote the personal and professional growth of our employees by providing good primary and secondary benefits and development opportunities. This creates an environment where our people not only do well but can also do good.

We provide a healthy and safe workplace where mutual respect is key and discrimination isn't tolerated. Our whistle-blower policy allows employees to safely and confidentially air any concerns, should they arise.

The human rights we consider fundamental and universal for our workforce include the right to freedom of association, the right to collective bargaining and freedom from discrimination based on race, colour, sex, religion, political opinion and national and social origin.

We have implemented a Supplier Code of Conduct that determines the level of social, environmental and ethical requirements towards a supplier. Suppliers are required to agree to Alfen's Supplier Code of Conduct and confirm that they operate in line with the principles of the UN Global Compact. These principles encompass human rights, forced and child labour, fair labour conditions, environmental protection and anti-corruption amongst other topics.

Workers in the value chain

Scope of Social Supplier Standards

To ensure that Suppliers conduct their business on the same level as Alfen, a supplier Code of Conduct has been developed covering all relevant ESG topics that suppliers are required to address. This Supplier Code of Conduct can be found on the Alfen website under ‘downloads’ (https://alfen.com/file-download/download/public/1720).

Conflict Minerals Policy / Conflict Minerals Programmes

Conflict Minerals Suppliers are expected to ensure that parts and products supplied to Alfen are DRC conflict-free (do not contain metals derived from “conflict minerals”; columbitetantalite (tantalum), cassiterite (tin), gold, wolframite (tungsten), or their derivatives such that they do not directly or indirectly finance or benefit armed groups through mining or mineral trading in the Democratic Republic of the Congo or an adjoining country). Suppliers are to establish policies, due diligence frameworks, and management systems, consistent with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, that are designed to accomplish this goal.

Supply Chain Monitoring

Based on the criticality of the Suppliers towards the production process of Alfen, supplier evaluation is continually performed by the purchasing department on KPIs like timely delivery, price, responses, and deviations. In addition to this, for critical suppliers, audits are executed by the Alfen QHSE department in collaboration with the purchasing department to assess the actual implementation of the Alfen requirements.

Activities in Sensitive Countries

Alfen operates mainly in the countries of the European Union and the European Economic Area. Furthermore, we operate in the United Kingdom and Switzerland. Alfen has no activities in sensitive countries.

Modern Slavery

Alfen supports eliminating all forms of forced labour and child labour. It has therefore developed a Modern Slavery Policy that can be accessed here (https://alfen.com/file-download/download/public/1454).

Equal opportunities

Discrimination

Alfen denounces all forms of discrimination. Discrimination is when a person is treated differently or excluded, for example from a job opportunity, because of their race, gender, religion, cultural background, ethnicity, sexual orientation, disability, political opinion, family responsibility, age, social origin or any other status. It has the effect of nullifying or impairing equal opportunity. Alfen has measures in place to prevent discrimination towards customers and employees. These include our Code of Conduct and Whistle-blower policy, which expects all employees to create and maintain a safe working environment and to speak up and report misconduct. We make a conscious effort to include all.

Further details can be found in the Diversity & Inclusion policy, the Code of Conduct (https://alfen.com/file-download/download/public/1832), the Supplier Code of Conduct (https://alfen.com/file-download/download/public/1720), and the Whistle-blower policy (https://alfen.com/media/1092) which all can be found on the Alfen website under ‘downloads’.

Quality

QMS Certifications

Alfen has a management system that complies and are certified accordingly towards the ISO 9001:2015 standards. The certification covers all Alfen N.V. entities except Alfen Elkamo which has its own certification.

Consumers and end-users

Product and Service Safety Programme

Alfen ensures that its products and services are safe for use and are of such quality standards that these last for a long time. To ensure this, Alfen has developed the Alfen Integrated Management system (AIM) to control its processes. This management system is set-up as per the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 27001:2017 and ISO 50001: 2018 and certified towards these standards accordingly.

The implementation of the AIM system lies with the CEO of Alfen and line management. Product / Service Safety is therefore considered a line management responsibility.

Alfen has a risk management process in place that meets the requirements of ISO 30001:2018 including risk assessments of our products and services (e.g. FMEA, HAZID).

In the unlikely event that unforeseen circumstances require a product recall, a recall process is in place.

In case of unwanted events (i.e. Product/ Service related incidents), these are investigated by a multi-disciplinary team with QHSE in the lead. Methodologies used are ranging from 5 x why, 8D, up to Kelvin TOP-SET.

Product/ Service Safety performance is measured and targets are annually set by the Alfen QHSE department. Targets are set on Customer complaints, NCRs and incidents.

During production dedicated QC teams ensure that the final product has received a Factory Acceptance Test (either manually or automated). Where required, a site Acceptance Testing is performed by dedicated Commissioning engineers to ensure that the product is safe to operate.

For each product line of Alfen dedicated After-Sales / Service teams are established to ensure that malfunctions, disturbances, and complaints are adequately and swiftly handled. Based on the service level of these contracts, 24/7 monitoring of the products is possible.

In the unlikely event that Alfen products require a recall, the public will be informed by means of appropriate and proportioned communication in relation to the unwanted event.

Local community

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

Not only does a significant part of our employees live in Almere, we also have our own Alfen Academy where we train and educate our students & employees in cooperation with a public school in order for them to get their accreditation and diplomas. The Alfen Academy is a fundamental asset in our collaboration with the local municipality to help unemployed people get a job at Alfen. The latter is also a diversity objective of Alfen.

Moreover, we sponsor the local, professional football club FC Almere City, which besides being a football club also supports and promotes the physical and sportive development of children.

Alfen and its partners complete solar park with trading hub for up to 22 mobile energy storage systems

With its trusted partners, Alfen has built an innovative project for solar park De Dijken in the province of North Holland, the Netherlands. The park is unique: its solar energy can be stored in the adjacent trading hub of 22 mobile Alfen batteries from its partner Greener, so both the available energy and the grid infrastructure can be used more efficiently.

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, chamber of commerce registration number 64462846 (“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 has a works council. The Company, Alfen B.V. and Alfen ICU B.V. meet all three criteria as laid down in Section 2:263 paragraph 2 of the Dutch Civil Code regarding the large company regime (“structuurregime”). The Company, Alfen B.V. and Alfen ICU B.V. have therefore deposited the statement as referred to in Section 2:263 paragraph 1 of the Dutch Civil Code with the Chamber of Commerce. The Company will amend its articles of associations in accordance with the statutory requirements in connection with the large company regime in 2024.

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 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 authorized to represent the Company. 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 and one of the Managing Directors as CCO (Chief Commercial Officer) to specifically oversee the Company's commercial 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	61	CEO and COO	November 2015	AGM of 2026
Mr Jeroen van Rossen	49	CFO	August 2017	AGM of 2026
Ms Michelle Lesh	44	CCO	April 2022	AGM of 2026

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.

Michelle Lesh (born 1978, American) was appointed as Alfen's new CCO (Chief Commercial Officer) per July 2021. She is a member of the Management Board since the AGM of 2022. Prior to joining Alfen, she gained experience as the Chief Commercial Officer for GE Digital's Grid Software business supporting electric utility customers globally. Prior to that she held various commercial roles across General Electric's business units focused on the energy sector, including power generation and Transmission & Distribution hardware and software. Michelle Lesh has a Mechanical Engineering degree from Bucknell University and earned her MBA from University of California, Irvine, United States of America.

The business address of the Management Board 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 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
Mr Henk ten Hove	70	Chairman	22 March 2018	AGM of 2026
Ms Eline Oudenbroek	53	Member	6 July 2020	AGM of 2023
Mr Willem Ackermans	67	Member	6 July 2020	AGM of 2024
Ms Jeanine van der Vlist	58	Member	21 November 2022	AGM of 2027

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

Henk ten Hove (born 1952, Dutch) is the Chairman of the Supervisory Board since 22 March 2018. He held a supervisory board position at the publicly listed company Kendrion from 2013 until 12 April 2021 (as chairman) and still holds a supervisory board position 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 since 6 July 2020. He is also a member of the investment committees of BOM and FSFE Fûns Skjinne Fryske Enerzjy. He is further a member of the Advisory Board of GBM Works, a member of the Board of Norges Bank Investment Management for Offshore Wind Project Borssele I+II and he is the chairman of the Supervisory Board for the Ludwig Cardiology clinic in Groningen. 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 since 6 July 2020. 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 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.

Jeanine van der Vlist (born 1964) is a member of the Supervisory Board since 21 November 2022. She is a non-executive director/supervisory director by profession. In the past she held several senior management positions in a number of international companies, like Fujitsu, Dell, Alcatel-Lucent and Eurofiber. She has supervisory board experience with BDR Thermea Group and DPG Media Group. Currently she is a (non-executive) board member of the Belgium company DPG Media N.V. and a supervisory director of the Remeha Group. Recently she was appointed as a supervisory board member of Koninklijke Brill N.V. Furthermore she is a board member of the non-profit foundation Worldgranny.

Jeanine van der Vlist is independent within the meaning of the corporate governance code. She does not hold any shares in the Company. Jeanine van der Vlist holds a bachelor degree in information and communication technology from the HEAO in the Hague, an MBA from Ashridge Business school and a management executive degree from Insead.

Remuneration

The remuneration policy applicable to the Management Board and the Supervisory Board (the “Remuneration Policy”) was adopted by the General Meeting after the Works Council had been granted the opportunity to determine its point of view thereon. The remuneration policy applicable to the Management Board was adopted by the General Meeting on 7 April 2022 and for the Supervisory Board on 8 April 2020. A subsequent amendment to this remuneration policy for the Supervisory Board may be proposed for adoption by the General Meeting in April 2023. The current remuneration of, and other agreements with, the Managing Directors have been determined by the Supervisory Board in 2022, 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.

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 fourth grant under this plan was made at 1 January 2022 and comprises of a total of 9,747 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 2022. The first grant under the plan made at 1 January 2019 will be exercisable at 2 January 2023.

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 2022 Annual General Meeting of Shareholders was announced on 23 February 2022 to be held electronically at the head offices of Alfen N.V., Hefbrugweg 28 in Almere, the Netherlands on Thursday 7 April 2022 (the “AGM”).

For the AGM, in accordance with the provisions of the Temporary Act Covid-19 Justice and Safety, shareholders were only able to attend the meeting electronically through an audio webcast, which also provided the opportunity to ask questions. Votes for the meeting could only be cast by proxy to the Notary. During the Annual Meeting, the following agenda items were scheduled, whereby the * Items were put on the agenda for voting:

1. 2021 Annual Report
   a. Report of the Management Board for 2021
   b. Remuneration report for 2010 (advisory vote) *
   c. Proposal to adopt the Financial Statements for 2021 as included in the 2021 Annual Report *
2. Reservation and Dividend
   a. Explanation of dividend and reserve policy
   b. Explanation of reservation of profits for 2021
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 (current and former) members of the Supervisory Board from liability *
4. Proposal to amend the remuneration policy of the Management Board *
5. Management Board
   a. Proposal to reappoint Mr. M. Roeleveld as member of the Management Board*
   b. Proposal to reappoint Mr. J. van Rossen as member of the Management Board*
   c. Proposal to appoint Ms. M.K. Lesh as member of the Management Board*
6. Proposal to reappoint Mr. H. ten Hove as member of the Supervisory Board*
7. 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 *
8. Proposal to appoint the external auditor PwC for 2022 *

During the Annual Meeting, the Shareholders voted to:

- Adopt the Remuneration Report for 2021, as included in the 2021 Annual Report;
- Adopt the Financial Statements for 2021 as included in the 2021 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 was reflected in the 2021 Annual Report or information was 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 was reflected in the 2021 Annual Report or information was 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;
- Amend certain aspects of the current remuneration policy for the Management Board, whereby the full proposal for the amendment of this remuneration policy and the explanation, as well as the positive advice of the Works Council are available at the Company’s website;
- To reappoint Mr. Roeleveld for a period of four years, which will end at the close of the Annual General Meeting of Shareholders to be held in 2026;

- To reappoint Mr. Van Rossen in accordance with this nomination for a period of four years, ending at the Annual General Meeting of Shareholders in 2026;
- To appoint Ms. Lesh for a period of four years, also ending at the Annual General Meeting of Shareholders in 2026;
- To reappoint Mr. Henk ten Hove in accordance with this nomination by the Supervisory Board for a period of four years, ending at the close of the Annual General Meeting of Shareholders to be held in 2026;
- 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 2022, 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 7 April 2022, which authorization will therefore end on 7 October 2023;
- Authorize 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 7 April 2022, 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 2022, which authorization will therefore end on 7 October 2023;
- Re-appoint PwC as the external auditor for the financial reporting year 2023.

Whenever the Company's interests so require, the Supervisory Board or the Management Board may convene extraordinary General Meetings. In addition to the rights of the Supervisory Board and the Management Board, 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 3% (three percent) of the issued and outstanding share capital 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.

Extra ordinary General Meeting of Shareholders

An Extra Ordinary General Meeting of Shareholders was announced on 7 October 2022 to be held electronically at the head offices of Alfen N.V., Hefbrugweg 28 in Almere, the Netherlands on Monday 21 November 2022 (the "EGM").

For the EGM, in accordance with the Temporary Act COVID-19 Justice and Safety, shareholders were only able to attend the meeting electronically through an audio webcast, which also provided the opportunity to ask questions. Votes for the meeting could only be cast by proxy to the Notary. During the Extra Ordinary Meeting, only the following agenda item was scheduled, which was put on the agenda for voting:

1. Change to the Supervisory Board: Proposal to appoint Ms. Jeanine van der Vlist as member of the Supervisory Board.

During the EGM, the Shareholders voted to appoint Ms. Van der Vlist for a period of four years and 5 months, ending at the Annual General Meeting of Shareholders in 2027.

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.

Diversity

On 1 January 2022, the Diversity Act entered into force. In accordance with the Diversity Act Alfen has set an appropriate and ambitious target figure for a balanced number of men and women on the Management Board, the Supervisory Board and the sub-top. For more details we refer to the chapter on Corporate Sustainability Reporting.

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 and on the sub-top. The Supervisory Board comprises of two men and two women. The Management Board comprises of two men and one woman. Therefore the Supervisory Board and the Management Board meet the quota as previously prescribed by Section 2:166 of the Dutch Civil Code.

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 applicable Dutch Corporate Governance Code entered into force on, and applies to financial years 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 new Dutch Corporate Governance Code which has been released on 20 December 2022 is not applicable for the financial year 2022. However, the Company will take good notice of the new Corporate Governance Code for the next financial year. 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 the '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 a 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 2022. 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 two best practice principles, which are the following:

- 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 four or more members. No such committees have been established due to the fact that the Supervisory Board consisted of three members for more than 10 months and of four members for the last almost 2 months. Instead of the committees, the following two members of the Supervisory Board have a specific focus area: Willem Ackermans - Finance and audit, 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 2022 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.

Tax practices

Alfen regards taxation as part of its social responsibility and follows the principle of responsible tax practices whereby the interests of all stakeholders (including customers, shareholders, local governments and communities in the countries in which Alfen operates) are taken into consideration. We strive to comply with the letter and spirit of applicable laws, are guided by relevant international standards and do not use 'artificial' structures in tax haven jurisdictions to avoid taxes. The design of the Alfen organization is based on operational considerations, not on taxation. This means that taxes are paid where factual economic activities are executed and that transactions should have a business rationale.

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

The Company's share capital at 31 December 2022 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"). 54,643 treasury shares are held by the Company. The remainder of the Ordinary Shares: 21,695,357 are outstanding. Each share confers the right to cast one vote.

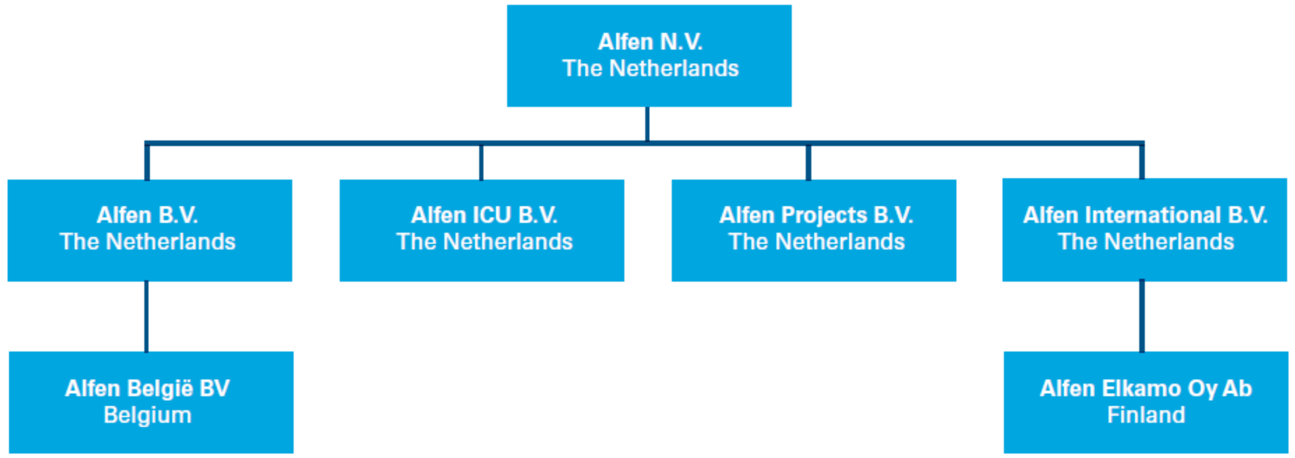
Limitations on the transfer of shares

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.

Long term incentive plan

The Management Board recognized 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 fourth grant under this plan was made at 1 January 2022 and comprise of a total of 9,747 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 2022.

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 were 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 were 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 final 20% of the Ordinary Shares were unconditionally released from the lock-up restrictions on the day that was three years after the first day of trading after the IPO. As such no lock-up restrictions existed anymore per 31 December 2021.

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 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 and one of the Managing Directors as CCO (Chief Commercial Officer) to specifically oversee the Company's commercial 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 currently consists of four 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 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 Supervisory Board profile can be found on the Alfen website and in this profile independence is indicated as an important factor in chapter 2 of the Supervisory Board profile. 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.

The Management Board's powers especially to issue shares

On the 7th of April, 2022 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 Annual Meeting. The Management Board did not use this authority in 2022.

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 31 December 2022, 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 (whether it be a capital interest or a voting interest) 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 2022, the following shareholders were known to hold an interests of at least 3% directly in the Company on 31 December 2022 as per AFM disclosures:

Shareholder	Capital Interest	Voting Interest	Notification date
Capital Research & Management Company	— %	6.88 %	2 March 2022
Mirova	3.94 %	3.94 %	18 July 2019
Schroders Plc	— %	3.18 %	23 February 2021
Smallcap World Fund, Inc.	4.86 %	4.86 %	9 November 2022
Goldman Sachs Group Inc.	4.54 %	4.54 %	11 April 2022

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
15 February 2023	Publication full year results 2022
6 April 2023	Annual General Meeting of Shareholders
17 May 2023	Q1 2023 trading update
23 August 2023	Publication half-year results 2023
8 November 2023	Q3 2023 trading update

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

- From 15th of January until 15th of February 2023
- From 17th of April until 17th of May 2023
- From 23th of July until 23th of August 2023
- From 8th of October until 8th of November 2023

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 possible 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 2022, 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, 14 February 2023

Board of Directors

Marco Roeleveld (CEO),
Jeroen van Rossen (CFO),
Michelle Lesh (CCO)

Report of the Supervisory Board

Report of the Supervisory Board

“Despite challenging circumstances, the company has grown substantially in size and quality”
- Supervisory Board

2022 in summary

This year Alfen N.V. celebrated its 85th anniversary. Again the Company achieved stable growth in the substation business, spectacular growth in EV charging and a very promising pipeline in energy storage. Challenging sourcing issues for various key components have been addressed through a combination of creativity, flexibility and proactive pre-stocking measurements and organising back up suppliers.

The number of employees has grown substantially with (a) focus on retaining current employees, (b) intensive recruitment and (c) an uplift of the Alfen academy. Specific attention is being paid to foster the well being of personnel by developing a work at home policy with flexibility and other skills to support their health. Financially the employees were supported with additional travel cost and with a one-time payment to respond to the rising energy bills.

Business wise the EV Charging business unit and the energy storage business accelerated their international roll out with attention for the hiring of qualified local staff and local governance. Important steps have been taken by expanding the capacity in the Almere premises to anticipate on the ongoing growth.

For 2022, the Supervisory Board had selected 4 areas of special attention with the following status:

- **Recruitment and retention of key personnel**
  Recruitment and retention of key personnel remained a key priority in the Company, which translates to a dedicated, successful recruitment team, a higher score of the Alfen Academy and a lot of attention to a low percentage of regretted losses. Additional actions in progress are (i) a further improvement of the on-boarding program, (ii) a further extension of the Alfen Academy and (iii) the introduction of an employee satisfaction survey to filter the relevant improvement areas.

- **Monitoring the commercial expansion of EV Charging and Energy Storage in our key markets**
  In 2022 the international sales generated more than 50% of the Company’s revenues. The Management Board is setting up local commercial hubs in selected key markets, addressing the right skills and knowledge of local markets and local culture. The internationalisation is facilitated by the right IT infrastructure and the required governance. The Company’s knowledge and flexibility to address the complexity of the accelerated cross border expansion is growing.

- **Monitoring the step up in Energy Storage**
  Much progress has been made in preparing the internal organisation for a step up in the energy storage market. Choices have been made about how to address key markets while the business has realised a certain degree of standardisation and modularisation. Engineering and development skills have been extended and improved. Especially in the 2nd half of the year, a number of pending projects could be transferred successfully in deals leading to a substantial increase in revenues in 2022 and a promising order book for 2023.

- **Organisational development**
  With management, we discussed the organisation going forward in the light of the expected development of the three business segments and their further internationalisation. Strategically this concerns among others the relation between the Management board and the business units and the level of centralisation of certain functions. Other elements are the personnel development of employees and the future role of the Alfen Academy as possible enabler.

For 2023, the Supervisory Board will focus its attention on the following topics:

- **International growth**
  With the fast growth and further internationalisation, a skilled and flexible workforce is a key factor. To attract and keep key employees, Alfen needs to continue to be the employer of choice in the sector, reflected in elements like company culture, development opportunities, working atmosphere and a competitive remuneration package.

- **ESG**
  In 2023 we will follow the further implementation of a workable ESG policy and agenda with long term KPI's and an effective monitoring vehicle. We will also discuss with management how, in a practical way, the Company can address the challenges of new EU regulations regarding substantial financial disclosure and EU taxonomy.

- **Expansion plans**
  We will monitor the extensive expansion plan for the Almere location and the organisational and financial consequences.

- **Employee satisfaction survey**
  We will discuss the outcome of the employee engagement survey and discuss with management if and where follow up actions need to be taken.

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. In November 2022, the Supervisory Board has been extended with a fourth member being Jeanine van der Vlist. With her competences and experience we consider Jeanine as a very valuable contribution to the Supervisory Board. We have started the search for the succession of Eline Oudenbroek, who decided not to extend her position as Supervisory Board member for a next term because of lack of time and a challenging agenda.

Name	Age	Position	Member since	End of current term
Mr Henk ten Hove	70	Chairman	22 March 2018	AGM of 2026
Ms Eline Oudenbroek	53	Member	6 July 2020	AGM of 2023
Mr Willem Ackermans	67	Member	6 July 2020	AGM of 2024
Ms Jeanine van der Vlist	58	Member	21 November 2022	AGM of 2027

The Supervisory Board members operate independently from (a) each other, (b) the Management Board and (c) any other stakeholders. Each of the Supervisory Board members has the necessary expertise, experience and background to perform his or her tasks and responsibilities.

All four members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code.

Meetings and Attendance

In 2022, the Supervisory Board held 7 regular meetings, all with an attendance of 100%. The agenda of the meetings covered standard items like financial and operational performance, personnel and organisation, governance and compliance and risks associated with operations. During every meeting one or two key managers were invited to update the Supervisory Board about plans and progress of their responsibility.

This year, we covered the BU EV Charging, the R&D Department, an IT Update and a strategic discussion on the key managers. One of the 7 meetings concerned the budget for 2023, where the opportunities and challenges for the upcoming year were discussed. A special strategy meeting was held in July this year.

In addition to the regular meetings, the Chairman holds monthly meetings with the CEO and once a year with key managers reporting to the Management Board. Willem Ackermans, as finance and control specialist and Eline Oudenbroek with a focus on remuneration, selection and appointments, meet with the CFO regarding their focus areas on a regular basis. Willem Ackermans meets with the CCO regularly to discuss for all three business units: supply chain challenges, strategy and marketing with a focus on opportunities with possible customers, products, growth opportunities, marketing challenges and opportunities.

Evaluation Supervisory Board and the Management Board

Every year an evaluation of the Supervisory Board takes place, whereby once per three years such evaluation is organised by an external advisor. This year the evaluation of the Supervisory Board was done with a self-evaluation questionnaire. The main takeaways are the following:

The frequency of the Supervisory Board meetings, including the pre-meetings without the Management Board, was considered sufficient. The Supervisory Board is happy with the content of the meetings and the input of the Management Board. The regular contributions and presentations by other key managers are appreciated as well. The dialogue with the Management Board, in and outside the meetings, is perceived as open, transparent and constructive. The result of the evaluation of this year is that with a fourth member in the Supervisory Board, it is possible to start the process to establish an audit and a selection and remuneration committee.

The evaluation and performance of the Management Board took place on an individual basis. We discussed last year's achievements and observations as well as goals and improvements for 2023, including the relevant KPI's and key attention points.

Audit Committee

Under the bylaws of the Supervisory Board, the Supervisory Board may appoint an audit committee when it consists of four or more members. For 2022, no audit committee existed yet due to the fact that the Supervisory Board only consisted of three members for almost 11 of the 12 months. However, in the absence of an audit committee, Willem Ackermans has audit and finance as his focus areas and he was involved in the discussions with the external auditor on the audit plan for financial year 2022 and the Management letter over 2022. On behalf of the Supervisory Board Willem Ackermans is also paying special attention to risk management and other financial and IT items.

Selection and Remuneration Committees

Under the bylaws of the Supervisory Board, the Supervisory Board may appoint a selection and remuneration committee. For 2022, no selection and remuneration committee existed yet due to the fact that the Supervisory Board only consisted of three members for almost 11 of the 12 months. In the absence of the committee, Eline Oudenbroek has a specific focus on selection, remuneration and other HR matters. In 2022, Eline Oudenbroek paid special attention to the employee engagement survey and was intensively involved in the organisational and personnel development of employees, remuneration of the Management Board and Supervisory Board and target setting for the STIP and LTIP.

2023 Committees

With the appointment of the 4th Supervisory Board member, the Supervisory Board will propose to establish an HR Selection & Remuneration Committee and an Audit Committee during the Annual General Shareholders meeting of 2023.

Remuneration report

During the annual general meeting of shareholders of the Company on 7 April 2022 the Shareholders adopted (i) the Company's amended remuneration policy for the Management Board with effect as from 1 January 2022 (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 and the Managing Directors are summarized below and the amounts for 2022 are specified.

In 2022 the Company was able to perform in line with its financial guidance and able to realise its planned expansion program. The Supervisory Board will stick to the agreed Short Term and Long Term bonus schemes and approves the cash bonus for 2022, which will result as outcome of the calculation of the KPI's.

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.

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 2022
Marco Roeleveld - CEO	€392,000
Jeroen van Rossen - CFO	€332,000
Michelle Lesh - CCO	€294,000

Pensions 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 CEO and CFO are entered into for an indefinite term. The management agreement for the CCO is up and until the AGM of 2026. 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 paid if the agreement is terminated earlier at the request or in the event of a seriously negligent behavior of the Director. No such severance payments were made in 2022.

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 30% of the annual base fee with a bandwidth of 20-40%, whereby the performance conditions, weighting and bonus percentages for 2022 are set out below;
- A one-year performance period applies.

STI performance KPI's for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	New product introductions	17.5 %	30.00 %	5.25 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		**100 %**		**38.25 %**

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on € 396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%. The new product introductions are evaluated by the Supervisory Board as an on target performance, resulting in a bonus of 30.00%. With regard to the footprint reduction the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €150 thousand (2021: €40 thousand).

STI performance KPI's for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	Procurement	17.5 %	40.00 %	7.00 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		**100 %**		**40.00 %**

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on €396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%.

With regard to procurement as well as to the footprint reduction for both items the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €133 thousand (2021: €31 thousand).

STI performance KPI's for the CCO - Michelle Lesh		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	Internationalisation	17.5 %	40.00 %	7.00 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		**100 %**		**40.00 %**

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on €396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%. Regarding the internationalisation item the revenue outside of the Netherlands in 2022 amounts to €222.7 million. The on target bonus was set on €144.0 million and the maximum bonus on €154.0 million thus resulting in a bonus of 40.00%. With regard to the footprint reduction the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €118 thousand (2021: €14 thousand, based upon a service period from 1 July 2021 until 31 December 2021).

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, based on the average closing share price of the last three trading days of the preceding year, 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 and two years for grants made in 2020-2021 and 2022, respectively.

The following grants, comprising of Ordinary Shares in the Company, have 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
CEO - Marco Roeleveld	29 April 2021	1,752	€68.75	Nil
CEO - Marco Roeleveld	26 April 2022	1,818	€82.54	Nil
CFO - Jeroen van Rossen	8 April 2020	5,935	€24.55	Nil
CFO - Jeroen van Rossen	29 April 2021	1,363	€68.75	Nil
CFO - Jeroen van Rossen	26 April 2022	1,539	€82.54	Nil
CCO Michelle Lesh	22 July 2021	638	€80.25	Nil
CCO Michelle Lesh	26 April 2022	1,363	€82.54	Nil

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between 0% realisation and 125% realisation.*

LTI performance KPI's for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.50 %	45.21 %	14.69 %
	Adjusted EBITDA	32.50 %	45.00 %	14.62 %
Non-financial performance conditions	Internationalisation	11.67 %	40.60 %	4.74 %
	HSE evaluation	11.67 %	50.00 %	5.84 %
	Footprint reduction and CO2 emissions	11.67 %	50.00 %	5.84 %
LTI 2020		**100 %**		**45.73 %**

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €393.0 million thus resulting in a bonus of 45.21%. The adjusted EBITDA percentage in 2022 amounts to 18.0%. The on target bonus was set on 17.0% thus resulting in a bonus of 45.00%. The revenue outside of the Netherlands as percentage of the overall revenue is 50.6%. The on target bonus was set on 50.0% thus resulting in a bonus of 40.60%. The HSE item is evaluated by the Supervisory Board as an above target performance, resulting in a bonus of 50.00%. With regard to the footprint reduction the maximum bonus of 50.00% is achieved.

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 7,848 the LTI bonus for 2022 amounts to 8,972 shares.

LTI performance KPI's for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.50 %	45.21 %	14.69 %
	Adjusted EBITDA	32.50 %	45.00 %	14.62 %
Non-financial performance conditions	Internationalisation	11.67 %	40.60 %	4.74 %
	HSE evaluation	11.67 %	50.00 %	5.84 %
	Footprint reduction and CO2 emissions	11.67 %	50.00 %	5.84 %
LTI 2020		**100 %**		**45.73 %**

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €393.0 million thus resulting in a bonus of 45.21%. The adjusted EBITDA percentage in 2022 amounts to 18.0%. The on target bonus was set on 17.0% thus resulting in a bonus of 45.00%. The revenue outside of the Netherlands as percentage of the overall revenue is 50.6%. The on target bonus was set on 50.0% thus resulting in a bonus of 40.60%. The HSE item is evaluated by the Supervisory Board as an above target performance, resulting in a bonus of 50.00%. With regard to the footprint reduction the maximum bonus of 50.00% is achieved.

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 5,935 the LTI bonus for 2022 amounts to 6,785 shares.

The LTI grants for the financial year 2022 and 2021 are subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's for the Management Board (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 2022 and 2021 will be based on the outcome of financial year 2024 and 2023, respectively, and thus cannot be determined yet.

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		M. Lesh - CCO	
In EUR '000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Salaries and wages	392	356	332	277	294	130
Short-term incentive plan	150	40	133	31	118	46
Social security contributions	16	18	14	16	13	6
Pension contributions (DC)	23	21	18	17	16	8
Share-based payments	211	88	165	67	56	76
Other	25	34	13	27	13	3
Total	**817**	**557**	**675**	**435**	**510**	**269**
Percentage of variable remuneration	**44%**	**23%**	**44%**	**23%**	**34%**	**45%**

Internal pay ratio

In EUR '000	2022	2021*
Management Board compensation		
Salaries and wages	1,018	763
Short-term incentive plan	401	117
Social security contributions	43	40
Pension contributions (DC)	57	46
Share-based payments	432	231
Total	**1,951**	**1,197**
Average number of FTE's	—	—
Average compensation	**650**	**479**
Employee compensation		
Salaries and wages	44,356	33,658
Social security contributions	6,951	4,900
Pension contributions (DC)	4,603	3,492
Share-based payments	563	410
Total	**56,473**	**42,460**
Average number of FTE's	784	634
Average compensation	**72**	**67**
Internal pay ratio	**9.0**	**7.1**

** 2021 adjusted for comparison purposes in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

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 9, Note 11 and Note 15 of the Consolidated Financial Statements)[1].

The internal pay ratio increased from 7.1 in 2021 to 9.0 in 2022 as a result of the revised remuneration policy for the Management Board as adopted in the AGM of April 2022. This effect is further amplified by above target performance for LTI 2020 and STI 2022.

[1] 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)	2022		2021		2020		2019		2018	
	Actual	△ (%)	Actual	△ (%)	Actual	△ (%)	Actual	△ (%)	Actual	△ (%)
Revenue and other income	439,876	76 %	249,679	32 %	189,010	32 %	143,169	41 %	101,893	n/a
Adjusted EBITDA *	79,370	115 %	36,845	51 %	24,374	68 %	14,525	301 %	3,623	n/a
Average Management Board compensation **	650	36 %	479	23 %	388	44 %	269	3 %	262	n/a
Average employee compensation **	72	7 %	67	5 %	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.*
*** 2021 adjusted for comparison purposes in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

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 2021 a benchmark analysis was performed by an external agency on the remuneration policy for the Management Board. This resulted in an adjusted remuneration policy which was adopted by the Annual General Meeting on 7 April 2022.

Remuneration information for the Supervisory Board

The remuneration of the Supervisory Board is not 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	2022	2021
H. ten Hove	50	50
W.W.M. Ackermans	40	40
E.M. Oudenbroek	40	40
J. van der Vlist - Date of entry 21 November 2022	4	—
Total	**134**	**130**

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

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. For 2022, 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. However, Willem Ackermans paid special attention to internal audit and was involved with the Management letter over 2022. 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 2022, included in this Annual report, have been audited by PwC who have 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 will recommend to the Annual General Meeting of Shareholders, to be held on 6 April 2023, 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 2022 Alfen realised a profit of € 53.0 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

The year 2022 was again a very challenging but also memorable year for our company. Challenging as management and employees, despite ongoing COVID-19 restrictions and laborious supply chain challenges, were able to successfully progress on realising its ambitions. Memorable, since in the past year employees and management more than succeeded in shaping the strong growth of the organisation and people in a responsible and balanced manner. At the same time, this organisation has been able to maintain and strengthen the trust of its customers by consistently delivering its products and services thereby maintaining its characteristic quality and achieving an outstanding financial result.

The Supervisory Board is impressed by the resilience and determination of our employees and has been proud to oversee the many accomplishments of the Company in the past year. We emphasize again that our employees are the essential asset to realise our plans and ambitions. We build on their skills and creativity with the aim of further advancing Alfen to take a prominent position in the energy transition process. We are grateful for their motivation and flexibility.

Last but not least, we would like to thank our (growing) international shareholders base.

We very much appreciate the support and increasing confidence that our shareholders show in Alfen's strategy and ambitions.

Almere, 14 February 2023

The Supervisory Board
Henk ten Hove (Chairman),
Eline Oudenbroek,
Jeanine van der Vlist
Willem Ackermans

Financial statements

Consolidated financial statements

Alfen N.V.
Amsterdam, The Netherlands

Consolidated financial statements
for the year ended 31 December 2022

Consolidated financial statements

Consolidated Statement of Comprehensive Income

In EUR '000	Note	2022	2021
Continuing operations			
Revenue	8	439,876	249,679
		439,876	**249,679**
Operating expenses			
Costs of raw materials and consumables		(262,957)	(148,594)
Costs of outsourced work and other external costs		(23,407)	(11,287)
Personnel expenses	9	(53,749)	(40,051)
Amortisation on intangible assets	17	(3,883)	(3,408)
Depreciation on property, plant and equipment	16	(6,275)	(5,105)
Impairment loss on trade receivables and contract assets	3	(563)	50
Other operating costs	10	(21,296)	(13,594)
		(372,130)	**(221,989)**
Operating profit		**67,746**	**27,690**
Finance income	12	3	4
Finance costs	12	(976)	(996)
Finance income (costs) - net		**(973)**	**(992)**
Profit (loss) before income tax		66,773	26,698
Income tax expense	13	(13,726)	(5,248)
Profit (loss) for the period		**53,047**	**21,450**
Other comprehensive income for the period		—	—
Total comprehensive income for the period		**53,047**	**21,450**
Total comprehensive income for the period (attributable to the owners of the Company)		**53,047**	**21,450**
Earnings per share for profit attributable to the ordinary equity holders	14		
Basic earnings per share		2.45	0.99
Diluted earnings per share		2.43	0.99
Weighted average number of outstanding ordinary shares	14		
Basic		21,695,256	21,694,584
Diluted		21,786,054	21,774,962

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 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	16	33,556	24,955
Intangible assets and goodwill	17	23,533	17,848
Deferred tax assets	18	—	—
Other financial assets	19	1,589	316
Total non-current assets		**58,678**	**43,119**
Current assets			
Inventories	20	131,815	41,582
Trade and other receivables	22	107,686	62,197
Current tax receivables		54	9
Cash and cash equivalents	23	22,841	47,277
Total current assets		**262,396**	**151,065**
Total assets		**321,074**	**194,184**
Group equity	24		
Share capital		2,175	2,175
Share premium		50,651	50,429
Retained earnings		44,710	22,265
Result for the year		53,047	21,450
Total group equity		**150,583**	**96,319**
Liabilities			
Non-current liabilities			
Borrowings	25	12,793	13,639
Deferred tax liabilities	18	5,742	4,221
Provisions	26	47	56
Total non-current liabilities		**18,582**	**17,916**
Current liabilities			
Trade and other payables	27	136,077	71,384
Current tax liabilities		10,221	3,804
Bank overdrafts	23	—	—
Borrowings	25	5,611	4,761
Total current liabilities		**151,909**	**79,949**
Total liabilities		**170,491**	**97,865**
Total equity and liabilities		**321,074**	**194,184**

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 2021		**2,175**	**50,429**	**9,637**	**11,987**	**74,228**
Profit (loss) for the period		—	—	—	21,450	21,450
Other comprehensive income (loss)		—	—	—	—	—
Total comprehensive income (loss) for the period		**—**	**—**	**—**	**21,450**	**21,450**
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		—	—	—	—	—
Purchase of treasury shares		—	—	—	—	—
Share-based payment transactions	11	—	—	641	—	641
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	11,987	(11,987)	—
Balance - 31 December 2021		**2,175**	**50,429**	**22,265**	**21,450**	**96,319**
Profit (loss) for the period		—	—	—	53,047	53,047
Other comprehensive income (loss)		—	—	—	—	—
Total comprehensive income (loss) for the period		**—**	**—**	**—**	**53,047**	**53,047**
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		—	—	—	—	—
Purchase of treasury shares		—	222	—	—	222
Share-based payment transactions	11	—	—	995	—	995
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	21,450	(21,450)	—
Balance - 31 December 2022	**24**	**2,175**	**50,651**	**44,710**	**53,047**	**150,583**

** The outstanding ordinary shares of 21,750,000 includes 54,643 treasury shares as per 31 December 2022 (2021: 55,416)*

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	2022	2021
Cash flows from operating activities			
Operating profit		67,746	27,690
Adjustments for:			
- Depreciation, amortisation and impairment expenses	**16/17**	10,158	8,514
- Change in provision	**26**	(9)	14
- Change other financial assets	**19**	(1,273)	(179)
- Share-based payment expenses	**11**	995	641
Changes in operating assets and liabilities:			
- (Increase)/decrease inventories	**20**	(90,233)	(21,596)
- (Increase)/decrease contract balances	**22**	12,001	6,781
- (Increase)/decrease trade and other receivables	**22**	(34,741)	(28,275)
- Increase/(decrease) trade and other payables	**27**	42,079	21,026
Cash generated from operations		**6,723**	**14,616**
Income taxes (paid)/ received	**13**	(5,567)	(3,452)
Interest (paid)	**12/25**	(730)	(630)
Interest received	**12**	3	4
Net cash inflow/ (outflow) from operating activities		**429**	**10,538**
Cash flows from investing activities			
Payment for property, plant and equipment	**16**	(11,457)	(4,028)
Payment for intangible assets	**17**	(9,568)	(7,654)
Net cash inflow/ (outflow) from investing activities		**(21,025)**	**(11,682)**
Cash flows from financing activities			
Proceeds from issuance of shares		—	—
Purchase of treasury shares		(42)	—
Repayments of borrowings	**4/25**	(3,798)	(3,923)
Dividends paid to company's shareholders		—	—
Net cash inflow/ (outflow) from financing activities		**(3,840)**	**(3,923)**
Net increase/ (decrease) in cash and cash equivalents		**(24,436)**	**(5,067)**
Cash and cash equivalents at the beginning of the year		47,277	52,344
Cash and cash equivalents at the end of the year		**22,841**	**47,277**

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 Germany, Belgium, Finland, 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 14 February 2023. The annual report will be presented to the Annual General Meeting of Shareholders for their adoption on 6 April 2023.

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.

The consolidated financial statements are prepared on the basis that it will continue to operate as a going concern.

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 2022 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 2022 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. Capitalised development projects in progress are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

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 costs

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 costs

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 assets and liabilities

Contract assets and liabilities comprise of revenue recognised (based on the costs for contract work performed 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.

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

Contract assets are subject to the expected credit losses, for which the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance in line with trade and other receivables. Please refer to note 3 for further information.

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 is 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 principal, 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 is 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 2022 and at 31 December 2021 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 2022 and 31 December 2021 was determined as follows for both trade and other receivables and amounts due from customers for contract work:

In EUR '000	31 December 2022				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.2%	0.2%	0.2%	4.8%	7.0%
Gross carrying amount – trade receivables and other receivables	64,399	14,600	4,945	3,439	3,688
Gross carrying amount – amounts due from customers for contract work	17,240	—	—	—	—
Loss allowance	**161**	**29**	**10**	**166**	**259**

	31 December 2021				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.1%	0.1%	0.1%	0.3%	3.5%
Gross carrying amount – trade receivables and other receivables	43,757	7,131	3,320	765	794
Gross carrying amount – amounts due from customers for contract work	6,492	—	—	—	—
Loss allowance	**26**	**4**	**2**	**2**	**28**

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	2022	2021
Balance - At 1 January	**62**	**112**
Amounts written off	—	—
Net remeasurement of loss allowance	563	(50)
Balance – At 31 December	**625**	**62**

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 2022				
	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)	135,683	394	—	—	136,077
Borrowings	281	832	1,697	1,124	3,934
Factoring Alfen Elkamo	1,817	—	—	—	1,817
Lease liabilities	716	2,035	8,341	1,765	12,857
Total non-derivatives	**138,497**	**3,261**	**10,038**	**2,889**	**154,685**

	31 December 2021				
	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)	70,950	434	—	—	71,384
Borrowings	286	849	2,652	1,289	5,076
Factoring Alfen Elkamo	1,188	—	—	—	1,188
Lease liabilities	663	1,864	6,704	3,205	12,436
Total non-derivatives	**73,087**	**3,147**	**9,356**	**4,494**	**90,084**

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 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 net exposure at 31 December 2022 to other foreign exchange movements is €115 thousand in case foreign currency exchange rates are increasing with 1% and is mainly concentrated in the following currency: USD (i.e. procurement) and GBP (i.e. sales).

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 €2.6 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 € 190 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. The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

In EUR '000	31 December 2022	31 December 2021
Borrowings (note 25)	18,404	18,400
Plus: bank overdrafts (note 23)	—	—
Less: cash and cash equivalents (note 23)	(22,841)	(47,277)
Net debt (cash)	(4,437)	(28,877)
Total equity	150,583	96,319
Total capital	**146,146**	**67,442**
Gearing ratio	**(3)%**	**(30)%**

The gearing ratio increased during 2022 due to increased working capital, which is mainly caused by our increased inventory levels.

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 cash/ (debt)
Net cash/(debt) - 1 January 2021	**52,344**	**(5,827)**	**(1,119)**	**(13,042)**	**32,356**
Cash flows	(5,067)	1,059	(67)	2,931	(1,144)
New leases and remeasurements	—	—	—	(1,980)	(1,980)
Other changes	—	(10)	—	(345)	(355)
Net cash/(debt) - 31 December 2021	**47,277**	**(4,778)**	**(1,186)**	**(12,436)**	**28,877**
Cash flows	(24,436)	1,048	(628)	3,378	(20,638)
New leases and remeasurements	—	—	—	(3,419)	(3,419)
Other changes	—	(8)	—	(375)	(383)
Net cash/(debt) - 31 December 2022	**22,841**	**(3,738)**	**(1,814)**	**(12,852)**	**4,437**

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 2022 and 31 December 2021 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 €22.4 and €16.3 million at 31 December 2022 and 31 December 2021, 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 17.

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 our three product groups - i.e. Smart grid solutions, EV charging equipment and Energy storage systems.

IFRS 8 requires disclosures of segment information in alignment with internal management reporting to the Chief Operating Decision Maker ('CODM'). Alfen's CEO is considered the CODM, who is ultimately responsible for reviewing and assessing the performance of the three separately identified product groups.

The CODM monitors the performance of the three product groups, despite the split in revenue, solely on an aggregated basis for resource allocation and overall performance measurement. All financial segment information can therefore 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	**2022**	**2021**
The Netherlands	413,476	226,472
Finland	20,284	19,155
Belgium	6,116	4,052
Total	**439,876**	**249,679**
Non-current assets	**31 December 2022**	**31 December 2021**
The Netherlands	50,754	35,708
Finland	5,761	6,857
Belgium	574	238
Total	**57,089**	**42,803**

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 no customers who individually account for more than 10% of the Company's consolidated revenue.

Note 8 Revenue

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

In EUR '000	2022	2021
Smart grid solutions	142,617	128,178
Energy storage systems	45,498	17,732
EV charging equipment	251,761	103,769
Total	**439,876**	**249,679**

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €161.7 and €6.1 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. €20.3 million - as well as the Company's EV charging equipment revenue of €251.8 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	2022	2021
The Netherlands	217,189	153,708
Other European Union countries	195,028	83,622
Rest of Europe	27,622	12,179
Outside Europe	37	170
Total	**439,876**	**249,679**

Note 9 Personnel expenses

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

In EUR '000	2022	2021
Salaries and wages	45,775	34,538
Social security contributions	6,994	4,940
Pension contributions (DC)	4,660	3,538
Hire indirect personnel	4,141	1,690
Capitalised personnel expense	(7,821)	(4,655)
Total	**53,749**	**40,051**

The average number of FTE's are:

	2022	2021
Direct Employees	399	330
Indirect Employees	388	306
Total	**787**	**636**

As per 31 December 2022, a total of 121 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 28% for 2022.

The base premium for 2023 is set at approximately 28%. Total expected contributions for 2023 amount to €8.1 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 805 active participants in the industry pension plan, which has 170,000 active participants in the total plan. The industry pension fund has a surplus and the coverage ratio per December 2022 is 111.7%. 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 2022 is 18% (2021: 18%). The pension contributions are paid on a monthly basis to the pension fund. The expected net contribution for 2023 amounts to €634 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	2022	2021
Salaries and wages	1,018	925
Short-term incentive plan(s)	401	117
Social security contributions	43	40
Pension costs	57	46
Share-based payments	432	231
Other	51	75
Total	**2,002**	**1,434**

Key management collectively hold 107,851 Ordinary Shares (2021: 127,851) in the share capital of the Company.

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 receive 15,757 (at actual realisation based on the LTIP 2020) and 8,473 (at 100% realisation based on the LTIP 2021-2022) Ordinary Shares. Reference is made to Note 11 for further details.

Note 10 Other operating costs

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

In EUR '000	2022	2021
Housing expenses	2,285	1,329
Other personnel expenses	4,355	2,948
Development expenses	830	865
Other general expenses	13,826	8,452
Total	**21,296**	**13,594**

Note 11 Share-based payments

Share award plans

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
1 January 2021	8,147	Nil
1 January 2022	9,747	Nil

The conditional rights to receive 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 remuneration policy, which has been adopted by the general meeting of shareholders on 7 April 2022, a long-term incentive plan for the Board of Directors is applicable in order to increase the alignment between shareholder's interest and the interest of the Board of Directors.

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

Grant date	Number of Awards Granted *	Exercise price
8 April 2020	13,783	Nil
29 April 2021	3,115	Nil
20 July 2021**	638	Nil
26 April 2022	4,720	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 27,820 (at 125% realisation).*

*** Transferred from Key employees to Board of Directors in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

The conditional rights to receive 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 and a two year holding period after vesting date for grants made in 2020-2021 and 2022, respectively.

In addition, the following discretionary share-based sign-on bonus, with a grant date fair value of €74.25, was made to our CCO on 6 April 2021, which has been vested on 31 December 2021 and transferred on 1 January 2022.

Grant date	Number of Awards Granted	Exercise price
6 April 2021	825	Nil

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	LTIP Key employees	LTIP Board of Directors
Balance – 1 January 2021	**70,372**	**13,783**
Granted	9,610	3,115
Forfeited	(349)	—
Exercised	—	—
Expired	—	—
Balance – 31 December 2021	**79,633**	**16,898**
Granted	9,747	4,720
Performance adjustment	—	1,974
Forfeited	(5,787)	—
Exercised	(1,225)	—
Transferred *	(638)	638
Expired	—	—
Balance – 31 December 2022	**81,730**	**24,230**

** Transferred from Key employees to Board of Directors in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

None of the outstanding shares related to the LTIP Key employees and LTIP Board of Directors are exercisable at 31 December 2022.

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
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 - Key employees	1 January 2021	€82.60
Long-term Incentive Plan - Key employees	1 January 2022	€88.25
Long-term Incentive Plan - Board of Directors	8 April 2020	€24.55
Long-term Incentive Plan - Board of Directors	29 April 2021	€68.75
Long-term Incentive Plan - Board of Directors**	22 July 2021	€80.25
Long-term Incentive Plan - Board of Directors	26 April 2022	€82.54

*** Transferred from Key employees to Board of Directors in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

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	2022	2021 *
Long-term Incentive Plan - Key employees	563	410
Long-term Incentive Plan - Board of Directors	432	231
Total	**995**	**641**

** 2021 adjusted for comparison purposes in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.*

Note 12 Finance income and costs

In EUR '000	2022	2021
Finance costs		
Interest expenses related to lease liabilities	(375)	(345)
Other interest expenses	(601)	(651)
Total finance costs	**(976)**	**(996)**
Finance income		
Other interest income	3	4
Total finance income	**3**	**4**
Net finance income/ (costs)	**(973)**	**(992)**

Note 13 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	2022	2021
Current tax:		
Current tax on profits for the year	(12,109)	(4,051)
Adjustments for previous years	(96)	113
Total current tax expense	**(12,205)**	**(3,938)**
Deferred income tax:		
Income tax on continuing operations	(1,521)	(1,187)
Change in tax rates	—	(123)
Total deferred tax (expense) benefit	**(1,521)**	**(1,310)**
Total income tax expense	**(13,726)**	**(5,248)**

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	2022	2021
Result from continuing operations	53,047	21,450
Total income tax	(13,726)	(5,248)
Profit (loss) before income tax	**66,773**	**26,698**
Tax calculated based on Dutch tax rate	**25.8%**	**25.0%**
Tax effects of:		
- adjustments for previous years	0.1%	(0.4%)
- effect of tax rates in other countries	0.1%	0.1%
- effect of tax incentives	(6.0%)	(5.8%)
- non-taxable expenses	0.4%	0.7%
- change in tax rates	0.0%	0.5%
- other differences	0.2%	(0.4%)
Effective tax rate	**20.6%**	**19.7%**
Applicable tax rate	**25.8%**	**25.0%**

Effect of tax incentives

To drive innovation, Dutch corporate income tax law provides a specific tax incentive scheme known as the Innovation Box facility. Based on this facility, qualified income associated with R&D activities is subject to an effective tax rate of 9% as compared to the Dutch statutory rate of 25.8%.

In financial year 2021, Alfen concluded an agreement with the Dutch tax authorities, in which the application of the innovation box benefit is determined in alignment with Dutch corporate income tax law. This agreement applies for the years 2019 through 2024 assuming facts and circumstances do not change.

The total tax effect of applying the innovation box is 6.0% for financial year 2022.

Non-taxable expenses

Non-taxable items are mainly related to non-deductible share-based payment expenses relating to the Long-term incentive plans.

Note 14 Earnings per share

	2022	2021
Weighted average number of ordinary shares in issue (x1)	21,695,256	21,694,584
Net result attributable to shareholders	53,047,054	21,449,990
Basic earnings per share	2.45	0.99
Allowing for dilution, the earnings per share are as follows:		
Weighted average number of ordinary shares in issue (x1)	21,786,054	21,774,962
Net result attributable to shareholders	53,047,054	21,449,990
Diluted earnings per share	2.43	0.99

Note 15 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		M. Lesh - CCO	
In EUR '000	2022	2021	2022	2021	2022	2021
Salaries and wages	392	356	332	277	294	130
Short-term incentive plan	150	40	133	31	118	46
Social security contributions	16	18	14	16	13	6
Pension contributions (DC)	23	21	18	17	16	8
Share-based payments	211	88	165	67	56	76
Other	25	34	13	27	13	3
Total	**817**	**557**	**675**	**435**	**510**	**269**

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

	Number of Ordinary Shares
M. Roeleveld - CEO	100,582
J. van Rossen - CFO	6,730
M. Lesh - CCO	548

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

Number of Awards Granted *	2022	2021
M. Roeleveld - CEO	1,818	1,752
J. van Rossen - CFO	1,539	1,363
M. Lesh - CCO	1,363	638

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between 0% realisation and 125% realisation.*

The number of Awards granted to the Management Board are subject to certain performance conditions as described in Note 11.

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	2022	2021
H. ten Hove	50	50
W.W.M. Ackermans	40	40
E.M. Oudenbroek	40	40
J. van der Vlist - Date of entry 21 November 2022	4	—
Total	**134**	**130**

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

Note 16 Property, plant and equipment

Property, plant and equipment can be divided into:

In EUR '000	31 December 2022	31 December 2021
Property, plant and equipment - Owned	20,862	12,635
Property, plant and equipment - Right-of-Use	12,694	12,320
Total net book value	**33,556**	**24,955**

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 2021				
Cost	7,033	9,410	1,614	18,057
Accumulated impairments and depreciation	(3,093)	(3,931)	—	(7,024)
Net book value	**3,940**	**5,479**	**1,614**	**11,033**
Year ended 31 December 2021				
Opening net book value	3,940	5,479	1,614	11,033
Additions	—	3,567	461	4,028
Reclassification assets under construction	939	500	(1,439)	—
Disposal	—	(348)	—	(348)
Depreciation for the year	(444)	(1,982)	—	(2,426)
Depreciation of disposal	—	348	—	348
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**4,435**	**7,564**	**636**	**12,635**
At 1 January 2022				
Cost	7,972	13,129	636	21,737
Accumulated impairments and depreciation	(3,537)	(5,565)	—	(9,102)
Closing net book value	**4,435**	**7,564**	**636**	**12,635**
Year ended 31 December 2022				
Opening net book value	4,435	7,564	636	12,635
Additions	134	10,786	537	11,457
Reclassification assets under construction	156	7	(163)	—
Disposal	—	(142)	—	(142)
Depreciation for the year	(453)	(2,777)	—	(3,230)
Depreciation of disposal	—	142	—	142
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**4,272**	**15,580**	**1,010**	**20,862**
At 31 December 2022				
Cost	8,262	23,780	1,010	33,052
Accumulated impairments and depreciation	(3,990)	(8,200)	—	(12,190)
Closing net book value	**4,272**	**15,580**	**1,010**	**20,862**

Right-of-use assets

In EUR '000	Land & buildings	Manufacturing equipment	Cars	Total
At 1 January 2021				
Cost	11,027	1,395	4,693	17,115
Accumulated impairments and depreciation	(1,586)	(313)	(2,193)	(4,092)
Net book value	**9,441**	**1,082**	**2,500**	**13,023**
Year ended 31 December 2021				
Opening net book value	9,441	1,082	2,500	13,023
Additions	784	307	940	2,031
Disposal	—	—	(542)	(542)
Depreciation for the year	(1,250)	(212)	(1,217)	(2,679)
Depreciation of disposal	—	—	487	487
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**8,975**	**1,177**	**2,168**	**12,320**
At 1 January 2022				
Cost	11,811	1,702	5,091	18,604
Accumulated impairments and depreciation	(2,836)	(525)	(2,923)	(6,284)
Closing net book value	**8,975**	**1,177**	**2,168**	**12,320**
Year ended 31 December 2022				
Opening net book value	8,975	1,177	2,168	12,320
Additions	1,592	220	1,607	3,419
Disposal	—	—	—	—
Depreciation for the year	(1,625)	(246)	(1,174)	(3,045)
Depreciation of disposal	—	—	—	—
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**8,942**	**1,151**	**2,601**	**12,694**
At 31 December 2022				
Cost	13,403	1,922	6,698	22,023
Accumulated impairments and depreciation	(4,461)	(771)	(4,097)	(9,329)
Closing net book value	**8,942**	**1,151**	**2,601**	**12,694**

At 31 December 2022, the net carrying amount of leased equipment held under finance lease was €236 thousand (31 December 2021: €295 thousand).

Note 17

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 2021				
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**
Year ended 31 December 2021				
Opening net book value	127	1,832	11,643	13,602
Additions	—	—	7,654	7,654
Acquisitions	—	—	—	—
Amortisation for the year	—	(407)	(3,001)	(3,408)
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**127**	**1,425**	**16,296**	**17,848**
At 1 January 2022				
Cost	127	3,302	27,132	30,561
Accumulated impairments and amortisation	—	(1,877)	(10,836)	(12,713)
Net book value	**127**	**1,425**	**16,296**	**17,848**
Year ended 31 December 2022				
Opening net book value	127	1,425	16,296	17,848
Additions	—	—	9,568	9,568
Acquisitions	—	—	—	—
Amortisation for the year	—	(407)	(3,476)	(3,883)
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**127**	**1,018**	**22,388**	**23,533**
At 31 December 2022				
Cost	127	3,302	36,700	40,129
Accumulated impairments and amortisation	—	(2,284)	(14,312)	(16,596)
Net book value	**127**	**1,018**	**22,388**	**23,533**

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 2022 was 17.1% (2021: 15.4%).
- Residual value: based on a terminal growth rate of 2.0% (2021: 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 2.5 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.

The closing net book value amounts € 22.4 million for the year ended 31 December 2022 (2021: €16.3 million) and includes €2.6 million (2021: €4.6 million) of development projects still in progress.

Total costs for R&D, including amortisation of the capitalised development costs amount to €10.7 and €8.0 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Note 18 Deferred tax balances

The balance comprises temporary differences attributable to:

In EUR '000		
Deferred tax assets	**31 December 2022**	**31 December 2021**
Property, plant and equipment	—	—
Carry forward losses	—	—
Goodwill	116	154
Lease liabilities	79	75
Total	**195**	**229**
Of which:		
Current (< 1 year)	38	38
Non-current (> 1 year)	157	191

Deferred tax liabilities	31 December 2022	31 December 2021
Property, plant and equipment	—	—
Intangible assets	5,937	4,450
Total	**5,937**	**4,450**
Of which:		
Current (< 1 year)	1,472	968
Non-current (> 1 year)	4,465	3,482
Net deferred tax assets	—	—
Net deferred tax liabilities	**5,742**	**4,221**

Note 19 Other financial assets

Other financial assets comprise of long-term deposits paid to international payroll service providers of €276 thousand and a long-term receivable of €1.3 million with the lessor responsible for the construction of a new production location and office building. At 7 July 2021, Alfen concluded a lease contract for a new production location and office building.

During the construction period of the new production location and office building, financing will be provided by Alfen. The construction period is expected to be finalised in the first quarter of 2024. After finalisation of the construction period the financing provided by Alfen will be repaid. At that same moment, a lease will start for a period of 15 years, comprising the land, the production location and the office building.

Note 20 Inventories

In EUR '000	31 December 2022	31 December 2021
Raw materials	131,815	41,582
Total	**131,815**	**41,582**

During 2022 inventories of €1.170 thousand were written down to net realisable value (2021: €757 thousand).

Note 21 Financial instruments by category

In EUR '000	31 December 2022	31 December 2021
Assets	Financial assets at amortised cost	Financial assets at amortised cost
Other financial assets	1,589	316
Trade and other receivables	107,686	62,197
Cash and cash equivalents	22,841	47,277
Total	**132,116**	**109,790**

	31 December 2022	31 December 2021
Liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	18,404	18,400
Trade and other payables	136,077	71,384
Total	**154,481**	**89,784**

Note 22 Trade and other receivables

In EUR '000	31 December 2022	31 December 2021
Trade receivables	71,943	47,078
Less: loss allowance	(625)	(62)
Trade receivables – net	**71,318**	**47,016**
Amounts due from customers for contract work	17,240	6,492
Other taxes	364	328
Other receivables	18,764	8,361
Total	**107,686**	**62,197**
Less non-current portion:	—	—
Current portion	**107,686**	**62,197**

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 2022	31 December 2021
EURO	102,835	59,307
GBP	4,849	2,396
SEK	2	494

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 2022	31 December 2021
Carrying amount of trade receivables transferred to a bank	2,267	1,482
Carrying amount of associated liabilities	(1,814)	(1,186)

Contract assets and liabilities

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

In EUR '000	31 December 2022	31 December 2021
Amounts due from customers for contract work	17,240	6,492
Amounts due to customers for contract work	(32,374)	(9,625)
Total	**(15,134)**	**(3,133)**
The net position relates to:		
Revenue recognised to date	79,238	39,986
Less: progress billings	(94,372)	(43,119)
Total	**(15,134)**	**(3,133)**

Amounts due from customers for contract work concern the Company's right to consideration for work completed but not invoiced at 31 December 2022, 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 €9.6 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 2022.

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 2022 from performance obligations satisfied (or partly satisfied) in prior reporting period is € nil.

No information is provided about remaining performance obligations at 31 December 2022 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 2022	31 December 2021
Cash and cash equivalents	22,841	47,277
Total	**22,841**	**47,277**

The cash and cash equivalents are freely disposable to the Company, except for an amount of €509 thousand on so called G-accounts.

Note 24 Equity

Share capital

Share capital at 31 December 2022 of €2,175,000 (2021: €2,175,000) is divided into 21,750,000 ordinary shares (2021: 21,750,000), fully paid-up, with a par value of €0.1 each (2021: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2021: 40,000,000).

The outstanding ordinary shares of 21,750,000 includes 54,643 treasury shares as per 31 December 2022 (2021: 55,416).

Share premium

The share premium reserve relates to contribution on issued shares in excess of the nominal value of the shares (above par value).

Retained earnings

The retained earnings of €44.7 million are restricted due to a legal reserve of €22.4 million (2021: €16.3 million) which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €53.0 million will be recognised in retained earnings.

Note 25 Borrowings

In EUR '000	31 December 2022	31 December 2021
Borrowings	3,738	4,778
Factoring Alfen Elkamo	1,814	1,186
Lease liabilities	12,852	12,436
Total	**18,404**	**18,400**

The repayment obligations as per 31 December 2022 are as follows:

In EUR '000	31 December 2022	Repayment obligation in 2023	Remaining term > 1 year and <5 year	Remaining term >5years
Borrowings	3,738	1,048	1,599	1,091
Factoring Alfen Elkamo	1,814	1,814	—	—
Lease liabilities	12,852	2,749	8,341	1,762
Total	**18,404**	**5,611**	**9,940**	**2,853**

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;

(v) a CapEx facility up to €27.5 million that will be used to finance our new production location and office building (see note 19); and

(vi) a committed revolving credit facility ("RCF") up to €100 million (2021: €30 million) and a separate committed facility of €40 million (2021: € 10 million) for bank guarantees. The duration of the RCF is three years with two extension options, each for one year.

The 2022 interest rate is 2.5% (2021: 1.9%).

The bank has first ranked mortgages on the real estate owned by the Company with a carrying amount of €2.1 million per 31 December 2022. The real estate has an economic value of € 7.7 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
  - all current and future equipment of the Company;
  - all current and future stocks of the Company;
  - all current and future rights and receivables whether or not resulting from current and future relationships, including the rights from insurance agreements.
- 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 CAPEX-facility are:

- a negative pledge and the "pari passu";
- comply with a Net Debt-to-EBITDA Ratio (adjusted for capitalised development costs) that shall not exceed 3.00:1.00, except for a period of six months after an acquisition, during which period the ratio shall not exceed 3.50:1.00. This covenant was met given our net cash position at 31 December 2022.

Other specific conditions related to the revolving credit facility are:

- a negative pledge and the "pari passu";
- comply with a Net Debt-to-EBITDA Ratio that shall not exceed 3.00:1.00. This covenant was met given our net cash position at 31 December 2022.

Alfen Elkamo Oy Ab holds a separate working capital credit facility up to €1.5 million (2021: €1.5 million) for which a solvency-convenant of 25% is applicable. This solvency-convenant was met at 31 December 2022.

Note 26 Provisions

In EUR '000			
Balance – 1 January 2022	**56**	**Balance – 1 January 2021**	**42**
Additions	—	Additions	29
Deductions	(4)	Deductions	(15)
Other	(5)	Other	—
Balance – 31 December 2022	**47**	**Balance – 31 December 2021**	**56**
Of which:		Of which:	
Current(< 1 year)	11	Current(< 1 year)	12
Non-current (> 1 year)	36	Non-current (> 1 year)	44

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 2022	31 December 2021
Trade payables	71,500	48,325
Amounts due to customers for contract work	32,374	9,625
Other taxes	2,316	3,452
Other liabilities	29,887	9,982
Total	**136,077**	**71,384**

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 2022	31 December 2021
EURO	119,709	68,408
USD	13,990	2,400
GBP	2,378	576

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 16. The Company has no right-of-use assets that meet the definition of investment property.

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 12 and Note 16, respectively, the Company recognised within the statement of comprehensive income €0.2 million (2021: €0.1 million) relating to leases of low value leases and short-term leases.

Total cash outflow for leases in 2022 was €3.6 million (2021: €2.9 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 2022, 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 €4.2 million are outstanding at 31 December 2022 with different end dates in financial year 2023 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

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.

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 9);
- Share-based payments (Note 11);
- Remuneration of the Management Board and Supervisory Board (Note 15).

Note 31 Events after reporting period

There a no events after the reporting period.

Company financial statements

Alfen N.V.
Amsterdam, The Netherlands

Company financial statements
for the year ended 31 December 2022

Company financial statements

Company balance sheet

In EUR '000	Note	31 December 2022	31 December 2021
(before appropiation of profit)			
Assets			
Non-current assets			
Property, plant and equipment	4	1,051	1,122
Investments in subsidiaries	5	108,590	53,965
		109,641	**55,087**
Current assets			
Receivables	6	28,820	4,013
Cash and cash equivalents	7	26,496	43,887
		55,316	**47,900**
Total assets		**164,957**	**102,987**
Equity and liabilities			
Shareholders' equity	8		
Share capital		2,175	2,175
Share premium		50,651	50,429
Legal and statutory reserves		22,388	16,296
Retained earnings		22,322	5,969
Result for the year		53,047	21,450
		150,583	**96,319**
Provisions	5	**2,888**	**1,859**
Non-current liabilities	9	**440**	**495**
Current liabilities	10	**11,046**	**4,314**
Total equity and liabilities		**164,957**	**102,987**

Company income statement

In EUR '000	Note	2022	2021
Depreciation on property, plant and equipment	4	(71)	(72)
General expenses		67	46
Operating profit (loss)		**(4)**	**(26)**
Finance income		—	—
Finance expenses		—	—
Finance income (costs) - net		**—**	**—**
Profit (loss) before income tax		**(4)**	**(26)**
Income tax expense		—	6
Share of net profit of investments in subsidiaries	5	53,051	21,470
Profit (loss) for the period after income tax		**53,047**	**21,450**

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 have been rounded to the nearest thousand, unless otherwise indicated. 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 2021	
Cost	1,468
Accumulated impairments and depreciation	(274)
Net book value	**1,194**
Movements in book value	
Additions	—
Disposals	—
Depreciation for the year	(72)
Depreciation of disposals	—
	(72)
At 31 December 2021	
Cost	1,468
Accumulated impairments and depreciation	(346)
Closing net book value	**1,122**
At 1 January 2022	
Cost	1,468
Accumulated impairments and depreciation	(346)
Net book value	**1,122**
Movements in book value	
Additions	—
Disposals	—
Depreciation for the year	(71)
Depreciation of disposals	—
	(71)
At 31 December 2022	
Cost	1,468
Accumulated impairments and depreciation	(417)
Closing net book value	**1,051**

Note 5 Investments in subsidiaries

The movement in subsidiaries during the years was as follows:

In EUR '000	Investment in subsidiaries
At 1 January 2021	
Investment in subsidiaries	31,212
Movements in book value	
Investments	486
Share of profit in participations	21,470
Reclassification to provision for loss making subsidiaries	797
Capital contribution	—
Dividend received	—
	22,753
At 31 December 2021	
Investment in subsidiaries	53,965
At 1 January 2022	
Investment in subsidiaries	53,965
Movements in book value	
Investments	545
Share of profit in participations	53,051
Reclassification to provision for loss making subsidiaries	1,029
Capital contribution	—
Dividend received	—
	54,625
At 31 December 2022	
Investment in subsidiaries	108,590

The reclassification of €1,029 thousand (2021: €797 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 €2,888 thousand (2021: €1,859 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 2022
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 2022	31 December 2021
Due from affiliated companies	28,361	4,001
Other receivables	459	12
Total	**28,820**	**4,013**

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 2022	31 December 2021
Cash and cash equivalents	26,496	43,887
Total	**26,496**	**43,887**

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

Note 8 Shareholders' equity

Share capital

Share capital at 31 December 2022 of €2,175,000 (2021: €2,175,000) is divided into 21,750,000 ordinary shares (2021: 21,750,000), fully paid-up, with a par value of €0.1 each (2021: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2021: 40,000,000).

The outstanding ordinary shares of 21,750,000 includes 54,643 treasury shares as per 31 December 2022 (2021: 55,416).

Share premium

The share premium reserve relates to contribution on issued shares in excess of the nominal value of the shares (above par value).

Retained earnings

The retained earnings of €44.7 million are restricted due to a legal reserve of €22.4 million (2021: €16.3 million) which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €53.0 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 2021	**2,175**	**50,429**	**11,643**	**(2,006)**	**11,987**	**74,228**
Issuance of ordinary shares, net of tax	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	—
Share-based payment transactions	—	—	—	641	—	641
Dividend	—	—	—	—	—	—
Allocation of prior result	—	—	—	11,987	(11,987)	—
Additions	—	—	4,653	(4,653)	—	—
Profit (loss) for the period	—	—	—	—	21,450	21,450
Balance – 31 December 2021	**2,175**	**50,429**	**16,296**	**5,969**	**21,450**	**96,319**
Issuance of ordinary shares, net of tax	—	—	—	—	—	—
Purchase of treasury shares	—	222	—	—	—	222
Share-based payment transactions	—	—	—	995	—	995
Dividend	—	—	—	—	—	—
Allocation of prior result	—	—	—	21,450	(21,450)	—
Additions	—	—	6,092	(6,092)	—	—
Profit (loss) for the period	—	—	—	—	53,047	53,047
Balance – 31 December 2022	**2,175**	**50,651**	**22,388**	**22,322**	**53,047**	**150,583**

Note 9 Non-current liabilities

In EUR '000	31 December 2022	31 December 2021
Borrowings	500	555
Total	**500**	**555**

The repayment obligation as per 31 December 2022 is as follows:

In EUR '000	31 December 2022	Repayment obligation in 2023	Remaining term > 1 year and <5 year	Remaining term >5years
Borrowings	500	60	240	200
Total	**500**	**60**	**240**	**200**

Repayments due within 12 months of the reporting date in the sum of €60 thousand (2021: €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 2022	31 December 2021
Repayment obligation borrowings	60	60
Trade payables	30	42
Due to affiliated companies	145	120
Corporate income tax	10,155	3,793
Other taxes	55	35
Other liabilities and accrued expenses	601	264
Total	**11,046**	**4,314**

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

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.

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	
	2022	2021	2022	2021	2022	2021
Audit of the financial statements	210	169	—	—	210	169
Other audit procedures	—	—	5	5	5	5
Tax services	—	—	—	—	—	—
Other non-audit services	—	—	—	—	—	—
Total	**210**	**169**	**5**	**5**	**215**	**174**

These fees relate to the audit of the 2022 and 2021 financial statements, regardless of whether the work was performed during the financial year.

Note 13 Average number of employees

During the year 2022, the average number of employees, based on full-time equivalents, was 3 (2021: 3). Of these employees no employees were employed outside the Netherlands.

Note 14 Events after reporting date

There are no events after the reporting period.

Authorisation of the financial statements

Almere, 14 February 2023

Alfen N.V.

Board of Directors,

Marco Roeleveld	**Jeroen van Rossen**	**Michelle Lesh**
CEO	CFO	CCO

Supervisory Board,

Henk ten Hove	**Eline Oudenbroek**	**Willem Ackermans**	**Jeanine van der Vlist**

Other information

Alfen N.V.
Amsterdam, The Netherlands

Other information
for the year ended 31 December 2022

Other information

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 the supervisory board of Alfen N.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Alfen N.V. (‘the Company’) give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2022, and of its result and its 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.

What we have audited

We have audited the accompanying financial statements 2022 of Alfen N.V., Amsterdam.

The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the significant accounting policies 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 regulations in the Netherlands.

Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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 electrical 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 misstatements 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.

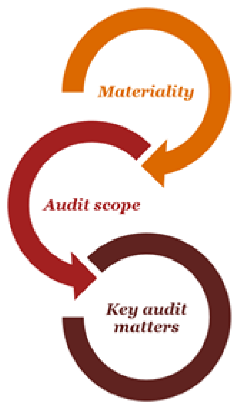
In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In note 6 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the estimation uncertainty and the related higher inherent risks of material misstatement in the estimate of contract work, we considered this matter as key audit matter as set out in the section ‘Key audit matters’ of this report. Furthermore, we identified the capitalisation of development costs as 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 and the existence/occurrence and accuracy of the different revenue streams due to their magnitude to the financial statements.

Alfen N.V. assessed the possible effects of climate change to its financial position; refer to the report of the management board, section ‘favourable markets developments for all our business lines’. We discussed Alfen N.V.’s assessment and governance thereof with the management board and evaluated the potential impact on the financial position including underlying assumptions and estimates. The expected effects of climate change do not impact the key audit matters.

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.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €3,515,000.

Audit scope
- We conducted audit work in the Netherlands and in Finland.
- Audit coverage: 99% of consolidated revenue, 98% of consolidated total assets and 99% of consolidated profit before tax.

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

Materiality

The scope of our audit was 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	€3,515,000 (2021: €1,997,000).
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, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that total revenues is the most relevant metric for the financial performance of the Company, as the Company is currently investing in the execution of its growth strategy, resulting in top-line growth.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €580,000 and €3,515,000.

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 any misstatement identified during our audit above €175,750 (2021: €99,900) 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.

We subjected three components, Alfen B.V., Alfen ICU B.V. and Alfen Elkamo Oy Ab, to audits of their complete financial information, to achieve appropriate coverage on financial line items in the consolidated financial statements. 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	99%
Total assets	98%
Profit before tax	99%

None of the remaining components represented more than 1% 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 group entities Alfen N.V., Alfen B.V. and Alfen ICU B.V. For the component Alfen Elkamo Oy Ab we used a component auditor, who is 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 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 the scope of the work. We explained to the component audit team the structure of the Group, the main developments that were 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 both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditor, their reports, the findings of their procedures and other matters, that 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 more complex items at the head office.

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

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of Alfen N.V. and its environment and the components of the internal control system. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes thereof. We refer to the section 'Risk management and control systems' of the report of the management board for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as among others the code of conduct and whistle blower procedures. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risk	Our audit work and observations
The risk of management override of controls In all our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interest of management. In this context, we paid attention to: • estimates in the valuation of construction contracts; • judgements applied in the capitalisation of development costs; • manual journal entries.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risks of management override of controls. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We conclude that, in the context of our audit, we could rely on this risk relevant measures of internal control. We performed data analysis of high-risk journal entries. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. We also conducted specific audit activities for these entries, as part of which we paid attention to significant transactions outside the normal course of business. We evaluated key estimates and judgements for bias by the management board of Alfen, including retrospective reviews of prior year's estimates related to important estimates of the management board, including the valuation of construction contracts and capitalisation of development costs. We also refer to the key audit matters including our audit work and observations. These procedures also included testing of transactions using inspection of source documents. We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. Our procedures did not identify any material misstatements in the information provided by the management board in the financial statements and the report of the management board compared with the financial statements. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

Identified fraud risk	Our audit work and observations
The risk of fraudulent financial reporting due to overstating the revenues Alfen's objective is to grow, to be innovative in energy products and to realise increase in revenue/results in the future in order to increase shareholder's value. In general, there might be pressure on management to achieve results and increase market share, creating an incentive for management to overstate revenues.	Where relevant to our audit, we evaluated the design and effectiveness of the internal control measures related to revenues and in the processes for generating and processing journal entries related to the revenues. We conclude that, in the context of our audit, we could rely on this risk relevant measures of internal control. We selected journal entries based on risk criteria and performed specific audit procedures for these entries, as part of which we also paid attention to significant transactions outside the normal course of business. We selected a sample of revenue transactions and reconciled these to the contracts or orders, the sales invoices, the shipping documents and the payments. In addition, we evaluated the performance indicators as included in the contracts of Alfen and the accurate recognition of the revenues overtime versus point-in-time. In addition, we selected a sample of accounts receivable for confirmation. Our procedures did not identify any material misstatement in the information provided by the management board in the financial statements and the report of the management board compared with the financial statements. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to accuracy and existence/occurrence of revenue.

We incorporated an element of unpredictability in our audit. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Therefore, we reviewed lawyer's letters and correspondence with regulators. Whenever we identified any indications of fraud, we re-evaluated our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

The management board performed their assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks).

Our procedures to evaluate the management board's going-concern assessment included, amongst others:

- considering whether the management board's going-concern assessment includes all relevant information of which we are aware as a result of our audit, inquire with the management board regarding the management board's most important assumptions underlying its going-concern assessment and considering whether the management board identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including for example the supply chain challenges and the current macroeconomic environment;
- analysing the financial position as at balance sheet date in relation to the financial position as at prior year's balance sheet date to assess whether events or circumstances exist that may lead to a going-concern risk;
- evaluating the management board's current budget including cash flows for at least twelve months from the date of preparation of the financial statements, taken into account current developments in the industry and all relevant information of which we are aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations, including compliance with relevant covenants;
- performing inquiries of the management board as to its knowledge of going-concern risks beyond the period of the management board's assessment.

Our procedures did not result in outcomes contrary to the management board's assumptions and judgements used in the application of the going-concern assumption:

- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations, including compliance with relevant covenants;
- performing inquiries of the management board as to its knowledge of going concern risks beyond the period of the management board's assessment.

We concluded that the management board's use of the going-concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

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.

Key audit matter	Our audit work and observations
Estimates in contract work *Refer to note 6 to the financial statements* Contract assets and liabilities are recognised when the Group 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 €15.1 million and consists of smart grid solutions and energy storage systems. This net balance consists of €79.2 million amounts due from customers for contract work, being the revenue recognised to date less €94.3 million progress billing. For contract work, Alfen uses the cost incurred on the contract in relation to the estimated total costs. The estimated total cost is a critical estimate for Alfen for determining measurement towards complete satisfaction of the performance obligation, as well as for assessing the need for provision for loss-making contracts. The estimated total cost comprises the materials used for production and hours needed for production and transportation costs. Due to the magnitude, the most critical estimated total costs relate to the materials used for production. The contracts of the Company generally contain one performance obligation and include 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 are 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'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'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 attributable to the performance obligation and the balance of the contract asset as at 31 December 2022. In our selection, we 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, smart grid solutions projects and energy storage systems projects were included on a haphazard basis. We performed audit procedures on the accuracy of the costs, which serve as the input for the management board's measurement of the progress towards the completion of the contract. We performed audit procedures on 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 performed audit procedures on the mathematical accuracy of the budgets and progress reports used and reconciled these to the project administration. Furthermore, we performed look-back/subsequent testing procedures to assess whether events took place which impacts the margin at balance sheet date. Based on our audit procedures, we consider the management board's estimate in contract work to be supported by available evidence. In addition, we consider the related disclosure to be adequate.

Key audit matter	Our audit work and observations
Capitalisation of development costs *Refer to note 6 to the financial statements* The intangible assets of Alfen amount to €23.5 million of which €22.4 million relates to capitalised development costs for smart grid solutions, electric vehicle charging equipment and energy storage solutions. During 2022, Alfen capitalised €9.6 million of development costs related to new products and systems or related to new features of existing products and systems. 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 gained an understanding of and evaluated Alfen's process with regard 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 were sold in 2022. The products and systems generated sales or are further developed in 2022. We obtained a listing of all projects for which development costs were capitalised in the period. We 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 criteria for capitalisation of development costs were met. 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 the 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 board's 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 performed audit procedures on 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

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by 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 the 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 procedures 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. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of Alfen N.V. on 11 March 2018 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 11 March 2018. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of four years.

European Single Electronic Format (ESEF)

Alfen N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Alfen N.V., complies, in all material respects, with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.

- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

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.

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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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.

Zwolle, 14 February 2023

PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Appendix to our auditor's report on the financial statements 2022 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 audit committee 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.

Colophon

Alfen Annual Report 2022

Alfen N.V.

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